



**AGENDA FOR THE  
AUDIT COMMITTEE MEETING  
TO BE HELD ON**

**Wednesday 15 November 2017**

# Shire of Mingenew

## Ordinary Council Meeting Notice Paper

15 November 2017

All Councillors

An Audit Committee Meeting of Council is called for Wednesday, 15 November 2017, in the Council Chambers, Victoria Street, Mingenew, commencing at 4.00 pm.

**Martin Whitely**  
**Chief Executive Officer**

10 November 2017

### **DISCLAIMER**

The purpose of Council Meetings is to discuss, and where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions of the Local Government Act 1995 (Section 5.25 (e)) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person. The Shire of Mingenew expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council meeting.

**SHIRE OF MINGENEW**  
WRITTEN DECLARATION OF INTEREST IN MATTER BEFORE COUNCIL

Chief Executive Officer  
Shire of Mingenew  
PO Box 120  
MINGENEW WA 6522

Dear Sir/Madam,

**Re: Written Declaration of Interest in Matter before Council**

I, (1) \_\_\_\_\_ wish to declare an interest in the following item to be considered by Council at its meeting to be held on (2) \_\_\_\_\_

Agenda Item (3) \_\_\_\_\_

The type of interest I wish to declare is (4)

- Financial pursuant to Section 5.60A of the Local Government Act 1995  
 Proximity pursuant to Section to 5.60B of the Local Government Act 1995  
 Indirect Financial pursuant to Section 5.61 of the Local Government Act 1995  
 Impartiality pursuant to regulation 11 of the Local Government (Rule of Conduct) Regulations 2007

The nature of my interest is (5)

\_\_\_\_\_

The extent