



SHIRE OF CARNARVON

SCHEDULES

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

TUESDAY 16 JANUARY 2024



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Exit Meeting

ANNUAL FINANCIAL AUDIT OF SHIRE OF CARNARVON FOR THE YEAR ENDED 30 JUNE 2023

ATTENDEES:

Shire of Carnarvon

Eddie Smith	Shire President
Alan Thornton	Deputy CEO
Sarah Driscoll	Senior Finance Officer
Seema Dutt	Senior Finance Officer
Megan Shirt	Finance Consultant

Office of the Auditor General

Renuka Venkatraman	Director, Financial Audit
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William Buck

Conley Manifis	Director
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Interview Date & Time: 18 December 2023 at 10.30 am
Location: via teams

Agenda

1. Introduction
2. Matters Arising from the Audit
 - 2.1. *Financial Statements – unmodified opinion will be recommended*
 - Unmodified opinion will be recommended
 - 2.2. *Controls and Legal Compliance Issues*
 - Issues noted in the final management letter
3. Actions for Next Year's Audit
4. General & Closing Comments

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ACCOUNTANTS & ADVISORS



Shire of Carnarvon
Report to the Audit Committee
For the year ending 30 June 2023

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1. Executive Summary

This executive summary provides a brief overview of the more detailed sections covered in the remainder of this report.

Section	Overview
Purpose and scope	This report sets out the major matters arising from this year's audit, which has been performed in order to enable the Auditor General to express an opinion on the Shire of Carnarvon's (the Shire) financial statements.
Outstanding matters	Our audit of the financial report is substantially complete. We propose to recommend to the Auditor General to issue an unmodified audit opinion on the financial report subject to the completion of: <ul style="list-style-type: none"> — Appropriate procedures relating to subsequent events; — Receipt of the signed management representation letter; and — Certification of the financial report.
Basis of preparation of the financial report	The accounting policies adopted are materiality consistent with the accounting policies in the previous annual financial report.
Summary of unadjusted differences	Please refer to Section 7 of this report for the summary of unadjusted differences.
Key areas of focus and audit response	<p>Our audit procedures were focused on those activities that are considered to represent the key audit risks identified in our audit plan and through discussions with management during the course of our audit. These areas of focus are consistent with those set out in the Audit Strategy Memorandum tabled at the entrance meeting on 28 February 2023.</p> <p>We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the financial report. Please refer to Section 4 of this report for a more detailed discussion on the key areas of focus.</p>
Independence	We confirm that we are independent with respect to professional requirements.
Audit readiness	<p>A certified draft copy of the financial report was provided on 30 September 2023, which was on the agreed date of 30th September 2023.</p> <p>The Shire was 'audit ready' on 2 October 2023 when we commenced our final on-site fieldwork.</p>



2. Overview

We have conducted an audit of the Shire for the year ended 30 June 2023.

Our audit was performed pursuant to the requirements of the Auditor General Act 2006, with the objective of enabling the Auditor General to express an opinion on the financial report.

Our audit was conducted in accordance with *Local Government Act 1995*, *Local Government (Financial Management) Regulation 1996* and to the extent that they are not inconsistent with the Act, Australian Accounting Standards to provide reasonable assurance as to whether the financial report is free from material misstatements. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements will be detected.

We perform procedures under the Auditor General Act 2006 to assess whether in all material aspects all procedures are performed in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulation 1996* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Shire's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which include:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Shire.

This report has been prepared to:

- summarise any major changes affecting the Shire during the year;
- report the key issues arising from our audit;
- provide a summary of any significant changes in financial reporting; and
- draw to the attention of the Audit Committee any other matters of relevance.

We also confirm that all significant matters that we have discussed with management are documented in this report and that we are not aware of any other matters that should be brought to the attention of the Audit Committee.

3. Acknowledgement

We would like to take this opportunity to thank Megan Shirt, Andrea Selvey, Alan Thornton and all the support staff of the Shire for their co-operation and assistance during the course of our audit facilitating a smooth year-end audit process.



4. Key Areas of Focus and Audit Response

Our audit procedures were focused on those areas of the Shire's activities that are considered to represent the key audit risks. These areas of focus were identified as a result of:

- The risk assessment process undertaken during the planning phase of our engagement and were presented to management in our Audit Strategy Memorandum;
- Discussions with management during the course of our audit; and
- Review of internal audit reports.

We are satisfied that the key areas of focus have been addressed appropriately and are properly reflected in the financial report:

1. Revenue Recognition

The Shire's main source of revenue are grants, subsidies and contributions, rates and fees and charges which mainly include transport services. Completeness, existence, and accuracy of revenue were identified as a risk. We have performed the following:

- control testing on revenue transactions and analytical review;
- cut-off testing and credit notes testing subsequent to the financial year; and
- assessed that the Shire's revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not for Profit Entities*.

There were no issues noted with the measurement and recognition of revenue. However, revenue recognition is a presumed fraud risk.

2. Employee expenses and provisions

Employee expenses is one of the major expenses of the Shire. We have performed walkthroughs on key controls, including assessing and checking that the hourly rates used in the termination payout agrees to the employment contract / latest revision.

We have also performed analytical reviews and reviewed the key method and underlying data that management uses when determining accounting estimates related to employee leave provisions.

There were no issues noted with the measurement of employee expense and the provision for employee leave liabilities.

3. Materials and contracts

Material and contract expenses is also one of the major expenses of the Shire. We have performed control testing on expenses, including obtaining and reviewing the current policies and procedures implemented, performed analytical review, and checked that the current policies and procedures implemented on the procurement process are reviewed regularly and aligned with the Local Government Act and Regulations.

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There were no issues noted with the measurement and recognition of material and contract expenses.

4. Cash and cash equivalents

The Shire has significant cash and cash equivalent balance. We have performed the following:

- obtained and reviewed bank reconciliations of the municipal, trust accounts and term deposit statements at 30 June 2023;
- performed analytical review, including independently obtaining bank confirmation and investigating any significant exceptions; and
- checked that restricted cash and cash equivalents have been used for their intended purposes.

There were no issues noted with the existence of cash and cash equivalents.

5. Recoverability of debtors

Collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account, when objective evidence that the Shire will not be able to collect its debts has been established. Receivables are normally settled within 30 days.

We have performed analytical review, including reviewing the Shire's ongoing assessment of collectability of receivables, traced material receivables to subsequent collection, and assessed if the quarterly Business Activity Statements ("BAS") have been submitted to the Australian Tax Office on a timely basis.

There were no issues noted with the measurement and recognition of trade and other receivables, including assessment of expected credit losses.

6. Property, plant and equipment and infrastructure

The Shire owns significant amounts of property plant and equipment and infrastructure assets. Impairment, accuracy of the depreciation charge and appropriateness of asset capitalisation are identified as risks.

We have performed analytical review, including the following:

- recalculated depreciation and reviewed the reasonableness of the assets' useful lives;
- verified significant additions. No work performed on disposals as the disposal amount is not deemed material;
- evaluated the experts' assessment and inputs used to calculate fair value of infrastructure and ensured that the infrastructure is valued at fair value as at 30 June 2023 and the asset revaluation reserve movements are appropriate. The competency and independence of the experts was also assessed;
- evaluated management's assessment of impairment; and
- considered the appropriateness of the accounting treatment of costs incurred as either maintenance or capitalised as asset enhancements.

We note that management has decided to fully impair the OTC Dish - Infrastructure of \$5 million. We have reviewed management's assessment paper and ensured that the impairment is appropriately

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captured in the financial statement. There were no further issues noted with the existence, measurement and recognition of property, plant and equipment and infrastructure assets.

7. Borrowings

The Shire has financing arrangements comprising liquid facility and direct borrowings with the Western Australian Treasury Corporation. There is a risk that borrowings are not recognised in accordance with the Shire's applicable accounting policies and the relevant accounting standards, or the Shire may default on existing covenants with the Western Australian Treasury Corporation.

We have performed the following:

- Understood and tested controls in place around approval, disbursement, repayment of borrowings. There was nil drawdown of borrowings during the financial year;
- Obtained and reviewed the Master Lending Agreement and assessed whether the Shire is in breach of any covenants; and
- Performed analytical review, including independently obtaining loan confirmation and investigating any significant exceptions and assessing the classification between current and non-current.

There were no issues noted with the existence, measurement, recognition, and disclosure of borrowings.

8. Disclosure of related party transactions

The Shire has transactions with related parties which are on normal commercial terms and conditions. There is a risk that related party transactions and balances are not appropriately disclosed in the financial report in accordance with the Shire's applicable accounting policies and the relevant accounting standards.

We have performed the following analytical review, including the following:

- Reviewed and determined that the Shire's accounting policy is in line with AASB 124 *Related Party Disclosures*;
- Enquired and understood the process for identification of related parties, reviewed the register of related party transactions, and assessed whether the disclosures made in the notes to the annual financial report are appropriate; and
- Reviewed the signed declarations from Key Management Personnel and ensures appropriate disclosures have been included in the note to the annual financial report.

There were no issues noted with the disclosure of related party transactions.

5. Control Environment

Accounting systems and controls

As part of our normal statutory audit procedures, we considered the systems and controls existing in respect of the operational and financial activities of the Shire. This allowed us to:

- develop our understanding of the financial and operating procedures;
- document the processes for our permanent files for future reference;

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- review the systems for potential weaknesses and assess the likelihood that errors could occur;
- determine our audit approach (including the degree of reliance on internal controls); and
- ensure that the accounting systems and records were sufficient for the preparation of true and fair financial statements.

Our audit is planned and conducted so as to enable us to express a professional opinion on the statutory financial statements. It is not designed, nor can it be expected to disclose, all defalcations or irregularities. Such matters might be revealed during the course of our work. If this were the case, the matters would be reported to you.

Design effectiveness

Our review indicated that, based on the size of the Shire, the current systems, and processes although well designed, there has been limitations on the controls due mainly to minimal segregation of duties attributed to the limited Finance Team personnels. As such, our audit approach was substantive-based.

Management Letter Findings

The following findings were identified during the audit and reported in the management letter.

Index of findings	Rating			Prior year finding
	Significant	Moderate	Minor	
1. Inadequate physical inspection of infrastructure assets	✓			
2. Super/privileged user access on Synergy Soft	✓			
3. General journals not independently reviewed	✓			✓
4. Unclaimed Monies		✓		✓
5. Accounts Payable Suspense Accounts			✓	✓
6. Inadequate records of signed agreements			✓	

Three out of six findings raised in prior year were re-raised in the current year. We have also noted three new findings during our 30 June 2023 audit.

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6. Independence

Our audit services are subject to the Office of the Auditor General's, William Buck's and applicable Professional Standards requirements, rules, and policies regarding auditor independence, as well as certain statutory requirements. We enforce these policies and values in order to maintain objectivity and to be free of conflicts of interest when discharging our professional responsibilities.

The Office of the Auditor General and William Buck understand the importance of our role as auditors in the external reporting framework and we work hard to maintain an extensive system of quality controls over our audit practices including independence.

7. Summary of Adjusted Audit Differences

In performing our audit of the Shire for the year ended 30 June 2023, we have identified the following adjusted audit differences:

Account name	Original balance \$	Actual balance \$	Variance \$
Employee Costs	8,083,717	8,141,450	57,733
Trade and Other Payables	(1,355,892)	(1,413,625)	(57,733)
<i>Understatement of employee costs.</i>			
Grants, subsidies, and contributions	(17,225,188)	(16,989,565)	235,623
Other assets	1,060,058	824,435	(235,623)
<i>Incorrect recognition of grants revenue and contract assets.</i>			
Asset Revaluation Reserve	(254,213,068)	(252,690,650)	1,522,418*
Property, plant and equipment	29,346,264	32,323,846	2,977,582
Loss on Impairment of Asset	4,500,000	0	(4,500,000)
<i>To correct bridge value as at 30 June 2023 and the loss on impairment of asset which was initially incorrectly accounted through Profit & Loss instead of revaluation surplus.</i>			



8. Summary of Unadjusted Audit Differences

In performing our audit of the Shire for the year ended 30 June 2023, we have identified the following unadjusted audit differences:

Account	Original balance \$	Actual balance \$	Variance \$
Other Liabilities	(1,987,080)	(1,922,374)	64,708
Other Assets	824,435	917,786	93,351
Grants, subsidies, and contributions	(16,989,565)	(16,932,725)	56,840
Retained Surplus	(59,027,588)	(59,242,487)	(214,899)
<i>Being unrecorded adjustment to correct accounting error in relation to contract asset, contract liabilities and LRCI revenue.</i>			

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Auditor General

INDEPENDENT AUDITOR'S REPORT 2023 Shire of Carnarvon

To the Council of the Shire of Carnarvon

Opinion

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

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

The Chief Executive Officer (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 Carnarvon 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.



Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
19 December 2023

SHIRE OF CARNARVON
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. Inadequate physical inspection of infrastructure assets	x	✓			
2. Super/privileged user access on Synergy Soft	x	✓			
3. General journals not independently reviewed	x	✓			✓
4. Unclaimed Monies	x		✓		✓
5. Accounts Payable Suspense Accounts	x			✓	✓
6. Inadequate records of signed agreements	x			✓	

KEY TO RATINGS

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

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

SHIRE OF CARNARVON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Inadequate physical inspection of infrastructure assets****Finding**

We noted that desktop valuations of various infrastructure assets (roads, drainage, pathways, urban drainage, culverts, stock grid, signs and bridges) at 30 June 2023 were completed by Greenfield Technical Services. However there was no comprehensive inspection and condition assessment of individual assets within this asset class, either by management or the independent valuer.

Rating: Significant**Implication**

A comprehensive inspection and condition assessment of all assets that are subject to a formal valuation is essential to ensure that impaired or non-existent assets are identified and that the asset records used for the valuations are updated accordingly.

Recommendation

We recommend that when non-financial asset classes are subject to a formal valuation as required by Regulation 17A of the Local Government (Financial Management) Regulations 1996, a comprehensive inspection and condition assessment of these assets should also be undertaken to ensure that asset impairments and updated asset useful lives are considered in the asset valuations.

Management comment

Greenfield Technical Services prepared a comprehensive inspection and condition assessment of these assets in 2020 and are due to do another in 2024. Since 2020 any new works have been documented into RAMM and any defects noted. As such the Shire is confident that the data in RAMM is sound. The Shire is committed to do every 4 years comprehensive inspection and condition assessment in the future.

The Shire will consider the results of the 2024 pickup and may revalue these assets again at that time if deemed necessary.

Responsible person: Manager Infrastructure and Deputy CEO

Completion date: 30 June 2025

SHIRE OF CARNARVON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****2. Super/ privileged user access on Synergy Soft****Finding**

During our review of Synergy Soft system users at 30 June 2023, we noted that 19 staff were classified as super/privileged users (users with full access to Synergy Soft). This includes 5 staff who have Finance roles in the Shire. In addition, the Shire advised that changes made by super users in Synergy Soft were not independently reviewed as at 30 June 2023.

Rating: Significant**Implication**

There is a risk of fraudulent transactions being processed in Synergy Soft.

Recommendation

Management should review users who have super/privileged access to Synergy Soft on a regular basis and ensure that their roles and user access rights are not inconsistent. An audit report showing the trail of changes made by super users should also be independently reviewed as part of the Shire's month-end reporting process. Evidence of the review should be retained.

Management comment

The number of Super users has been reduced. Changes made to the COA maintenance commencing October 2024 are reviewed by the Finance Team, DCEO and CEO monthly basis.

The number of Super users will be reviewed monthly along with EOM Finance procedures from December 2023.

Responsible person: Deputy CEO and Senior Finance Officer
Completion date 31 December 2023

SHIRE OF CARNARVON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****3. General journals not independently reviewed****Finding**

Most general and rates journals were prepared and posted by the same officer and were not always independently authorised by a senior officer.

This finding was first reported in 2021 and remains unresolved.

Rating: Significant (2021: Significant)**Implication**

General journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved. If general journals are not independently reviewed and approved, there is an increased risk that unauthorised journals could result in errors in financial reports or fraud and can be processed and may pass undetected.

Recommendation

Whilst we did not note any matters of audit significance, to help ensure that general journals are bona-fide and correct, all general and rates journals should be reviewed and approved by a senior officer independent of preparation. Evidence of this review should be retained.

Management comment

General Journals are, in most cases loaded by an Officer or consultant, and updated/reviewed by another officer or the consultant. On very rare occasions both upload and update are done by the same person, if this occurs it is normally the consultant as processes occur out of business hours and are urgent. In all cases the journal print outs are referred to Staff for review as soon as possible. We do note that this process was implement in 2023 and there may be some earlier in the year that are being referred to in this finding.

Monthly processes have been implemented to include General Journal review and processing.

Responsible person: Deputy CEO and Senior Finance Officer
Completion date 31 December 2023

SHIRE OF CARNARVON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****4. Unclaimed monies****Finding 2023**

We noted that the payable balances in general ledger accounts 163910 and 161900, that hold excess monies owed to ratepayers, had a net outstanding balance of \$7,401 at 30 June 2023 which remains consistent with last year's balance, only decreasing by \$23.

Management is unable to quantify the unclaimed monies held for over 6 years that should be transferred to the Department of Treasury under the Act. We understand that a reconciliation of these balances will be completed in FY 2024.

This finding was first reported in 2021 and remains unresolved.

Rating: Moderate (2021: Moderate)**Implication**

There is a risk that trade and other payables may be misstated and the Shire may be in breach of the Unclaimed Money Act 1990.

Recommendation

We recommend that the Shire actively reconciles their unclaimed monies balance and management transfer any unclaimed monies held by the Shire for 6 years or more to the Department of Treasury, where they have been unable to contact the relevant ratepayers.

Management comment

Over the past 9 months the Shire staff have been reconciling old accounts – we recognise that there are funds held in Balance sheet accounts that are in the process of being re-reconciled for possible return to the payee or to post to revenue. This has in some cases proved to be a demanding exercise where the funds have been returned but posted to another expense account, or the funds were deposited to the Shire's Bank account and it is not known why.

The status of these accounts will form part of the monthly reconciliation processes commencing 31st December 2024

Responsible person: Deputy CEO and Senior Finance Officer
Completion date 30 June 2024

SHIRE OF CARNARVON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****5. Accounts Payable Suspense Accounts****Finding 2023**

We noted that the trade and other payables balance reported in the annual financial report at 30 June 2023 included suspense accounts (general ledger account 163810 and 16180) with a balance of \$11,300, a slight increase as compared to the prior year.

This finding was first reported in 2021 and remains unresolved.

Rating: Minor (2021: Minor)**Implication**

Lack of regular and timely review of transactions in the suspense account increases the risk that transactions may not be correctly classified and that balances could be misstated.

Suspense accounts are temporary accounts that must be closed at the end of the financial year.

Recommendation

We recommend that transactions in the suspense accounts are reviewed on a regular basis and posted to the appropriate accounts. Suspense accounts should be reconciled at year end.

Management Comment

Same comment as per finding 4

The status of these accounts will form part of the monthly reconciliation processes commencing 31st December 2024

Responsible person: Deputy CEO and Senior Finance Officer
Completion date 30 June 2024

SHIRE OF CARNARVON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****6. Inadequate records of signed agreements****Finding 2023**

We noted that the Shire's Road Access - Upgrade & Maintenance Deed agreement with Yangibana Pty Ltd dated 25 August 2022 was only signed by the Shire. The Shire could not provide us with a copy of the agreement that was countersigned by Yangibana Pty Ltd.

Rating: Minor**Implication**

There is a risk that the contract is not legally binding.

Recommendation

Management should ensure that there are adequate records of all contracts that are entered into by the Shire, and that copies of contract that are signed by all parties to the agreement are retained on file.

Management Comment

The Shire will seek to source a copy of the agreement signed by Yangibana Pty Ltd. Yangibana have paid the Shire a bond of \$100,000 as per the agreement, so we believe the contract is legally binding.

Responsible person: CEO
Completion date 31 December 2023

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

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

Unity, Humanity, Nature
A connected community across leaders, cultures and generations
A future for every young person
A job-rich economy, built on local strengths
A still-natural environment, looked after and used

The Shire of Carnarvon acknowledges the Yingarrda people as the Traditional Custodians of this land which we work and live on. We pay our respects to their Elders past, present and emerging and extend this respect to all Aboriginal people and their ongoing connection to this Country.

Principal place of business:
 3 Francis Street
 Carnarvon WA 6701



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

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

STATEMENT BY CEO

The attached draft financial report of the Shire of Carnarvon 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 18th day of December 2023



Chief Executive Officer

Andea Selvey
Name of Chief Executive Officer



William Buck Audit (WA) Pty Ltd

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

	NOTE	2023 Actual	2023 Budget	2022 Actual
		\$	\$	\$
Revenue				
Rates	2(a),25	6,679,100	6,588,852	6,107,514
Grants, subsidies and contributions	2(a)	16,989,565	13,740,929	8,910,800
Fees and charges	2(a)	3,586,416	3,246,980	3,153,632
Interest revenue	2(a)	149,660	82,500	89,463
Other revenue	2(a)	498,560	281,750	527,795
		27,903,301	23,941,011	18,789,204
Expenses				
Employee costs	2(b)	(8,141,450)	(7,694,543)	(7,056,342)
Materials and contracts		(14,226,124)	(17,548,507)	(5,796,678)
Utility charges		(870,095)	(834,200)	(829,809)
Depreciation		(8,555,020)	(8,099,260)	(8,404,280)
Finance costs	2(b)	(56,272)	(25,986)	(25,565)
Insurance		(553,806)	(557,451)	(568,070)
Other expenditure	2(b)	(363,738)	(423,500)	(369,049)
		(32,766,505)	(35,183,447)	(23,049,793)
		(4,863,204)	(11,242,436)	(4,260,589)
Capital grants, subsidies and contributions	2(a)	3,988,473	7,005,789	4,525,809
Profit on asset disposals		16,426	0	0
Fair value adjustments to financial assets at fair value through profit or loss	4	6,451	0	6,994
		4,011,350	7,005,789	4,532,803
Net result for the period		(851,854)	(4,236,647)	272,214
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	9(a),16	(31,699,108)	0	0
Total other comprehensive income for the period	16	(31,699,108)	0	0
Total comprehensive income for the period		(32,550,962)	(4,236,647)	272,214

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



William Buck Audit (WA) Pty Ltd

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

	NOTE	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	3	11,951,376	14,542,670
Trade and other receivables	5	2,311,438	1,532,176
Inventories	6	35,957	27,397
Other assets	7	824,435	0
TOTAL CURRENT ASSETS		15,123,206	16,102,243
NON-CURRENT ASSETS			
Trade and other receivables	5	126,999	78,044
Other financial assets	4	142,607	136,156
Property, plant and equipment	8(a)	32,323,846	32,039,246
Infrastructure	9(a)	274,284,942	307,567,265
Right-of-use assets	11(a)	516,684	558,889
TOTAL NON-CURRENT ASSETS		307,395,078	340,379,600
TOTAL ASSETS		322,518,284	356,481,843
CURRENT LIABILITIES			
Trade and other payables	12	1,413,625	3,003,834
Other liabilities	13	1,987,080	3,622,745
Lease liabilities	11(b)	351,698	303,867
Borrowings	14	283,785	46,208
Employee related provisions	15	998,516	778,494
TOTAL CURRENT LIABILITIES		5,034,704	7,755,148
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	194,510	293,755
Borrowings	14	1,595,677	173,201
Employee related provisions	15	77,006	92,390
TOTAL NON-CURRENT LIABILITIES		1,867,193	559,346
TOTAL LIABILITIES		6,901,897	8,314,494
NET ASSETS		315,616,387	348,167,349
EQUITY			
Retained surplus		59,027,588	60,893,021
Reserve accounts	28	3,898,149	2,884,570
Revaluation surplus	16	252,690,650	284,389,758
TOTAL EQUITY		315,616,387	348,167,349

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



William Buck Audit (WA) Pty Ltd

**SHIRE OF CARNARVON
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		60,822,268	2,683,109	284,389,758	347,895,135
Comprehensive income for the period					
Net result for the period		272,214	0	0	272,214
Total comprehensive income for the period		272,214	0	0	272,214
Transfers from reserve accounts	28	0	0	0	0
Transfers to reserve accounts	28	(201,461)	201,461	0	0
Balance as at 30 June 2022		60,893,021	2,884,570	284,389,758	348,167,349
Comprehensive income for the period					
Net result for the period		(851,854)	0	0	(851,854)
Other comprehensive income for the period	16	0	0	(31,699,108)	(31,699,108)
Total comprehensive income for the period		(851,854)	0	(31,699,108)	(32,550,962)
Transfers from reserve accounts	28	2,320,459	(2,320,459)	0	0
Transfers to reserve accounts	28	(3,334,038)	3,334,038	0	0
Balance as at 30 June 2023		59,027,588	3,898,149	252,690,650	315,616,387

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



William Buck Audit (WA) Pty Ltd

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

	NOTE	2023 Actual \$	2022 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		6,491,701	6,153,943
Grants, subsidies and contributions		15,739,935	10,349,837
Fees and charges		3,550,899	3,208,331
Interest revenue		149,660	89,463
Goods and services tax received		612,788	631,765
Other revenue		498,560	527,795
		<u>27,043,543</u>	<u>20,961,134</u>
Payments			
Employee costs		(7,745,088)	(6,794,443)
Materials and contracts		(16,694,056)	(4,864,308)
Utility charges		(870,095)	(829,809)
Finance costs		(56,272)	(25,565)
Insurance paid		(553,806)	(568,070)
Goods and services tax paid		(753,189)	(630,081)
Other expenditure		(377,680)	(331,670)
		<u>(27,050,186)</u>	<u>(14,043,946)</u>
Net cash provided by (used in) operating activities	17(b)	(6,643)	6,917,188
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a)	(1,630,625)	(504,173)
Payments for construction of infrastructure	9(a)	(5,310,011)	(5,150,393)
Capital grants, subsidies and contributions		3,004,485	4,525,809
Proceeds from sale of property, plant & equipment		22,427	0
Net cash provided by (used in) investing activities		<u>(3,913,724)</u>	<u>(1,128,757)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	27(a)	(161,000)	(44,830)
Payments for principal portion of lease liabilities	27(d)	(330,980)	(320,305)
Proceeds from new borrowings	27(a)	1,821,053	0
Net cash provided by (used In) financing activities		<u>1,329,073</u>	<u>(365,135)</u>
Net increase (decrease) in cash held		(2,591,294)	5,423,296
Cash at beginning of year		14,542,670	9,119,374
Cash and cash equivalents at the end of the year	17(a)	<u>11,951,376</u>	<u>14,542,670</u>

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



William Buck Audit (WA) Pty Ltd

SHIRE OF CARNARVON
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	6,389,423	6,312,079	5,844,826
Rates excluding general rates	25	289,677	276,773	262,688
Grants, subsidies and contributions		16,989,565	13,740,929	8,910,800
Fees and charges		3,586,416	3,246,980	3,153,632
Interest revenue		149,660	82,500	89,463
Other revenue		498,560	281,750	527,795
Profit on asset disposals		16,426	0	0
Fair value adjustments to financial assets at fair value through profit or loss	4	6,451	0	6,994
		<u>27,926,178</u>	<u>23,941,011</u>	<u>18,796,196</u>
Expenditure from operating activities				
Employee costs		(8,141,450)	(7,694,543)	(7,056,342)
Materials and contracts		(14,226,124)	(17,548,507)	(5,796,678)
Utility charges		(870,095)	(834,200)	(829,809)
Depreciation		(8,555,020)	(8,099,260)	(8,404,280)
Finance costs		(56,272)	(25,986)	(25,565)
Insurance		(553,806)	(557,451)	(568,070)
Other expenditure		(363,738)	(423,500)	(369,049)
		<u>(32,766,505)</u>	<u>(35,183,447)</u>	<u>(23,049,793)</u>
Non-cash amounts excluded from operating activities	26(a)	8,687,827	8,099,260	6,208,236
Amount attributable to operating activities		<u>3,847,500</u>	<u>(3,143,176)</u>	<u>1,954,641</u>
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		3,988,473	7,005,789	4,525,806
Proceeds from disposal of assets		22,427	0	0
		<u>4,010,900</u>	<u>7,005,789</u>	<u>4,525,806</u>
Outflows from investing activities				
Purchase of property, plant and equipment	8(a)	(1,630,625)	(2,987,772)	(504,173)
Purchase and construction of infrastructure	9(a)	(5,310,011)	(8,977,311)	(5,150,393)
		<u>(6,940,636)</u>	<u>(11,965,083)</u>	<u>(5,654,566)</u>
Amount attributable to investing activities		<u>(2,929,736)</u>	<u>(4,959,294)</u>	<u>(1,128,757)</u>
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from borrowings	27(a)	1,821,053	1,821,053	0
Transfers from reserve accounts	28	2,320,459	2,259,970	0
		<u>4,141,512</u>	<u>4,081,023</u>	<u>0</u>
Outflows from financing activities				
Repayment of borrowings	27(a)	(161,000)	(157,575)	(44,830)
Payments for principal portion of lease liabilities	27(d)	(330,980)	(310,181)	(320,305)
Transfers to reserve accounts	28	(3,334,038)	(2,504,723)	(201,461)
		<u>(3,826,018)</u>	<u>(2,972,479)</u>	<u>(566,596)</u>
Amount attributable to financing activities		<u>315,494</u>	<u>1,108,544</u>	<u>(566,596)</u>
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	26(b)	6,591,094	6,993,926	6,331,806
Amount attributable to operating activities		3,847,500	(3,143,176)	1,954,641
Amount attributable to investing activities		(2,929,736)	(4,959,294)	(1,128,757)
Amount attributable to financing activities		315,494	1,108,544	(566,596)
Surplus or deficit after imposition of general rates	26(b)	<u>7,824,352</u>	<u>0</u>	<u>6,591,094</u>

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



William Buck Audit (WA) Pty Ltd

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

I. BASIS OF PREPARATION

The financial report of the Shire of Carnarvon which is a Class 2 local government comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

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

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

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

The local government reporting entity

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 of the financial report.

Judgements and estimates

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

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

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

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

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
This standard will result in a terminology change for significant accounting policies
- 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

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 CARNARVON
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
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	When assets are controlled
Fees and Charges -Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled	On payment
Fees and Charges - Memberships	Gym and pool membership	Over time	Payment in full in advance	Refunds limited to exceptional circumstances - not usually provided	On payment and issue of access card
Fees and charges for other goods and services	Cemetery services, library fees, rental income, reinstatements and private works	Single point in time	Payment in full in advance	None	Output method based on provision of service or completion of works
Fees and Charges -Sale of stock	Aviation fuel, Diesel fuel and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Output method based on goods
Other Revenue - Reimbursements	On- charge of expenses & Insurance claims	Single point in time	Payment in arrears for claimable event	None	When claim is agreed

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	6,679,100	0	6,679,100
Grants, subsidies and contributions	16,989,565	0	0	0	16,989,565
Fees and charges	3,586,416	0	0	0	3,586,416
Interest revenue	0	0	0	149,660	149,660
Other revenue	498,560	0	0	0	498,560
Capital grants, subsidies and contributions	0	3,988,473	0	0	3,988,473
Total	21,074,541	3,988,473	6,679,100	149,660	31,891,774

For the year ended 30 June 2022

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	6,107,514	0	6,107,514
Grants, subsidies and contributions	8,910,800	0	0	0	8,910,800
Fees and charges	3,153,632	0	0	0	3,153,632
Interest revenue	0	0	0	89,463	89,463
Other revenue	527,795	0	0	0	527,795
Capital grants, subsidies and contributions	0	4,525,809	0	0	4,525,809
Total	12,592,227	4,525,809	6,107,514	89,463	23,315,013

**SHIRE OF CARNARVON
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		
Interest on reserve account funds	25,138	662
Other interest revenue	124,522	88,801
	<u>149,660</u>	<u>89,463</u>
The 2023 original budget estimate in relation to: Trade and other receivables overdue interest was \$0.		

Fees and charges relating to rates receivable

Charges on instalment plan	7,392	6,864
The 2023 original budget estimate in relation to: Charges on instalment plan was \$6,000.		

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report	40,700	50,000
- Other services – grant acquittals	5,850	6,000
	<u>46,550</u>	<u>56,000</u>

Employee Costs

Employee benefit costs	7,917,314	6,848,362
Other employee costs	224,136	207,980
	<u>8,141,450</u>	<u>7,056,342</u>

Finance costs

Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	27(a)(d) 56,272	25,565
Impairment losses on rates and statutory receivables	12,766	50,673
Impairment losses on trade receivables	13,942	1,684
Donations - Community growth fund	81,502	72,883
Councillor Allowances	20(a) 199,388	200,285
Sundry expenses	56,140	43,524
	<u>363,738</u>	<u>369,049</u>

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

3. CASH AND CASH EQUIVALENTS

	Note	2023 \$	2022 \$
Cash at bank and on hand		11,951,376	14,542,670
Total cash and cash equivalents	17(a)	11,951,376	14,542,670
Held as			
- Unrestricted cash and cash equivalents		6,093,109	8,097,834
- Restricted cash and cash equivalents	17(a)	5,858,267	6,444,836
		11,951,376	14,542,670

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.

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 \$
Non-current assets		
Financial assets at fair value through profit or loss	142,607	136,156
Financial assets at fair value through profit or loss	142,607	136,156
Units in Local Government House Trust - opening balance	136,156	129,162
Movement attributable to fair value increment	6,451	6,994
Units in Local Government House Trust - closing balance	142,607	136,156

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 23 (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.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 21.

**SHIRE OF CARNARVON
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	1,087,750	890,343
Trade receivables	991,775	367,072
Other receivables	28,787	26,617
GST receivable	212,558	243,635
Receivables for employee related provisions	15 11,377	11,377
Allowance for credit losses of trade receivables	21(b) (20,809)	(6,868)
	2,311,438	1,532,176
Non-current		
Rates and statutory receivables	92,518	78,044
LSL Receivable	34,481	0
	126,999	78,044

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
	\$	\$	\$
Trade and other receivables from contracts with customers	963,643	350,905	307,574
Contract assets	7 824,435	0	0
Allowance for credit losses of trade receivables	5 (20,809)	(6,868)	(5,184)
Total trade and other receivables from contracts with customers	1,767,269	344,037	302,390

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.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 21.

**SHIRE OF CARNARVON
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	2,193	0
Visitor centre stock	33,764	27,397
	<u>35,957</u>	<u>27,397</u>
The following movements in inventories occurred during the year:		
Balance at beginning of year	27,397	63,092
Inventories expensed during the year	(58,611)	(35,695)
Additions to inventory	67,171	0
Balance at end of year	<u>35,957</u>	<u>27,397</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

7. OTHER ASSETS

	2023	2022
	\$	\$
Other assets - current		
Contract assets	824,435	0
	824,435	0

SIGNIFICANT ACCOUNTING POLICIES

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 CARNARVON
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 - specialised	Buildings - non-specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$		\$	\$	\$
Balance at 1 July 2021	5,343,500	7,896,909	17,576,979	30,817,388	258,554	1,764,593	32,840,535
Additions	0	60,506	0	60,506	71,250	372,417	504,173
Depreciation	0	(939,479)	(29,522)	(969,001)	(56,418)	(280,043)	(1,305,462)
Transfers	0	16,095,266	(16,095,266)	0	0	0	0
Balance at 30 June 2022	5,343,500	23,113,202	1,452,191	29,908,893	273,386	1,856,967	32,039,246
Comprises:							
Gross balance amount at 30 June 2022	5,343,500	24,979,044	1,511,235	31,833,779	433,387	2,652,126	34,919,292
Accumulated depreciation at 30 June 2022	0	(1,865,842)	(59,044)	(1,924,886)	(160,001)	(795,159)	(2,880,046)
Balance at 30 June 2022	5,343,500	23,113,202	1,452,191	29,908,893	273,386	1,856,967	32,039,246
Additions	0	774,501	90,065	864,566	44,919	721,140	1,630,625
Disposals	0	0	0	0	0	(6,002)	(6,002)
Depreciation	0	(944,074)	(29,760)	(973,834)	(48,290)	(317,899)	(1,340,023)
Balance at 30 June 2023	5,343,500	22,943,629	1,512,496	29,799,625	270,015	2,254,206	32,323,846
Comprises:							
Gross balance amount at 30 June 2023	5,343,500	25,753,546	1,601,300	32,698,346	478,306	3,360,266	36,536,918
Accumulated depreciation at 30 June 2023	0	(2,809,917)	(88,804)	(2,898,721)	(208,291)	(1,106,060)	(4,213,072)
Balance at 30 June 2023	5,343,500	22,943,629	1,512,496	29,799,625	270,015	2,254,206	32,323,846

**SHIRE OF CARNARVON
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 or estimated market data for similar properties.	Independent Valuation	June 2020	Price per hectare/market borrowing rate
Buildings - specialised	3	Cost approach using current replacement cost.	Independent Valuation	June 2020	Construction costs and current conditions (level 2), residual values and remaining useful life assessments (level 3) inputs
Buildings - non- specialised	2	Market approach using recent observable or estimated market data for similar properties.	Independent Valuation	June 2020	Observable or estimated open market values / price per square metre
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	N/A	Cost	Not Applicable		Not Applicable
Plant and equipment	N/A	Cost	Not Applicable		Not Applicable

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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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 drainage	Other infrastructure bridges	Other infrastructure footpaths	Other infrastructure parks and ovals	Other infrastructure carparks	Other infrastructure	Other infrastructure airport	Other infrastructure - works in progress	Other infrastructure levee system	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	226,091,412	22,364,152	7,161,676	9,576,050	13,778,933	394,997	10,997,872	10,579,191	0	8,244,450	309,188,733
Additions	3,607,155	52,143	0	38,090	36,597	252,044	376,547	787,817	0	0	5,150,393
Depreciation	(4,876,975)	(308,060)	(152,000)	(203,555)	(297,004)	(20,227)	(249,791)	(622,399)	0	(41,850)	(6,771,861)
Balance at 30 June 2022	224,821,592	22,108,235	7,009,676	9,410,585	13,518,526	626,814	11,124,628	10,744,609	0	8,202,600	307,567,265
Comprises:											
Gross balance at 30 June 2022	244,660,368	23,329,466	7,617,676	10,219,487	14,660,497	707,722	12,057,735	13,209,575	0	8,370,000	334,832,526
Accumulated depreciation at 30 June 2022	(19,838,776)	(1,221,231)	(608,000)	(808,902)	(1,141,971)	(80,908)	(933,107)	(2,464,966)	0	(167,400)	(27,265,261)
Balance at 30 June 2022	224,821,592	22,108,235	7,009,676	9,410,585	13,518,526	626,814	11,124,628	10,744,609	0	8,202,600	307,567,265
Additions	2,995,573	264,069	0	0	613,585	233,276	656,055	506,624	40,829	0	5,310,011
Revaluation increments / (decrements) transferred to revaluation surplus	(62,521,054)	17,777,547	2,177,582	(4,434,120)	0	(155,564)	(1,321,306)	2,875,284	0	13,902,523	(31,699,108)
Depreciation	(4,949,657)	(313,274)	(152,000)	(204,319)	(297,737)	(20,227)	(258,540)	(655,622)	0	(41,850)	(6,893,226)
Transfers	132,191	0	(1,097,676)	0	(13,834,374)	(132,191)	14,835,351	(2,968,005)	96,699	2,968,005	0
Balance at 30 June 2023	160,478,645	39,836,577	7,937,582	4,772,146	0	552,108	25,036,188	10,502,890	137,528	25,031,278	274,284,942
Comprises:											
Gross balance at 30 June 2023	237,562,816	77,092,721	10,242,042	11,177,600	0	803,250	42,324,783	16,705,680	137,528	49,681,203	445,727,623
Accumulated depreciation at 30 June 2023	(77,084,171)	(37,256,144)	(2,304,460)	(6,405,454)	0	(251,142)	(17,288,595)	(6,202,790)	0	(24,649,925)	(171,442,681)
Balance at 30 June 2023	160,478,645	39,836,577	7,937,582	4,772,146	0	552,108	25,036,188	10,502,890	137,528	25,031,278	274,284,942

The revaluation movements in 2022-23 reflect movements to unit rates of assets since the last valuation was performed in 2018 and revised assessments of assets' useful lives by the independent valuer. In addition, there is an impact of the differences in the valuation methodologies used in the 2018 and 2023 valuations as these were performed by different valuers.

**SHIRE OF CARNARVON
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3. INFRASTRUCTURE (Continued)

b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost approach using current replacement cost (Gross revaluation method)	Management Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure drainage	3	Cost approach using current replacement cost (Gross revaluation method)	Management Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure bridges	3	Cost approach using current replacement cost (Gross revaluation method)	Management Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure footpaths	3	Cost approach using current replacement cost (Gross revaluation method)	Management Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure parks and ovals	3	Cost approach using current replacement cost (Gross revaluation method)	Independent Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure carparks	3	Cost approach using current replacement cost (Gross revaluation method)	Independent Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure	3	Cost approach using current replacement cost (Gross revaluation method)	Independent Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure airport	3	Cost approach using current replacement cost (Gross revaluation method)	Independent Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure levee system	3	Cost approach using current replacement cost (Gross revaluation method)	Independent Valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

**SHIRE OF CARNARVON
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10. FIXED ASSETS

(a) 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	10 to 80 years
Furniture and equipment	1 to 15 years
Plant and equipment	1 to 25 years
Sealed roads and streets	
- formation	Not depreciated
- pavement	50 years
Seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
- formation	Not depreciated
- pavement	50 years
- gravel sheet	12 years
Formed roads	
- clearing and earthworks	Not depreciated
- construction/roadbase	50 years
Infrastructure - Footpaths	50 to 90 years
Infrastructure - Drainage	20 to 75 years
Infrastructure - Parks & Ovals	10 to 50 years
Infrastructure - Other Infrastructure	Various
Infrastructure - Bridges	50 years
Infrastructure - Levee System	200 years
Infrastructure - Airport	25 to 75 years
Right of use assets - plant and equipment	Based on remaining term of lease
Right of use assets - furniture and equipment	Based on remaining term of lease

(b) Temporarily Idle or retired from use assets

	<u>2023</u>	<u>2022</u>
	\$	\$
Plant and equipment	76,601	0

(c) Fully Depreciated Assets in Use

	<u>2023</u>	<u>2022</u>
	\$	\$
The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown in the table below.		
Buildings - specialised	15,587	2,077
Furniture and equipment	54,382	0

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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, where applicable, any accumulated depreciation and impairment losses.

Initial recognition and measurement for assets held at cost

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

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

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

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

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

Individual assets that are land, buildings and infrastructure acquired between scheduled revaluation dates of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value.

They are subject to subsequent revaluation at the next revaluation date in accordance with the mandatory measurement framework.

Revaluation

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

Revaluation (continued)

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

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

Depreciation

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

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

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

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

Depreciation on revaluation

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

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

SHIRE OF CARNARVON
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FOR THE YEAR ENDED 30 JUNE 2023

1. 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 - furniture and equipment	Right-of-use assets - plant and equipment	Right-of-use assets Total
		\$	\$	\$
Balance at 1 July 2021		2,311	699,660	701,971
Additions		16,855	167,020	183,875
Depreciation		(4,769)	(322,188)	(326,957)
Balance at 30 June 2022		14,397	544,492	558,889
Gross balance amount at 30 June 2022		16,855	1,535,927	1,552,782
Accumulated depreciation at 30 June 2022		(2,458)	(991,435)	(993,893)
Balance at 30 June 2022		14,397	544,492	558,889
Additions		210,548	69,018	279,566
Depreciation		(10,062)	(311,709)	(321,771)
Balance at 30 June 2023		214,883	301,801	516,684
Gross balance amount at 30 June 2023		227,403	1,604,945	1,832,348
Accumulated depreciation at 30 June 2023		(12,520)	(1,303,144)	(1,315,664)
Balance at 30 June 2023		214,883	301,801	516,684

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	(321,771)	(326,957)
Finance charge on lease liabilities	27(d) (12,887)	(17,992)
Total amount recognised in the statement of comprehensive income	(334,658)	(344,949)
Total cash outflow from leases	(343,867)	(338,297)
b) Lease Liabilities		
Current	351,698	303,867
Non-current	194,510	293,755
	27(d) 546,208	597,622

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(d).

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.

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12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued payroll liabilities
Bonds and deposits held
Other payables - Accrued Expenses

	2023	2022
	\$	\$
	763,611	2,354,038
	93,372	68,890
	374,930	354,684
	100,151	100,447
	81,561	125,775
	1,413,625	3,003,834

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.

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13. OTHER LIABILITIES

	2023	2022
	\$	\$
Current		
Contract liabilities	1,113,113	1,729,273
Capital grant/contributions liabilities	847,005	1,830,993
Other Liabilities - Visitor Centre deposits	26,962	62,479
	<u>1,987,080</u>	<u>3,622,745</u>
Reconciliation of changes in contract liabilities		
Opening balance	1,729,273	144,512
Additions	1,113,113	1,694,800
Revenue from contracts with customers included as a contract liability at the start of the period	(1,729,273)	(110,039)
	<u>1,113,113</u>	<u>1,729,273</u>
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.		
Reconciliation of changes in capital grant/contribution liabilities		
Opening balance	1,830,993	2,134,548
Additions	847,005	173,319
Revenue from capital grant/contributions held as a liability at the start of the period	(1,830,993)	(476,874)
	<u>847,005</u>	<u>1,830,993</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 23(i)) due to the unobservable inputs, including own credit risk.

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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14. BORROWINGS

	Note	2023			2022		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Bank loans		283,785	1,595,677	1,879,462	46,208	173,201	219,409
Total secured borrowings	27(a)	283,785	1,595,677	1,879,462	46,208	173,201	219,409

Secured liabilities and assets pledged as security

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

The Shire of Carnarvon 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 23(i)) due to the unobservable inputs, including own credit risk.

Risk

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

Information regarding exposure to risk can be found at Note 21.

**SHIRE OF CARNARVON
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	485,749	381,164
Long service leave	398,630	397,330
	<u>884,379</u>	<u>778,494</u>
Employee related other provisions		
Employment on-costs	114,137	0
	<u>114,137</u>	<u>0</u>
Total current employee related provisions	<u>998,516</u>	<u>778,494</u>
Non-current provisions		
Employee benefit provisions		
Long service leave	69,552	92,390
Employment on-costs	7,454	0
	<u>77,006</u>	<u>92,390</u>
Total non-current employee related provisions	<u>77,006</u>	<u>92,390</u>
Total employee related provisions	<u>1,075,522</u>	<u>870,884</u>

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

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

	Note	2023	2022
		\$	\$
Amounts are expected to be settled on the following basis:			
Less than 12 months after the reporting date		1,013,793	473,554
More than 12 months from reporting date		15,870	385,953
Expected reimbursements from other WA local governments		45,859	11,377
		<u>1,075,522</u>	<u>870,884</u>

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 CARNARVON
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	13,702,208	0	13,702,208	13,702,208	0	13,702,208
Revaluation surplus - Buildings - non- specialised	3,119,068	0	3,119,068	3,119,068	0	3,119,068
Revaluation surplus - Furniture and equipment	246,839	0	246,839	246,839	0	246,839
Revaluation surplus - Plant and equipment	1,436,222	0	1,436,222	1,436,222	0	1,436,222
Revaluation surplus - Infrastructure - roads	220,207,362	(62,521,054)	157,686,308	220,207,362	0	220,207,362
Revaluation surplus - Other infrastructure drainage	22,147,677	17,777,547	39,925,224	22,147,677	0	22,147,677
Revaluation surplus - Other infrastructure bridges	1,975,480	2,177,582	4,153,062	1,975,480	0	1,975,480
Revaluation surplus - Other infrastructure footpaths	8,599,294	(4,434,120)	4,165,174	8,599,294	0	8,599,294
Revaluation surplus - Other infrastructure carparks	271,768	(155,564)	116,204	271,768	0	271,768
Revaluation surplus - Other infrastructure	2,224,090	(1,321,306)	902,784	2,224,090	0	2,224,090
Revaluation surplus - Other infrastructure airport	7,343,124	2,875,284	10,218,408	7,343,124	0	7,343,124
Revaluation surplus - Other infrastructure levee system	3,116,626	13,902,523	17,019,149	3,116,626	0	3,116,626
	284,389,758	(31,699,108)	252,690,650	284,389,758	0	284,389,758

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

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	Note	2023 Actual \$	2022 Actual \$
Cash and cash equivalents	3	11,951,376	14,542,670
Restrictions			
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	5,858,267	6,444,836
		5,858,267	6,444,836
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts		3,173,149	2,884,570
Unspent loans (held in reserves)	27(c)	725,000	0
Total restricted reserve accounts	28	3,898,149	2,884,570
Contract liabilities	13	1,113,113	1,729,273
Capital grant liabilities	13	847,005	1,830,993
Total restricted financial assets		5,858,267	6,444,836
(b) Reconciliation of Net Result to Net Cash Provided By Operating Activities			
Net result		(851,854)	272,214
Non-cash items:			
Adjustments to fair value of financial assets at fair value through profit or loss		(6,451)	(6,994)
Depreciation/amortisation		8,555,020	8,404,280
(Profit)/loss on sale of asset		(16,426)	0
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		(828,217)	268,272
(Increase)/decrease in other assets		(824,435)	0
(Increase)/decrease in inventories		(8,560)	35,695
Increase/(decrease) in trade and other payables		(1,590,208)	1,176,366
Increase/(decrease) in employee related provisions		204,638	56,415
Increase/(decrease) in other liabilities		(1,635,665)	1,236,749
Capital grants, subsidies and contributions		(3,004,485)	(4,525,809)
Net cash provided by/(used in) operating activities		(6,643)	6,917,188
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank overdraft limit		200,000	200,000
Bank overdraft at balance date		0	0
Credit card limit		13,000	13,000
Credit card balance at balance date		(1,530)	(3,822)
Total amount of credit unused		211,470	209,178
Loan facilities			
Loan facilities - current		283,785	46,208
Loan facilities - non-current		1,595,677	173,201
Total facilities in use at balance date		1,879,462	219,409
Unused loan facilities at balance date		725,000	0

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

18. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the Shire of Carnarvon has one registered contamination site and two other sites with possible sources of contamination.

The Shire of Carnarvon Airport is a registered contamination site, with the classification "contaminated - restricted use". The current use of the site as an airport fits within this classification and is deemed a suitable use. Remediation works were conducted in 2012 removed the primary sources of contamination, and remaining hydrocarbon concentration levels are decreasing over time through biodegradation and are expected to continue to reduce naturally.

Possible sites of contamination are:

- Shire of Carnarvon Coral Bay Landfill Site
- Shire of Carnarvon Brown Range Landfill Site

The Shire has a licence to operate the Coral Bay Landfill site that expires in 2036, it will however be at capacity in 2024 when the Shire will assess potential remediation strategies and costs.

The Shire has a licence to operate the Brown Range Landfill site that expires in 2034 however the Shire projects the capacity of the facility will not be reached for approximately 50 years. The Shire will apply to extend the licence at the appropriate time.

While the licences do not have a specific requirement to rehabilitate the sites at the end of their useful lives the Shire has been progressively capping active cells at both sites therefore remediation on decommissioning of either site is unlikely to be extensive. It is likely that the sites will become registered contaminated sites on decommissioning with use restrictions applicable.

Until the Shire conducts these investigations 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.

19. CAPITAL COMMITMENTS

	2023	2022
	\$	\$
Contracted for:		
- capital expenditure projects	1,533,303	1,585,310
- plant & equipment purchases	737,769	686,415
	2,271,072	2,271,725
Payable:		
- not later than one year	2,271,072	2,271,725
The capital expenditure projects relate to:		
Blowholes Development	148,340	131,028
Coral Bay Airstrip	-	77,030
Fascine Projects	63,514	47,300
Bicycle Network	-	17,810
Robinson St Reconstruction	887,770	-
Youth Precinct Revitalisation Project	433,679	-
Various Roadworks	-	1,312,142
	1,533,303	1,585,310

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

20. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

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

	2023 Actual	2023 Budget	2022 Actual
Note	\$	\$	\$
President's annual allowance	46,896	47,000	46,896
President's meeting attendance fees	17,484	18,750	17,484
	64,380	65,750	64,380
Deputy President's annual allowance	11,724	11,500	13,181
Deputy President's meeting attendance fees	17,484	18,750	17,484
	29,208	30,250	30,665
All other council member's meeting attendance fees	105,016	112,500	104,904
All other council member's travel and accommodation expenses	784	25,000	0
All other council member's annual allowance for travel and accommodation expenses	0	0	336
	105,800	137,500	105,240
20(b)	199,388	233,500	200,285

(b) Key Management Personnel (KMP) Compensation

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

	2023 Actual	2022 Actual
Note	\$	\$
Short-term employee benefits	545,161	1,266,905
Post-employment benefits	57,994	113,291
Employee - other long-term benefits	48,964	66,260
Council member costs	199,388	200,285
	851,507	1,646,741

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.

Council member costs

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

**SHIRE OF CARNARVON
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20. 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	0	782
Materials and contracts (road works)	512,206	2,190,619
Short term employee benefits - other related parties	121,674	102,094

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

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

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

21. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2023					
Cash and cash equivalents	0.51%	11,951,376	0	4,931,977	7,019,399
2022					
Cash and cash equivalents	0.05%	14,542,670	0	4,408,993	10,133,677

Sensitivity

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

	2023	2022
	\$	\$
Impact of a 1% movement in interest rates on profit or loss and equity*	49,320	44,090

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs.

The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 27(a).

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21. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major trade and other receivables comprise contractual non-statutory user fees and charges, grants, contributions and reimbursements. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies.

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

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

The expected loss rates are based on the payment profiles of trade and other receivables over a period of 36 months before 1 July 2022 or 1 July 2023 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of users to settle the receivables.

The loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2023					
Trade receivables					
Expected credit loss	0%	0%	0%	66%	
Gross carrying amount	952,097	7,782	337	31,559	991,775
Loss allowance	0	0	0	20,809	20,809
30 June 2022					
Trade receivables					
Expected credit loss	0.00%	0.00%	0.0405%	0.1856%	
Gross carrying amount	322,538	1,480	7,728	35,326	367,072
Loss allowance	0	0	313	6,555	6,868

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

21. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

	Trade receivables		Rates receivables		Contract Assets	
	2023 Actual	2022 Actual	2023 Actual	2022 Actual	2023 Actual	2022 Actual
	\$	\$	\$	\$	\$	\$
Opening loss allowance as at 1 July	6,868	5,184	0	0	0	(
Increase in loss allowance recognised in profit or loss during the year	13,938	1,684	0	0	0	(
Receivables written off during the year as uncollectible			12,766	50,673		(
Unused amount reversed	3	0	(12,766)	(50,673)	0	(
Closing loss allowance at 30 June	20,809	6,868	0	0	0	(

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

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

Contract Assets

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

**SHIRE OF CARNARVON
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21. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2023</u>					
Trade and other payables	1,413,625	0	0	1,413,625	1,413,625
Borrowings	351,211	1,326,017	447,990	2,125,218	1,879,462
Lease liabilities	351,698	194,510	0	546,208	546,208
	<u>2,116,534</u>	<u>1,520,527</u>	<u>447,990</u>	<u>4,085,051</u>	<u>3,839,295</u>
<u>2022</u>					
Trade and other payables	3,066,313	0	0	3,066,313	3,003,834
Borrowings	52,550	183,927	0	236,477	219,409
Lease liabilities	316,440	298,764	0	615,204	597,622
	<u>3,435,303</u>	<u>482,691</u>	<u>0</u>	<u>3,917,994</u>	<u>3,820,865</u>

**SHIRE OF CARNARVON
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22. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There have been no material events after the reporting period which would affect the financial report of the Shire for the year ended 30th June 2023 or which would require a separate disclosure.

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

24. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

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

Objective	Description
<p>Governance To provide a decision making process for the efficient allocation of scarce resources.</p>	<p>Administration and operations of facilities and services to members of Council. Other costs which relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.</p>
<p>General purpose funding To collect general revenue to allow for the provision of services.</p>	<p>Rates activity, general purpose grants, banking costs and interest revenue.</p>
<p>Law, order, public safety To provide services to help ensure a safer community.</p>	<p>Supervision of various local laws, fire prevention, emergency services, CBD security, administration of the Crime Prevention Plan.</p>
<p>Health To provide an operational framework for good community health.</p>	<p>Food quality and pest control, inspections and infant health. This function also provides for the implementation of the Healthy Lifestyles model.</p>
<p>Education and welfare community in these areas.</p>	<p>Support pre-school facilities and assistance of seniors and retirement villages. This function also provides for Youth Strategy and the accounting of the Carnarvon Youth Co-Ordinating Networks finance as part of the agreement.</p>
<p>Housing To meet the needs of the Shire of Carnarvon Staff.</p>	<p>Staff Housing.</p>
<p>Community amenities To provide sanitary and essential services required by the community. To provide land development strategies and to process land development activities. Environmental sustainability.</p>	<p>Refuse collection services, operation of refuse site, administration of town planning scheme, cemetery services and maintenance, environmental protection services and land development services.</p>
<p>Recreation and culture To establish and manage efficiently infrastructure and resources which will help the social well being of the community.</p>	<p>Operations of the Civic Centre (Camel Lane), aquatic centre and beach areas, regional library service, cultural and heritage services and facilities, reserves, parks and gardens.</p>
<p>Transport To provide effective and efficient transport services to the community.</p>	<p>Maintenance of streets, roads, footpaths, street lighting, airport.</p>
<p>Economic services To help promote and market the Shire of Carnarvon to the world and improve the economic well being. To ensure building development regulations are adhered to.</p>	<p>Noxious weed control, tourism and area promotion, building control and services.</p>
<p>Other property and services To ensure works programs are operating efficiently.</p>	<p>Private works operations, public works operations and plant operations.</p>

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

24. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2023	2022
	Actual	Actual
	\$	\$
Income excluding grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	11,507	90,266
General purpose funding	6,615,340	6,002,587
Law, order, public safety	103,860	36,780
Education And Welfare	28,285	50,465
Health	54,386	39,879
Housing	2,471	535
Community amenities	2,316,116	2,165,685
Recreation and culture	123,706	277,975
Transport	1,034,700	856,718
Economic services	428,653	332,820
Other property and services	217,589	31,688
	10,936,613	9,885,398
Grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	10,000	72,000
General purpose funding	7,745,378	6,384,000
Law, order, public safety	198,266	540,123
Education And Welfare	340,419	398,546
Health	22,490	4,617
Community amenities	160,114	110,000
Recreation and culture	951,703	681,098
Transport	10,341,692	5,120,829
Economic services	1,207,976	125,396
	20,978,038	13,436,609
Total Income	31,914,651	23,322,007
Expenses		
Governance	(1,563,743)	(1,395,711)
General purpose funding	(209,017)	(347,676)
Law, order, public safety	(1,455,411)	(1,215,081)
Education And Welfare	(896,797)	(774,826)
Health	(476,657)	(643,126)
Housing	(121,472)	(14,599)
Community amenities	(2,477,000)	(2,150,858)
Recreation and culture	(4,693,038)	(4,153,095)
Transport	(17,502,665)	(10,203,013)
Economic services	(2,060,137)	(1,075,124)
Other property and services	(1,310,568)	(1,076,684)
Total expenses	(32,766,505)	(23,049,793)
Net result for the period	(851,854)	272,214
(c) Total Assets		
Governance	3,679,834	261,943
General purpose funding	9,825,313	16,916,651
Law, order, public safety	2,190,578	1,456,304
Health	130,856	410,758
Education and welfare	1,816,772	1,883,472
Housing	646,369	579,579
Community amenities	28,534,551	11,572,034
Recreation and culture	36,611,576	39,859,441
Transport	226,486,695	276,211,349
Economic services	282,798	450,543
Other property and services	1,997,239	2,818,550
Unallocated	10,315,703	4,061,219
	322,518,284	356,481,843

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

25. RATING INFORMATION

(a) General Rates

RATE TYPE	Basis of valuation	Rate in \$	Number of Properties	2022/23 Actual Rateable Value \$	2022/23 Actual Rate Revenue \$	2022/23 Actual Interim Rates \$	2022/23 Actual Total Revenue \$	2022/23 Budget Rate Revenue \$	2022/23 Budget Interim Rate \$	2022/23 Budget Total Revenue \$	2021/22 Actual Total Revenue \$
Residential	Gross rental valuation	0.117872	1,287	22,297,569	2,626,390	5,687	2,632,077	2,626,390	(10,000)	2,616,390	2,469,056
Commercial/Industrial	Gross rental valuation	0.109181	273	15,578,600	1,700,887	33,378	1,734,265	1,700,887	0	1,700,887	1,604,587
Special Use/Rural	Gross rental valuation	0.117872	57	1,763,232	207,187	9,184	216,371	207,187	0	207,187	195,485
Mining	Unimproved valuation	0.259827	49	833,944	216,694	15,391	232,085	216,694	0	216,694	173,195
Pastoral	Unimproved valuation	0.118312	31	3,131,820	370,532	(4,327)	366,205	370,532	0	370,532	266,894
Intensive Horticultural	Unimproved valuation	0.027126	170	20,882,500	566,459	8,031	574,490	566,459	0	566,459	535,617
Total general rates			1,867	64,487,665	5,688,149	67,344	5,755,493	5,688,149	(10,000)	5,678,149	5,244,834
Minimum Payment \$											
Residential	Gross rental valuation	1,228	395	3,300,646	485,060	0	485,060	485,060	0	485,060	457,639
Commercial/Industrial	Gross rental valuation	1,228	59	773,528	72,452	0	72,452	72,452	0	72,452	68,356
Special Use/Rural	Gross rental valuation	1,228	47	440,783	57,716	0	57,716	57,716	0	57,716	54,453
Mining	Unimproved valuation	450	17	81,943	7,650	0	7,650	7,650	0	7,650	6,800
Pastoral	Unimproved valuation	1,228	9	8,700	11,052	0	11,052	11,052	0	11,052	10,427
Intensive Horticultural	Unimproved valuation	1,228	0	129,000	0	0	0	0	0	0	2,317
Total minimum payments			527	4,734,600	633,930	0	633,930	633,930	0	633,930	599,992
Total general rates and minimum payments			2,394	69,222,265	6,322,079	67,344	6,389,423	6,322,079	(10,000)	6,312,079	5,844,826
Specified Area Rates											
Coral Bay	Gross rental valuation	0.0724		3,797,846	275,078	0	275,078	264,001	0	264,001	249,058
Ex-gratia Rates											
Dampier Bunbury Pipeline					14,599	0	14,599	14,000	0	14,000	13,630
Total amount raised from rates (excluding general rates)				3,797,846	289,677	0	289,677	278,001	0	278,001	262,688
Concessions							0			(1,228)	0
Total Rates							6,679,100			6,588,852	6,107,514
Rate instalment interest							22,092			18,500	18,605
Rate overdue interest							80,880			62,000	69,236

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.

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

26. DETERMINATION OF SURPLUS OR DEFICIT

		2022/23 Budget	2021/22
		(30 June 2023)	(30 June 2022)
Note	2022/23 (30 June 2023 Carried Forward)	Carried Forward)	Carried Forward
	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
		0	0
	(16,426)		
	(6,451)		(6,994)
10(a)	8,555,020	8,099,260	8,404,280
Non-cash movements in non-current assets and liabilities:			
	(14,474)	0	33,596
	170,158	0	56,414
	0	0	(2,279,060)
Non-cash amounts excluded from operating activities			
	8,687,827	8,099,260	6,208,236
(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			
	(3,898,149)	(3,128,662)	(2,884,570)
Add: Current liabilities not expected to be cleared at end of year			
	283,785	39,390	46,208
	351,698	1,228	303,867
	998,516	579,587	778,494
Total adjustments to net current assets			
	(2,264,150)	(2,508,457)	(1,756,001)
Net current assets used in the Statement of Financial Activity			
	15,123,206	5,823,522	16,102,243
	(5,034,704)	(3,315,065)	(7,755,148)
	(2,264,150)	(2,508,457)	(1,756,001)
Surplus or deficit after imposition of general rates			
	7,824,352	0	6,591,094

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

27. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual							Budget			
		Principal			Principal at 30 June 2022	Principal			Principal at 1 July 2022	Principal		
		Principal at 1 July 2021	New Loans During 2021-22	Repayments During 2021-22		New Loans During 2022-23	Repayments During 2022-23	Principal at 30 June 2023		New Loans During 2022-23	Repayments During 2022-23	Principal at 30 June 2023
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Airport Corrective Works		264,239	0	(44,830)	219,409	0	(46,208)	173,201	174,578	0	(47,110)	127,468
Plant and Equipment		0	0		0	1,821,053	(114,792)	1,706,261	0	1,821,053	(110,465)	1,710,588
Total Borrowings	14	264,239	0	(44,830)	219,409	1,821,053	(161,000)	1,879,462	174,578	1,821,053	(157,575)	1,838,056

All 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	Actual for year ending 30 June 2022
						\$	\$	\$
Airport Corrective Works		216	WATC	3.05%	24/11/2026	(8,847)	(6,343)	(7,572)
Plant and Equipment		217	WATC	3.79%	12/12/2029	(34,538)	(9,000)	0
Total Finance Cost Payments						(43,385)	(15,343)	(7,572)

* WA Treasury Corporation

**SHIRE OF CARNARVON
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27. BORROWING AND LEASE LIABILITIES (Continued)

(b) New Borrowings - 2022/23

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2023 Actual	2023 Budget	2023 Actual	2023 Budget		
Plant and Equipment	WATC	Debenture	7	3.79%	\$ 1,821,053	\$ 1,821,053	\$ (1,096,053)	\$ (1,821,053)	\$ 65,200	\$ 725,000
					\$ 1,821,053	\$ 1,821,053	\$ (1,096,053)	\$ (1,821,053)	\$ 65,200	\$ 725,000

* WA Treasury Corporation

(c) Unspent Borrowings

Particulars	Institution	Date Borrowed	Unspent Balance 1 July 2022	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2023
Plant and Equipment	WATC	12/12/2022	\$ 0	\$ 1,821,053	\$ (1,096,053)	\$ 725,000
			\$ 0	\$ 1,821,053	\$ (1,096,053)	\$ 725,000

* WA Treasury Corporation

(d) Lease Liabilities

Purpose	Note	Actual						Budget				
		Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	Principal at 1 July 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023
Plant and equipment		734,052	167,020	(317,971)	583,101	69,018	(321,327)	330,792	587,002	0	(310,181)	276,821
Furniture and equipment		0	16,855	(2,334)	14,521	0	(4,098)	10,423	1,614	0	0	1,614
IT Equipment		0	0	0	0	210,548	(5,555)	204,993	0	0	0	0
Total Lease Liabilities	11(b)	734,052	183,875	(320,305)	597,622	279,566	(330,980)	546,208	588,616	0	(310,181)	278,435

Lease Finance Cost Payments

Purpose	Note	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022	Lease Term
Photocopier			Richo	2.6%	30/11/2025	\$ (378)	\$ 0	\$ 0	4 years
IT Equipment			Integrated ITC		30/05/2026	(614)	0	0	3 years
Vehicles and Plant			Easifleet/SGFleet	Various	Various	(11,895)	(10,643)	(17,992)	Various
Total Finance Cost Payments						(12,887)	(10,643)	(17,992)	

**SHIRE OF CARNARVON
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8. RESERVE ACCOUNTS	2023	2023	2023	2023	2023	2023	2023	2022	2022	2022	2022	
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by legislation/agreement												
(a) Sar Coral Bay Waste Reserve Equity	71,876	601		72,477	71,860	0	0	71,860	21,860	50,016	0	71,876
	71,876	601	0	72,477	71,860	0	0	71,860	21,860	50,016	0	71,876
Restricted by council												
(b) Leave Reserve	330,201	23,187	0	353,388	330,125	22,791	0	352,916	230,125	100,076	0	330,201
(c) Plant Reserve	192,501	748,028	0	940,529	192,457	22,791	0	215,248	192,457	44	0	192,501
(d) Waste Disposal Reserve	153,359	178	0	153,537	153,324	0	0	153,324	103,324	50,035	0	153,359
(e) Mosquito Management Reserve	6,174	4,066	0	10,240	6,173	800	0	6,973	5,373	801	0	6,174
(f) Asset Upgrades and Renewal Reserve	0	755,314	(190,000)	565,314	0	527,623	0	527,623	0	0	0	0
(g) Emergency Management Reserve	0	289,013	0	289,013	0	288,683	0	288,683	0	0	0	0
(h) Fascine Upgrade and Renewal Reserve	0	395,030	0	395,030	0	394,579	0	394,579	0	0	0	0
(i) Strategic Projects Reserve	0	926,460	0	926,460	0	925,404	0	925,404	0	0	0	0
(j) Blowholes Reserve Management Funds	0	132,829	0	132,829	0	132,750	0	132,750	0	0	0	0
(k) Airport Renewal and Upgrade Reserve	0	59,332	0	59,332	0	59,302	0	59,302	0	0	0	0
(l) Staff Housing Reserve	700,701	0	(700,701)	0	700,540	0	(700,540)	0	700,540	161	0	700,701
(m) Civic Centre Reserve	60,529	0	(60,529)	0	60,515	0	(60,515)	0	60,515	14	0	60,529
(n) Information Technology Reserve	107,090	0	(107,090)	0	107,065	0	(107,065)	0	107,065	25	0	107,090
(o) Airport Reserve	59,316	0	(59,316)	0	59,302	0	(59,302)	0	59,302	14	0	59,316
(p) Surge/Fascine Wall Reserve	414,537	0	(414,537)	0	414,442	0	(414,442)	0	414,442	95	0	414,537
(q) Town Planning Reserve	1,451	0	(1,451)	0	1,451	0	(1,451)	0	1,451	0	0	1,451
(r) Fascine Dredging Reserve	84,712	0	(84,712)	0	84,693	0	(84,693)	0	84,693	19	0	84,712
(s) Flood Mitigation Reserve	11,889	0	(11,889)	0	11,886	0	(11,886)	0	11,886	3	0	11,889
(t) Otc/Nasa Reserve	21,373	0	(21,373)	0	21,368	0	(21,368)	0	21,368	5	0	21,373
(u) Blowholes Reserve	2,751	0	(2,751)	0	2,750	130,000	(132,750)	0	2,750	1	0	2,751
(v) Land & Infrastructure Development Reserve	224,916	0	(224,916)	0	224,864	0	(224,864)	0	224,864	52	0	224,916
(w) Asset Management Reserve	38,905	0	(38,905)	0	38,896	0	(38,896)	0	38,896	9	0	38,905
(x) Emergency Response Reserve	265,463	0	(265,463)	0	265,402	0	(265,402)	0	265,402	61	0	265,463
(y) Country Roads Grading Reserve	135,062	0	(135,062)	0	135,032	0	(135,032)	0	135,032	30	0	135,062
(z) Property Infrastructure Reserve	1,764	0	(1,764)	0	1,764	0	(1,764)	0	1,764	0	0	1,764
	2,812,694	3,333,437	(2,320,459)	3,825,672	2,812,049	2,504,723	(2,259,970)	3,056,802	2,661,249	151,445	0	2,812,694
	2,884,570	3,334,038	(2,320,459)	3,898,149	2,883,909	2,504,723	(2,259,970)	3,128,662	2,683,109	201,461	0	2,884,570

* Includes \$725,000 of loan funds not expected to be utilised until 30/6/2024.

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:

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8. RESERVE ACCOUNTS (Continued)

Name of reserve account Restricted by legislation/agreement	Purpose of the reserve account
(a) Sar Coral Bay Waste Reserve Equity Restricted by council	To be used for maintenance and capital costs associated with Coral Bay refuse site.
(b) Leave Reserve	To fund the current annual and long service leave requirements.
(c) Plant Reserve	To fund the acquisition of new plant as per the Plant Replacement program.
(d) Waste Disposal Reserve	To be used for maintenance or capital expenditure at Brown Range Refuse Site. Annual transfer being revenue as raised by waste charge, less actual expenditure (excluding depreciation) on Carnarvon waste management facilities and service.
(e) Mosquito Management Reserve	To be used for the purpose of delivering services to assist in mosquito management within the Shire of Carnarvon, which includes funding from the Department of Health.
(f) Asset Upgrades and Renewal Reserve	To fund the upgrade and renewal of existing assets.
(g) Emergency Management Reserve	To be used in the preparation for and providing immediate assistance, relief and recovery to the community in response to an emergency within the Shire of Carnarvon.
(h) Fascine Upgrade and Renewal Reserve	To fund the upgrades and renewal of Fascine Infrastructure.
(i) Strategic Projects Reserve	To fund development of strategic projects and new infrastructure.
(j) Blowholes Reserve Management Funds	To fund the implementation of the Blowholes Reserve management plan
(k) Airport Renewal and Upgrade Reserve	To fund upgrades and renewal at the Carnarvon Airport.
(l) Staff Housing Reserve	To be used for major maintenance and capital purchases with respect to staff housing.
(m) Civic Centre Reserve	To be used for major building and equipment upgrades to Carnarvon Civic Centre.
(n) Information Technology Reserve	To be used to fund the Shire of Carnarvon Information Technology Strategy.
(o) Airport Reserve	To be used to contribute to capital costs in relation to the Carnarvon Airport.
(p) Surge/Fascine Wall Reserve	To be used for capital upgrade costs associated with the Fascine Wall.
(q) Town Planning Reserve	To be used to contribute to funding town planning scheme reviews, new scheme & relevant town planning purposes.
(r) Fascine Dredging Reserve	To be used for capital upgrade costs associated with the Fascine Wall.
(s) Flood Mitigation Reserve	To be used to finance Council's obligations with respect to the Flood Mitigation Strategy.
(t) Otc/Nasa Reserve	To be used for the development & conservation of the OTC site.
(u) Blowholes Reserve	To be used to assist with the removal of shack debris and post demolition rehabilitation of shack area.
(v) Land & Infrastructure Development Reserve	To be used for the purchase of land and development of infrastructure within the Shire of Carnarvon.
(w) Asset Management Reserve	To be used for the replacement and improvement of specified assets within the Shire of Carnarvon in accordance with the Shire's Asset Management Plan.
(x) Emergency Response Reserve	To be used in the preparation for and providing immediate assistance, relief and recovery to the community in response to an Emergency within the Shire of Carnarvon.
(y) Country Roads Grading Reserve	To be used for the country roads grading program in seasons when the climatic conditions are suitable.

**SHIRE OF CARNARVON
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29. TRUST FUNDS

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

	1 July 2022	Amounts Received	Amounts Paid	30 June 2023
	\$	\$	\$	\$
Public Open Space Deposits	140,374	0	0	140,374
Private Works	138,110	0	(76)	138,034
Security Deposits	0	100,000	0	100,000
	<u>278,484</u>	<u>100,000</u>	<u>(76)</u>	<u>378,408</u>

Audit Comments 2022

Ref#	Finding	Significant	Moderate	Minor	Assessment	Implication	Recommendation	Management Comment	Follow-up comments
1	Fair value of infrastructure assets, land and buildings – frequency of valuations	✓			The Shire has performed a high-level assessment to determine whether its infrastructure assets, land and buildings represent fair value at 30 June 2022. This review indicated there were no significant movements or impacts on its infrastructure assets, land and buildings. However, this assessment relied on the internal assessment by management of current market conditions and did not specifically identify the market indicators that were assessed. The Shire completed an independent valuation of land and buildings in 2020 and infrastructure assets in 2018.	Without a robust assessment of fair value of Shire's infrastructure assets, land and buildings, there is a risk that the fair value of these assets may not have been assessed adequately and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).	We recommend that the Shire consider implementing as part of the preparation of financial statements, a formal robust process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of the infrastructure assets, land and buildings. Where indicators exist, a robust fair value assessment should be performed in accordance with AASB 13 Fair Value Measurement and the Regulations. This process is to ensure that the Shire's assets are recorded at fair value in compliance with AASB 13 Fair Value Measurement and the Regulations. This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets is likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally, the Shire may consider having this assessment to be peer-reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.	The Shire will review processes and consider the suggestions above during FY23.	Refer comments in 2023 audit.
2	Unreconciled GST balance		✓		Based on our review of the Shire's GST reconciliation, we noted that there is an unreconciled GST related balance of \$89.5k that relates to FY 2019 and/or FY 2020. The error stems from the untimely preparation of the Business Activity Statement (BAS) in the previous financial years. The Shire has advised that they will be correcting this error in FY 2023.	There is a risk that GST amounts reported to the Australian Tax Office (ATO) are incorrect and GST balances are under/overstated in the financial statements.	We recommend that the Shire reconciles the BAS in a timely manner and that an independent Senior Finance Officer reviews the GST reconciliation prior to submitting the BAS to the ATO.	Management is aware of this balance which relates back to prior years. We expect the reconciliation of PY data to be completed and re-reported to the ATO by the end of April 2023. Some of the error (which related to back posted during audit of grant funding GST treatment) has already been corrected.	Resolved in 2023
3	Corporate credit card statements were not all reviewed/ verified			✓	We noted from our review of the Shire's credit card transactions, that the credit card statements for Dannielle Hill for the period 26/4/2022 to 22/5/2022 had no indication of verification by an independent finance officer.	There is a risk that credit card transactions are paid without proper review and verification by an independent finance officer.	We recommend that the Shire verifies all corporate credit card statements prior to settling the credit card dues for the period.	Shire Corporate credit card statements are reconciled using form F056 - Corporate credit card Reconciliation. Details of credit card transactions are listed on the form with associated supporting documentation attached (receipts, invoices etc). Once reconciled the card holder signs the completed form and then forwards the form to Finance for second sign-off and verification. Management will ensure that Finance staff verifies all corporate credit card statements prior to settling the credit card dues for the period as part of the monthly financial reconciliation process.	Resolved in 2023
Matters Outstanding from Prior Year									
4	General Journals not independently reviewed	✓			We noted that most general journals were prepared and posted by the same officer. They were also not always independently reviewed and authorised by a senior officer. In addition, there was no evidence that rates journals in the Billing Verification Register were independently reviewed and authorised by the Finance Manager.	General journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved. If general journals are not independently reviewed and approved, there is an increased risk that unauthorised journals could result in errors in financial reports or fraud and can be processed and may pass undetected.	Whilst we did not note any matters of audit significance, to help ensure that general journals are bona-fide and correct, all general and rates journals should be reviewed and approved by a senior officer independent of preparation. Evidence of this review should be retained.	We recognise this matter and acknowledge that this is likely to have also occurred in 2021/22 and at the commencement of the 2022/23 financial year. However, management practices have been reviewed and general journals are now independently reviewed.	This has been looked into in the financial year 23/24 whereby all journals are reviewed by the Senior Finance Officer and signed off by the management.

5	Bank reconciliations		✓		Our review of the Municipal bank reconciliation for the month of February 2019 noted there are a number of unrepresented cheques which have been outstanding since 2009.	Untimely preparation of bank reconciliations increases the risk of errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reports. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.	Bank reconciliations are a key control and catalyst for many transactions in other general ledger accounts. To help ensure that accounting records are properly maintained, management should ensure that: ☐ Monthly bank reconciliations are prepared in a timely manner and reviewed by an independent senior officer. Evidence of the review should be retained. ☐ long outstanding reconciling items are cleared in a timely manner. Cheques remaining unrepresented for periods exceeding 1 year may either be reissued or transferred to unclaimed monies and ☐ all accounting entries posted to the bank account are reviewed to ensure that they are valid and appropriate.	Management recognises that Bank reconciliations during 2022 were not carried out in a timely manner. Processes in FY 2023 have been streamlined to reduce the number of bank accounts and transfers between accounts due to receiving and banking inter transactions. While at this point in time (Jan 2023) the Municipal bank reconciliations are still lagging, the reserve, trust and Muni online accounts are being reconciled in a timely manner. Staff are reviewing and transacting daily Muni bank statement data and our finance consultant is still assisting with these matters. We believe reconciliation processes are improving.	Resolved in 2023
6	Unclaimed Monies		✓		We noted that the payable balance (general ledger account 163910) holds excess monies owed to ratepayers following the forfeiture and sale of their properties due to the cumulative non-payment of rates. The outstanding balance at 30 June 2021 was \$20,200. This includes \$6,982.89 that has been held for more than 6 years and should have been transferred to the Department of Treasury under the Unclaimed Money Act 1990 (the Act). Management represented that they have attempted but were unable to locate the relevant ratepayers.	There is a risk that trade and other payables may be misstated and the Shire may be in breach of the Unclaimed Money Act 1990.	We recommend that the Shire actively reconciles their unclaimed monies balance and management transfer any unclaimed monies held by the Shire for 6 years or more to the Department of Treasury, where they have been unable to contact the relevant ratepayers.	Management is aware of this balance which relates back to prior years. We expect the reconciliation of PY data to be completed by 30th June 2023	Senior Finance Officers has started with the reconciliation of unclaimed monies. Will be resolved in 23/24
7	Information Technology Framework		✓		Management has advised that the implementation of the treatment action plans to address the 'Extreme' and 'High' risks identified in the IT Framework is still underway. Further, the Shire's IT Strategy and Framework has not yet been formally approved by Council, pending a further review by an ICT provider who was engaged in October 2022.	Without a current IT Framework, Disaster Recovery Policy and Business Continuity Plan, there is an increased risk that the Shire may not have identified and assessed all its information and cybersecurity risks. Further weaknesses in the disaster recovery and business continuity processes may result in a delay in restoring services as well as financial and reputational damage.	We recommend that management reviews the Shire's IT Framework on a regular basis, to ensure that it reflects the current IT environment and risks and includes appropriate plans to address the IT risks. The Framework should be formally adopted by the Council. Further, action plans should be implemented to address the risks identified in the IT Framework.	The Council has since received the IT Framework – See Council resolution 18/10/2022 below. It is noted that the framework will be reviewed every 6 months and is planned to be presented to Council at its the April 2023 meeting. The High Risk noted in 2021 are addressed within a Risk assessment table. Specific matters from FY21 were addressed as follows: a) Off-Site Data Backup >> Daily Backups are completed. SharePoint Migration planned however will need separate Backup plan to be implemented: Cloud Backup completed and Disaster Recovery Plan and data to be implemented with Budget adoption. Cloud back up is occurring and is confirmed to be working by reports from ICT. A weekly report is generated that shows the success rate of daily and hourly backups. b) Disaster Recovery implementation with Recovery Time & Point Objectives >> Review Point to Point Links and qualify dedicated links where possible applying VPN Capabilities to access Shire Networks. This is expected to be reviewed in FY23/24 c) Full Multi-Factor Authentication for increased Security Measures >> Multi factor authentication has been implemented across the organisation & consultants. d) Workstation Lifecycle Management >> 2022/2023 Budget has been created with consideration to asset renewal (replacing servers/computers etc). e) System Information and Event Management>> Security as a Service Offering from ICT offers System event management. Web Filtering rules to be defined for application on Firewall to limit inappropriate use of Shire internet. f) Internal Wi-Fi Restructure for increased performance and Security>> Wi-Fi Infrastructure has been upgraded in Fy23 to strengthen wireless connectivity throughout Shire building.	Resolved in 2023

8	suspend account not cleared at the end of the financial year			✓	The balance in the suspense account remains unadjusted at 30 June 2022.	Lack of regular and timely review of transactions in the suspense account increases the risk that transactions may not be correctly classified and that balances could be misstated. Suspense accounts are temporary accounts that must be closed at the end of the financial year.	We recommend that transactions in the suspense accounts are reviewed on a regular basis and posted to the appropriate accounts. Suspense accounts should be reconciled at year end.	Noted. Management will resolve this in 2022/2023 by improvements to internal processes and by training staff in processes.	
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Audit Comments 2023

Ref#	Finding	Significant	Moderate	Minor	Assessment	Implication	Recommendation	Management Comment	Follow-up comments
1	Inadequate physical inspection of infrastructure assets	✓			We noted that desktop valuations of various infrastructure assets (roads, drainage, pathways, urban drainage, culverts, stock grid, signs and bridges) at 30 June 2023 were completed by Greenfield Technical Services. However there was no comprehensive inspection and condition assessment of individual assets within this asset class, either by management or the independent valuer.	A comprehensive inspection and condition assessment of all assets that are subject to a formal valuation is essential to ensure that impaired or non-existent assets are identified and that the asset records used for the valuations are updated accordingly.	We recommend that when non-financial asset classes are subject to a formal valuation as required by Regulation 17A of the Local Government (Financial Management) Regulations 1996, a comprehensive inspection and condition assessment of these assets should also be undertaken to ensure that asset impairments and updated asset useful lives are considered in the asset valuations.	Greenfield Technical Services prepared a comprehensive inspection and condition assessment of these assets in 2020 and are due to do another in 2024. Since 2020 any new works have been documented into RAMM and any defects noted. As such the Shire is confident that the data in RAMM is sound. The Shire is committed to do every 4 years comprehensive inspection and condition assessment in the future. The Shire will consider the results of the 2024 pickup and may revalue these assets again at that time if deemed necessary.	As per management comments.
2	Super/privileged user access on Synergy Soft	✓			During our review of Synergy Soft system users at 30 June 2023, we noted that 19 staff were classified as super/privileged users (users with full access to Synergy Soft). This includes 5 staff who have Finance roles in the Shire. In addition, the Shire advised that changes made by super users in Synergy Soft were not independently reviewed as at 30 June 2023.	There is a risk of fraudulent transactions being processed in Synergy Soft.	Management should review users who have super/privileged access to Synergy Soft on a regular basis and ensure that their roles and user access rights are not inconsistent. An audit report showing the trail of changes made by super users should also be independently reviewed as part of the Shire's month-end reporting process. Evidence of the review should be retained.	The number of Super users has been reduced. Changes made to the COA maintenance commencing October 2024 are reviewed by the Finance Team, DCEO and CEO monthly basis. The number of Super users will be reviewed monthly along with EDM Finance procedures from December 2023.	Resolved in Financial year 23/24
3	General Journals not independently reviewed	✓			Most general and rates journals were prepared and posted by the same officer and were not always independently authorised by a senior officer.	General journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved. If general journals are not independently reviewed and approved, there is an increased risk that unauthorised journals could result in errors in financial reports or fraud and can be processed and may pass undetected.	Whilst we did not note any matters of audit significance, to help ensure that general journals are bona-fide and correct, all general and rates journals should be reviewed and approved by a senior officer independent of preparation. Evidence of this review should be retained.	General Journals are, in most cases loaded by an Officer or consultant, and updated/reviewed by another officer or the consultant. On very rare occasions both upload and update are done by the same person. If this occurs it is normally the consultant as processes occur out of business hours and are urgent. In all cases the journal print outs are referred to Staff for review as soon as possible. We do note that this process was implemented in 2023 and there may be some earlier in the year that are being referred to in this finding. Monthly processes have been implemented to include General Journal review and processing.	This has already commenced and all journals are signed off on monthly basis.
4	Unclaimed Monies		✓		We noted that the payable balances in general ledger accounts 163910 and 161900, that hold excess monies owed to ratepayers, had a net outstanding balance of \$7,401 at 30 June 2023 which remains consistent with last year's balance, only decreasing by \$23. Management is unable to quantify the unclaimed monies held for over 6 years that should be transferred to the Department of Treasury under the Act. We understand that a reconciliation of these balances will be completed in FY 2024. This finding was first reported in 2021 and remains unresolved.	There is a risk that trade and other payables may be misstated and the Shire may be in breach of the Unclaimed Money Act 1990.	We recommend that the Shire actively reconciles their unclaimed monies balance and management transfer any unclaimed monies held by the Shire for 6 years or more to the Department of Treasury, where they have been unable to contact the relevant ratepayers.	Over the past 9 months the Shire staff have been reconciling old accounts – we recognise that there are funds held in Balance sheet accounts that are in the process of being re-reconciled for possible return to the payee or to post to revenue. This has in some cases proved to be a demanding exercise where the funds have been returned but posted to another expense account, or the funds were deposited to the Shire's Bank account and it is not known why. The status of these accounts will form part of the monthly reconciliation processes commencing 31st December 2023	In progress for the month of December Reconciliations.
5	Accounts Payable Suspense Accounts			✓	We noted that the trade and other payables balance reported in the annual financial report at 30 June 2023 included suspense accounts (general ledger account 163810 and 16180) with a balance of \$11,300, a slight increase as compared to the prior year. This finding was first reported in 2021 and remains unresolved.	Lack of regular and timely review of transactions in the suspense account increases the risk that transactions may not be correctly classified and that balances could be misstated. Suspense accounts are temporary accounts that must be closed at the end of the financial year.	We recommend that transactions in the suspense accounts are reviewed on a regular basis and posted to the appropriate accounts. Suspense accounts should be reconciled at year end.	Same comment as per finding 4 The status of these accounts will form part of the monthly reconciliation processes commencing 31st December 2023	In progress for the month of December Reconciliations.
6	Inadequate records of signed agreements			✓	We noted that the Shire's Road Access - Upgrade & Maintenance Deed agreement with Yangibana Pty Ltd dated 25 August 2022 was only signed by the Shire. The Shire could not provide us with a copy of the agreement that was countersigned by Yangibana Pty Ltd.	There is a risk that the contract is not legally binding.	Management should ensure that there are adequate records of all contracts that are entered into by the Shire, and that copies of contract that are signed by all parties to the agreement are retained on file.	The Shire will seek to source a copy of the agreement signed by Yangibana Pty Ltd. Yangibana have paid the Shire a bond of \$100,000 as per the agreement, so we believe the contract is legally binding.	This has already commenced and all agreements are kept in a folder on s-drive

FMR - Regulation 5

Priority	Ref#	Finding	Significant	Moderate	Minor	Assessment	Implication	Recommendation	Management Comment	Follow-up comments
Regulation Findings for the year ended 30/06/2023										
1	3	5.2.3 CF013 Significant Accounting Policies				Policy to guide the Shire's financial framework in addition to the Australian Accounting Standards (AAS).	Formalisation of accounting policies may result in a conflict with information prepared in annual financial reports required to be prepared in accordance with AAS and the Local Government Financial Management Regulations 1996, given accounting policies with the budget and annual financial report may differ when prepared at the same time but relate to different financial years.	To avoid conflict with the standards and legislation the policy should not include legislative and standards requirements and should enhance these requirements or provide a policy decision where an accounting standard allows a policy choice. Consider rescinding the policy and adopt accounting policies annually within the Annual Statutory budget.	Adopt accounting policies annually within the Annual Statutory budget.	To be actioned
1	5	6.1.2 ICT Disaster Recovery Plan				Plan to address the handling of ICT disaster recovery.	Staff advised an Information and Communication Technology Disaster Recovery Plan has been prepared, however evidence of the plan being tested to ensure its validity was not available for review.	Maintain, review and test the ICT Disaster Recovery Plan to ensure its validity. Identify and document key ICT risks, along with the treatments to reduce the risk to an acceptable level.	ICT Department to run a demonstration on the plan, on quarterly basis and provide report to the Council.	ICT Department developing ICT Disaster Recovery Plan.
1	14	6.2.6 Corporate Transaction Cards				Systems and processes to control use of Corporate Credit / Transaction Cards held.	<ul style="list-style-type: none"> We noted two instances through our testing where credit card expenses were not reviewed and approved by an independent more senior member of staff. Staff representations indicate procedures have been updated to ensure future reviews are performed and evidenced. Our limited testing noted an instance where the tax invoice and support documentation for a credit card transaction did not reconcile with the charge incurred. Signed agreements for corporate credit and transaction cards were not available for our review. As well as credit cards, Policy CF010 Corporate Credit Cards encompasses broader corporate transaction cards including fuel cards, for which user agreements have not been established. We noted limited compliance with policy CF010 in relation to fuel cards, including: <ul style="list-style-type: none"> Documentation to support transactions being routinely maintained or acquitted; and Inadequate processes and controls for lost cards. Formal process to monitor fuel stock purchased and allocated were not available. It was also observed the practice of sharing fuel cards routinely occurs. Allowing the practice of using cards to refuel vehicles other than the card assigned to a Council vehicle will hinder the detection of potential misuse. Fuel is recorded as it is allocated through creditors processes and reviewed for reasonableness periodically, however controls to reconcile fuel usage against purchases are considered inadequate. 	<ul style="list-style-type: none"> Review, update and maintain procedures to require cardholders to review and certify expenses incurred on their credit cards each month, which are subsequently reviewed by an independent more senior member of staff. Maintain updated systems and processes relating to credit cards, to ensure adequate controls exist relating to compliance with adopted policy and approved procedure requirements. These should also provide for robust control and review processes prior to payments being deducted through automated bank payments. Ensure agreements are signed by all corporate transaction card holders to comply with Policy CF010 Corporate Credit Cards. Review systems and procedures to ensure all credit card holders have acknowledged and signed the documentation setting out cardholder responsibilities and legal obligations when using Shire corporate transaction cards. Ensure corporate transaction cards are issued only after this has occurred and documentation has been appropriately filed as required. Develop and implement procedures for the monitoring of fuel purchased in an effort to detect any issue or potential misuse with cards. Procedures should provide for standard procurement systems and controls to be maintained when purchasing fuel. 	<ul style="list-style-type: none"> Senior Finance Officer Operations to report on the current process and procedures used. Reconciliation will form part of end of monthly reporting and reconciliation. 	Reconciliations are performed and presented to Council on monthly basis
1	17	6.2.9 Changes to Banking Details				Controls to validate banking change requests.	We identified weaknesses in the formal procedure to change supplier banking details.	Formal procedures relating to changes to banking details should be updated to ensure sufficient controls exist in both substantiating the change request and the changes performed within the Shire's ERP system. Review and update procedures to ensure the following matters are appropriately considered, documented and controls are adequate to: <ul style="list-style-type: none"> validate the change request and its origin; Authority exists for the change request; and Validate and control the changes once completed. 	<ul style="list-style-type: none"> Senior Finance Officer Reporting to report on the current process and procedures used. Reconciliation will form part of end of monthly reporting and reconciliation. 	Creditors audit trial report is presented and verified with each EFT payments. This shows any changes to the Creditor details.
1	18	6.2.10 Electronic Banking Transactions				Process to reduce opportunity for fraudulent activity with electronic banking.	We noted access to the ABA file from the time of generation to the time of upload to the bank is not adequately restricted with minimal verification process undertaken to ensure the ABA file is unmodified when uploaded to the bank. This may present risk of fraudulent manipulation of the ABA file.	Improve controls to minimise the risk of electronic banking details being fraudulently manipulated through secure storage of ABA banking files. Controls should exist to restrict access to these files, and to detect and prevent any unauthorised changes being made.	<ul style="list-style-type: none"> Senior Finance Officer Operations to report on the current process and procedures used. Reconciliation will form part of end of monthly reporting and reconciliation. 	Creditors audit trial report is presented and verified with each EFT payments. This shows any changes to the Creditor details.
1	21	6.2.13 Interest on Rates Instalments				To determine the interest rate to be imposed where payment of a rate or service charge is made by instalments	Notes to the 2021/22 & 2022/23 statutory budget state interest rates to be imposed on rate instalments is set at 6%. The adopted schedule of fees and charges also sets out the instalment interest rate be set at 6%. The maximum interest rate permitted by regulation 58 of the Local Government (Financial Management) Regulations 1996 is 5.5%.	Ensure future adopted interest rates applied to rates instalments do not exceed regulatory or legislative provisions.	This shall be adopted in every budget and followed through Local Government Act.	Rates parameters have been amended to 5.5%. Staff will ensure percentages are correct for the 24/25 Budget.

1	23	6.2.15 General Journal Entries			Journals are initiated processed which are independently reviewed and approved.	There are limited documented internal control procedures for general journals and limited controls relating to the posting of journals through the Shire's ERP. We noted review and evidence of journals after posting has not been consistently maintained.	Document internal controls to ensure journals requests initiated are reviewed and approved/authorised prior to posting by an appropriate officer, the practice of independent review is consistently maintained, and evidence of review is routinely applied. A monthly journal audit trail report should be produced and independently reviewed and confirmed to previously approved journals prior to preparation of the monthly statement of financial activity.	Senior Finance Officer Reporting to implement.	<i>This has been implemented, general journals are reviewed and authorised prior to update. End of month processes include a full review of all general journals.</i>
1	26	6.2.18 Trust Fund			Controls to ensure no errors exist in the transactions for the trust fund account.	<ul style="list-style-type: none"> The trust fund currently includes bonds, deposits and other transactions. These other transactions include unclaimed monies and suspense account transactions. It is understood from staff representations, the Trust Fund has been undergoing examination to correctly allocate bonds and deposits. Limited processes were noted to monitor transactions in the trust fund to ensure only amounts required to be in the trust fund are maintained within the fund. 	<ul style="list-style-type: none"> Remove all funds which are not required by law to be held in the trust fund, and transfer to the Municipal Fund, in line with the Office of the Auditor General (OAG) position paper on Accounting for Work Bonds, Building Bonds and Hire Bonds released in July 2019. Develop a process to monitor the trust fund to ensure only required funds are kept in the fund. 	Resolved in FY22	Resolved in FY22
1	27	6.2.19 Bank Reconciliations			Processes for the control of the Shire's cash at bank.	Reconciliations for the bank were not always conducted in a timely manner from samples selected for our review. Staff representations detail this was being due to the unavailability of key staff to perform the task. Bank reconciliations are a key control and any untimely, non-reconciled bank accounts are considered a high risk to an organisation.	Progress completion of bank reconciliations for the 2022/23 period as a matter of urgency. Review systems and processes to ensure staff capacity for the regular and timely completion and review of bank reconciliations.	Senior Finance Officer Operations to report on the status of the ledger accounts.	<i>Bank Reconciliations for all bank accounts are completed on a monthly basis, in a timely manner. These are reviewed by the CEO and CFO.</i>
1	33	6.3.3 Payroll			Procedures and practices to allow for appropriate review, processing and approval of fortnightly payroll.	<ul style="list-style-type: none"> In the course of our review, we noted instances where evidence of preparation, review and authorisation of fortnightly payroll reports was not recorded. Payments to third parties processed through payroll deductions were not always processed in a timely manner. Through our limited testing, we noted instances where evidence of correspondence on employee files to support the current rate of pay applied through the payroll was not available, or documentation to support pay rate increases does not contain sufficient detail to support the current pay rate. We observed more recent documentation notifying employees of any changes to their agreed remuneration entitlements contains more clarity and detail to communicate the changes being made and this practice is encouraged to continue. 	<ul style="list-style-type: none"> Implement documented procedures to ensure adequate controls are consistently followed with regard to preparation, review and authorisation of fortnightly payroll reports, with appropriate evidence of these reviews consistently recorded. Review and update systems and controls to ensure payments to third parties from employee payroll deductions are processed in a timely manner following each payroll. Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Where a change to employee conditions takes effect, such as award increases, consider a mechanism to communicate the change to employees. The practice of updating employment agreements where a change in roles and responsibilities should also continue. 	People and Culture Manager to provide update on this.	To be actioned
1	38	7.2.3 Investment Register			Register of investments held to evidence the nature and location of all investments and all transactions in relation to investments.	An investment register was not available for our inspection detailing the nature and location of all investments and all related transactions.	Recording the nature and location of all investments and related transactions is required by Regulation 19 (2) of the Local Government (Financial Management) Regulations 1996. Tracing of funds on maturity of investments is essential and record of where funds are transferred and who authorised the transfer should be maintained within the register. Maintaining printed copies of the investment register, reviewed and authorised by a senior manager, independent of the control of the investments, prevents subsequent amendment to the register.	Senior Finance Officer Operations to provide a report on this.	<i>Prior to 23/24 the Shire did not invest funds. Staff have recently invested funds in Term deposits and are developing documented procedures.</i>
2	1	5.2.1 Policy Reference to Legislation and External Information	✓		To support the link between Council policy, legislation and other information sources.	<p>We noted some policies contain specific detail relating to legislation and other external references, including:</p> <ul style="list-style-type: none"> CF06 Financial Hardship CF012 Rates Changes <p>This practice may result in conflict between the policy and legislation or guidance in the instance of a change in legislation, guidance, or other external references.</p>	Update policies to remove specific and / or detailed references to legislation and other external references to assist with maintaining appropriate alignment and consistency in Council policies.	Council adopted the policy register in July 2023, policies are reviewed annually, as such the matters identified will be reviewed. Staff believe that policies should refer to legislation if applicable.	To be actioned

2	2	5.2.2 CF001 Purchasing and Procurement			Policy providing a best practice approach and procedures for purchasing. Ensure consistency for all purchasing activities which integrate with all operational areas. Requires compliance with the Local Government Act 1995 and Functions and General Regulations 1996.	<ul style="list-style-type: none"> The policy provides limited direction regarding contract variations and extensions awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the policy. For contracts awarded by tender, legislation provides minimum requirements. Purchasing requirements for procurement of goods or services in accordance with the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2), are not consistent within the policy. The CEO is required to ensure controls exist for all purchases including those made using these exemptions. Testing the market through sourcing multiple quotations when applying policy exemptions is one mechanism available to demonstrate such controls are in place, regardless of whether the quotations are being sought from pre-qualified suppliers, WALGA Preferred Supply Contracts or other suppliers. Authorisation for a sole source of supply arrangement considered under the policy is able to be approved by an authorising officer with the required level of purchasing authority. Requirements to evidence market testing when applying the exemption are not considered sufficiently detailed in the policy or associated procedures. 	<ul style="list-style-type: none"> Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increases over a policy threshold level, due to the variation or extension; Insert purchasing requirements for procurement of goods or services made under the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2). Require CEO approval to only obtain a single quote under sole source of supply exemptions and implement procedures to define requirements for exercising the exemption. Procedures should aim to assist with accountable processes and transparent decision making with purchasing activities to report the circumstances, occasions and purchasing values where the sole supplier policy provision is exercised. 	<ul style="list-style-type: none"> Finance Officer Procurement and Senior Finance Officer to review the Policy for Procurement and Tenders with the annual policy review and amend and implement reporting templates for any contracts awarded as required. 	In progress - procedures to be developed by the Finance team to ensure this is followed.
2	4	6.1.1 Information Communications Technology (ICT) Strategic Plan			Plan to guide the future development and delivery of ICT services	An ICT Strategic Plan highlighting and addressing ICT risks and how they are to be addressed was not available for our review.	Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.	ICT Department to be advised to look into a Strategic Plan on ICT of the Council.	In progress
2	6	6.1.3 Business Continuity Plan			Plan to facilitate organised decision-making in the event of a major incident impacting the Shire's ability to continue normal operations.	Business Continuity Plan was not available for our review.	Develop a Business Continuity Plan and test it to ensure its validity. The plan should facilitate organised decision making in the event of any major disruption impacting the Shire's ability to continue normal operations, with testing involving relevant and key personnel to ensure validity of the identified risks and treatments within the plan.	Deputy Chief Executive to lead a team to develop the Business Continuity Plan. Team leaders of all departments to be part of it.	To be actioned
2	7	6.1.4 Long Term Financial Plan			Financial report to achieve the strategies set out in the Council's Strategic Community Plan.	A current Long Term Financial Plan was not available for review. Although there is no documented requirement for timing of reviews, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring long term financial health.	Review the Long Term Financial Plan to monitor financial health and maintain effective alignment with Integrated Planning and Reporting documents.	Senior Finance Officers to develop the plan and discuss with Deputy CEO.	In progress - Accwest
2	8	6.1.5 Asset Management Plan			Plan prepared to assist the Shire to improve the way it delivers services through its infrastructure assets such as roads, drainage, footpaths, public open space and buildings.	A current Asset Management Plan was not available for review. Although there is no documented requirement for timing of reviews, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring financial sustainability.	Review and update the Asset Management Plan to maintain effective alignment with Integrated Planning and Reporting documents.	AMP document was presented to Council in February 2023. Executive Manager Infrastructure to provide update.	To be actioned
2	9	6.2.1 Operational Procedures			To provide direction to staff in the delivery of day-to-day operational tasks, as well as guidance for expected processes, systems, and controls to be maintained.	A number of formalised procedures for some key financial operational functions were noted during our review, however many of these procedures have not been formally reviewed and updated in recent years. Documenting and maintaining financial functions through checklists, flow diagrams or documented procedures are key elements in establishing, understanding and enforcing financial controls.	Undertake a review of existing operational procedures, and where required develop and implement additional procedures, to provide operational guidance aligned with adopted Council policies and legislation. Procedures should provide for activities not necessarily covered by legislation to communicate expected standards to staff from the CEO, in the course of implementing strategic direction and decisions of Council. Consistent maintenance of documented procedures and checklists, and / or workflow process diagrams may assist in clearly identifying controls and processes to be followed.	Senior Finance Officer Operations to look into the current policies and recommend suggestions for improvement to ensure a robust system is developed.	To be actioned

2	10	6.2.2 Procedure Changes			Process to control and manage change to procedures.	Process for amending or changing procedures has not been formalised. This creates opportunities for unilateral unauthorised changes to procedures and a breakdown in key controls.	Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the Shire to assist with managing changes to procedures.	Senior Finance Officers to review recommendation.	To be actioned
2	11	6.2.3 Risk Management Procedures			Procedures and practices to set out a uniform approach to the identification, assessment, management, reporting and monitoring of risks.	Some risk management activities currently undertaken are largely undocumented.	*Risk management should underpin the financial management of the Shire as such implementation of risk management procedures is considered important. *Risk management procedures and processes are to be developed in accordance with the latest risk management standard (ISO 31000:2018). *Implement risk management procedures and processes throughout the whole organisation.	Deputy Chief Executive to review and recommend to Council via agenda item.	To be actioned
2	12	6.2.4 ICT Security			Procedures and practices to ensure the security of ICT information, systems and data.	The Shire is reliant on the advice of ICT consultants to maintain the security of the ICT system, with no independent oversight or review. From staff representation and our understanding of ICT controls we noted no formal process was in place to review, monitor and control access to financial records.	Undertake a comprehensive independent ICT security review, document current policies and practices, and implement findings of the review. This review should be undertaken by those with the appropriate expertise, skills, qualifications and credentials and independent of current ICT providers.	ICT Department to draft the policies and procedures on this.	To be actioned
2	13	6.2.5 Records			Procedures and practices to ensure the appropriate maintenance and recording keeping of physical and digital financial records.	Based on our enquiries with staff, regular refresher training for the use of the records system is not currently in place to support and direct staff and contractors to the appropriate procedures to save records in accordance with the Shire's record keeping plans and policies. This may increase risks associated with compliance with required record keeping controls. Where compliance with required controls is low, information may become compromised in that deletions, loss and compromised security or confidentiality of records may occur.	Review systems and processes to monitor the practice of financial record keeping within the organisation and identify any misuse and correct appropriately. Ensure currency of the Record Keeping Plan and implementation of any improvements noted within the plan, including self evaluated improvements, ongoing training and any actions noted by the State Records Office.	Senior Finance Officers to review with Co-ordinator Governance and information executive to develop appropriate practices.	To be actioned
2	15	6.2.7 Procurement			Procedures for the procurement of goods or services.	Through our limited testing, we noted the following: • An instance where items were added to a purchase order after it had been authorised; and • An invoice did not pre-date the purchase order.	All procurement of goods or services should be undertaken in accordance with the purchasing policy and associated procedures. A review of the purchasing procedures may be required to ensure controls are practical and addresses identified procurement risks, including prevention of changes to authorised purchase orders. Any instances where a purchase pre-dates a purchase order should be documented, reviewed and authorised to demonstrate controls have been developed to comply with and ensure the purchasing policy has been adhered to.	Finance Officer Procurement and Senior Finance Officer Reporting to review current policy and procedure	To be actioned
2	16	6.2.8 Outstanding Purchase Orders			Process to ensure invoices are being processed in a timely manner and in accordance with the purchasing policy.	We did not observe any formal procedures relating to the routine monitoring of and clearance of outstanding purchase orders. Regular review of outstanding purchase orders should be undertaken to assist with monitoring the value of and status of associated liabilities.	Regular review of outstanding purchase orders should be undertaken to assist with monitoring the value of and status of associated liabilities. Establish procedures to include routine review of the status of outstanding purchase orders. Ensure any controls developed are routinely and consistently applied.	Finance Officer Procurement and Senior Finance Officer Reporting to review.	At the end of each month an outstanding purchase order report is printed and reviewed.
2	19	6.2.11 Revenue Controls at Shire Facilities			Procedures and systems for the collection of revenue and handling of cash at Shire facilities.	Weaknesses in revenue controls for the collection of fees and charges, sale of goods and provision of services at some Shire facilities were noted during our review. We noted some systems and processes are heavily reliant on manual systems and the comprehension of required actions by staff, with limited monitoring and review of records from facilities to reconcile transactions performed through the administration office. We noted the following: • Erroneous invoices being issued, requiring credit notes to be raised and in some instances recommendations for write off of receivables; and • Breakdowns in controls where invoices were not raised in a timely manner. - Security controls for cash held for some business units are considered inadequate. Controls are not consistently documented to ensure appropriate review and authorisation processes occur in relation to the management and handling of cash by staff and contractors.	*Review and update systems and processes to determine practical procedures, documentation and controls for the sale of goods and provision of services at Shire facilities. Procedures should ensure routine compliance with regulatory requirements, include appropriate controls to monitor, review and reconcile reports and demonstrate greater transparency and control between the administration office facilities. *Ensure access to any cash held is restricted only to authorised personnel through secure storage and where possible, significantly reduce the potential amount of cash received through alternate means. Implement appropriate documented procedures and controls for cash maintained including processing of cash receipting. Processes should also include reference to insured amounts relating to cash, to ensure adequate insurance levels are maintained.	Senior Finance Officers to review recommendation.	

2	20	6.2.12 Rates			Rates are correctly imposed and rate system is properly maintained.	Routine reviews of rate exempt properties as defined by section 6.26(2)(g) of the Local Government Act 1995 appear to be undertaken informally. Staff representations indicate formal controls to guide and evidence the review process are under development.	Progress the development of and maintain systems and processes whereby routine reviews are undertaken of rate exempt properties within the Shire, confirming these properties are used exclusively for rate exempt purpose.	Finance Officer Rates to include in End of year processes.	In progress
2	22	6.2.14 Fixed Assets			Fixed Assets are properly accounted for and controls are operating effectively	•Entries and reconciliations of fixed asset acquisition, disposal and adjustment of assets into the fixed assets register for the 2022-23 financial period had not been processed until the December 2022 reporting period, due to delays with completion of the 2022-23 audit. •Support documentation for some asset additions selected for testing were not available for our review and unable to be tested.	Review system processes to ensure regular and timely preparation of asset reconciliations, including review and authorisation by an independent officer.	Senior Finance Officer Reporting to review.	This will be discussed with Accwest
2	24	6.2.16 Stock Control			Process to ensure stock is correctly allocated and monitored as to reduce the potential for theft or misappropriation.	•Stocktakes were noted to have been undertaken at some Shire facilities for certain inventory items, however the level of independence for the stocktake and verification is not considered adequate. Inventory working papers note stock being recommended to be written off to balance the stock on hand value to the stocktake performed with no explanatory detail to support the write offs. •Processes to monitor some fuel stock allocated through bulk fuel stores are considered inadequate. Fuel is recorded as it is allocated and reviewed for reasonableness by management each month.	•Review and update systems and procedures relating to stock controls at Shire facilities, including permission/authorisation requirements for stock write offs. Routine / periodic stocktakes should minimally include reconciliation of stock movements against sales and independent review of data etc. Ensure appropriate controls exist to evidence independent review of data as required. •Develop and implement procedures for the monitoring of fuel stores in an effort to improve opportunities to detect any issues or potential misuse with fuel allocations.	Senior Finance Officer Reporting to review. Stock is limited to Fuel and Visitor Centre.	In progress
2	25	6.2.17 Overhead & Administration Allocations			To allocate indirect costs in a practical and efficient manner.	No process is currently in place to determine the allocation of indirect costs for plant or public works overheads. From staff representations, current allocation rates are based on historical estimates and no calculation method to support the allocations was available for review.	Undertake a review of activity-based costings to support calculation of overheads.	Senior Finance Officer Reporting to work together with Accwest to implement a structured processes with the 24/25 budget.	In progress
2	28	6.2.20 Monthly Statement of Financial Activity			Monthly statements of financial activity prepared in accordance with legislative requirements.	We noted some information was not included in the documents supporting the statement of financial activity as required by regulation 34 of the Local Government (Financial Management) Regulations 1996: • Annual budget estimates; • Year to date budget estimates; and • Explanation of material variances. This occurred for the monthly statement of financial activity for the period ended 31 July 2022, and was a result of the 2022/23 budget having not been adopted at the time the statements were prepared.	Ensure future monthly statements of financial activity are completed to contain all items required by legislation.	Not applicable	Complete
2	29	6.2.21 Annual Report			Ensure the annual report contains all information required by legislation, is accepted by Council and published to the local government website as required.	The 2020-21 annual report did not include all information required by legislation, namely: • Remuneration paid or provided to the CEO during the financial year; and • Information on payment to employees entitled to an annual salary of \$130,000 or more is required to be reported by each band of \$10,000 over \$130,000. Although information relating to payments made to employees is included in the annual report, the table references the 2019-20 period and previous reporting bands.	Ensure future annual reports include all information required by legislation.	Checklist to be task in Attain. Governance Officer to arrange.	In progress
2	30	6.2.22 Regulatory Reporting			To submit financial reports and budget reviews to the Department of Local Government, Sport and Cultural Industries (DLGSC) within regulatory timeframes.	Evidence to support submission of the following to DLGSC was not available for our review: •2021-22 mid year budget review to the Department within 30 days of council making a determination as required by the Local Government (Financial Management) 1996 Regulations regulation 33A (4); • 2022-23 adopted annual budget within 30 days of adoption by Council as required by the Local Government Act (Financial Management) 1996 Regulations regulation 33. • 2021-22 annual financial report within 30 days of the receipt of the audit report by the CEO as required by the Local Government Act (Financial Management) 1996 Regulations regulation 51 (2).	Review systems and procedures to ensure future regulatory compliance and timeframes are able to be met.	Checklist to be task in Attain. Governance Officer to arrange.	In progress

2	31	6.3.1 Leave Entitlements			Procedures to ensure proper recording of leave accruals and entitlements.	<ul style="list-style-type: none"> Parameters within the payroll system may allow for leave applications for employees with insufficient leave entitlements to be approved with no notification leave will enter a negative balance. This was noted to have occurred for some employees following implementation of a new payroll system. Staff representations noted parameters to control leave approvals may not be sufficient, in that leave applications can be approved on mass rather than by individual employee. This is not captured in audit trails and an occurrence of this nature would result in onerous and labour intensive corrective actions. 	Given current controls are highly reliant on the awareness, intervention and knowledge of current personnel, a full review of procedures and controls is required to determine practical procedures, documentation and controls for the authorisation of leave entitlements. Routine monitoring and review of payroll and leave reports should be undertaken to capture anomalies to assist timely identification and remedy of errors.	People & Culture Manager to review.	In progress
2	32	6.3.2 Payroll Audit Trails			Procedure to allow for appropriate review and approval of changes made within the payroll system.	While reviews of changes made to employee master file and parameters appears to be occurring when each payroll is processed, limitations to the effectiveness of payroll audit trails currently exists. This appears to be the result of inadequate reporting parameters which may result in omissions and errors in generated reports. We noted changes captured in the audit trail report did not include details of the staff member making the change in all instances.	Procedures to minimise the risk of erroneous or unauthorised changes to employee details should be implemented. Regular reviews of software audit trails should be undertaken as a minimum. Where possible, segregation of those responsible for processing payroll transactions to staff able to make changes to the employee master file. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes. Where effectiveness of audit trails is limited, alternate programs or controls to provide appropriate level of review to effectively detect fraud, errors or omissions should be developed.	People & Culture Manager to review.	In progress
2	34	6.4.1 Insurance Claims Register			Register of insurance claims to provide high level monitoring of risks	An insurance claims register detailing claims made against and by the Shire was not available for review.	Develop and maintain an insurance claims register or alternatively develop systems within the risk register to monitor and manage insurance claims.	Senior Finance Officer Reporting to review.	In progress
2	35	7.1.1 Council and Committee Minutes			Official record of proceedings and decisions.	We noted instances where details of two decisions made at the ordinary meeting of Council held 24 January 2023 relating to tenders were not recorded in the minutes. The decisions both refer to a 'schedule of rates' which were included as a confidential attachment to the agenda item, and not published in the minutes of the meeting. Regulation 11 of the Local Government (Administration) Regulations 1996 requires details of each decision made at Council and committee meetings to be recorded in the minutes, and also requires documents attached to an agenda to be attached to the minutes unless the meeting or that part of the meeting to which the document refers is closed to members of the public.	Review procedures for recording of official minutes to ensure all detail, decisions and documents / attachments required to be recorded by legislation are captured.	The Governance Officer to see that the meetings by laws to be adhered to always. Discuss with CEO.	In progress
2	36	7.2.1 Financial Interest Register			Records details required under the Act relating to financial circumstances of relevant persons.	Some primary and annual returns recorded in the register are not in the prescribed form required by legislation. At the time of our review, a new system was being implemented to manage future returns in the correct format. At the time of our review, maintenance of register of financial interests was not in accordance with legislative requirements, in that some recent primary and annual returns were being maintained electronically, with older returns being maintained in hard copy. Section 5.88 of the Local Government Act 1995 requires the financial interest register to contain: <ul style="list-style-type: none"> Primary and annual returns; and A record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A. 	Update the Financial Interest Register to include all disclosures as required by legislation. Ensure procedures are in place to capture and record information in the prescribed format and as declarations are received.	Councillors and staff receive a task from Attain to completed the declarations when due.	Complete
2	37	7.2.2 Tender Register			Statutory register of tenders called.	On inspection of the tender register we noted two instances where the summary value of the successful tender was not recorded in the tender register or available through the minute record awarding the tender.	Ensure the tender register complies with Regulation 17 of the Local Government (Functions and General) Regulations 1996 for any future tenders called.	Finance Officer Procurement to ensure register is compliant.	SFO -Reporting to review register annually

2	39	7.4.1 Internal Audit			Internal audit monitors the level of compliance with internal procedures and process along with assessing the appropriateness of these procedures.	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to Parliament on the Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities.	Senior Finance Officers to review.	
2	40	7.4.2 Significant Audit Matters			To ensure action is taken to improve significant matters raised by auditors in the audit report.	A significant adverse trend was identified during the 2018-19, 2019-20 and 2020-21 audits, as well as significant audit matters in 2020-21. We noted: <ul style="list-style-type: none"> • A report was not prepared stating actions intended to be taken in relation to the adverse trend noted or significant matters noted; • The report is required to be submitted to the Minister; and • The report is required to be published on the official local government website, as required by legislation. 	Ensure any future reports are prepared and published in accordance with legislation and within required time frames as required by section 7.12A of the Local Government Act 1995.	Ratios are no longer reported at this stage	Complete
2	41	7.5.1 Financial Management Review			Review of the appropriateness and effectiveness of the Financial Management systems and procedures of the local government required to be undertaken every three years by Regulation 5(2) of Local Government (Financial Management) Regulations 1996.	A financial management review was last undertaken in May 2019, which is outside the time period required by Regulation 5(2) of Local Government (Financial Management) Regulations 1996.	Ensure the next review is undertaken within the next three years as required by legislation.	Senior Finance Officers to ensure Attain in up to date with Compliance task deadlines.	

Financial Department Review

Ref#	Finding	Significant	Moderate	Minor	Assessment	Implication	Recommendation	Management Comment	Follow-up comments
Final Audit Findings for the year ended 30/06/2021									
1	Implement task lists for the following: a. Monthly processes for each position. b. Preparation of the monthly financial statements c. Preparation of the annual financial statements d. Preparation of the annual budget	✓			To ensure the monthly financial statements (MFS) are produced in a timely manner, with the highest level of accuracy, it is imperative that an End of Month task list is completed. This task list should reference the pathway to the supportive evidence which will prove the final figures used to compile the statements. Compiling and recording the supportive evidence at month end, will result in all the evidence being readily available for both the interim audit and annual audit.	Implementing changes to procedures can result in tasks taking longer to perform initially, however the changes will result in a reduction of errors and increased efficiency. End of Month task list will have the added benefit of uncovering any errors on a month-by-month basis and will result in the annual financial statements (AFS) being produced by the due date	Each staff member is accountable for the end of month tasks required to be performed in their job role. They should complete the relevant note in the monthly financial statements so they are aware of the relevance to the overall good governance of the local government. The task list will be signed by the responsible staff member and countersigned by their manager. A task list should also be used to prepare the annual budget and the annual financial statements	Monthly task list has been developed and implemented.	Complete
2	Develop & implement a Finance Compliance Calendar				Establish an automatic reminder process to ensure staff can achieve deadlines. The tools within Office 365 should be utilised to set reminders well in advance to ensure deadlines are met.	Without a Finance Compliance Calendar Compliance requirements not completed. Compliance deadlines may be missed.	The Deputy CEO should be accountable for ensuring the finance compliance calendar is reviewed on a fortnightly basis.	Compliance Calendar reviewed each fortnight via Attain software package.	
3	Conduct regular meetings to review both individual and team workload and/or assistance.				It is suggested that individual meetings and team meetings are held on alternate fortnights to address any concerns regarding workload and achievement of deadlines.	Lack of communication can lead to work place issues not being addressed. Deadlines not being met.	The senior finance officers should act as the team leads in this instance.	Regular meetings to review both individual and team workload and/or assistance have been taken place.	On-going
4	Staff training				Currently, some tasks performed by the finance department can only be completed by one team member.	No back-filling of finance staff when absent from the office can cause delays in tasks being completed. Knowledge and skills loss when staff leave the Shire	All staff should be trained to provide relief to at least one additional position so they can assist each other during peak periods. They will also learn skills that may prove valuable in their career progression	Staff training has occurred. Staff trained to provide relief to at least one additional position.	On-going
5	Continuous improvement initiatives				Emphasis should be placed continuous improvement initiatives	Processes and improvement in efficiencies not achieved	Establish a training program to foster continuous improvement within the department.	Staff training has been provided in order to provide relief during peak periods. Staff focused on identifying and implementing continuous improvement initiatives.	On-going
6	Career progression				Knowledge of career advancement/opportunities not being identified in finance department	Staff not motivated in current due to perceived lack of future opportunities	Develop a succession planning strategy to offer opportunities for growth and career advancement.	Succession planning is part of the overall Shire People & Culture Strategy. Opportunities are available to finance staff for career advancement.	
7	Review Finance Department structure				Change the Manager of Finance position to a Senior Finance Officer position.	Revision of Finance Department structure needs to reflect current needs of the finance function	Review the structure of the finance department annually during the budget preparation process.	Structure of finance department reviewed for 2023/2024 budget. Structure will be reviewed annually.	

8	Staffing levels				Support to assist the DCEO and provide relief hours to the finance department is required		Create a new position of Executive Assistant/Finance Officer	Position has been created.	<i>EA/FO has been training new staff in Customer Service role.</i>
9	Maintain Hybrid Model				Hybrid Model involves engaging a financial consultant/contractor	Current skill level and capability of finance staff to perform top end compliance work needs to be developed.	Engage a contractor to provide the "top end" financial services such as a monthly financial statements, annual financial statements and annual budget	Contractor has been engaged. Providing financial services and building internal capacity to perform financial reporting and budgeting role.	
10	Creditors				Time taken to process creditor payments is above benchmark comparisons.	Creditors function is at full capacity processing 230 creditor payments on average each month. The time taken to process these transactions is approximately 39 minutes which is above the average of 28 minutes. This equates to approx. 40 hours per month above benchmark.	Efficiencies will be gained with the implementation of Altus Procurement and introducing electronic processing of invoices.	Altus Procurement implementation is being reviewed. Implementation is a time-consuming exercise.	<i>On-going</i>
11	Bank Reconciliations				Formal reconciliations not being performed and approved.	Monthly financial statements were produced without formal reconciliations being performed and approved.	Implementation of Altus Bank Reconciliation module. This new modules will result in significant savings in time, will increase efficiency and accuracy and enforce compliance.	Altus Bank Reconciliation module is being reviewed. Shire banking structure needed changed to allow for Altus Bank Reconciliation module. First, bank reconciliations need to be completed.	<i>On-going</i>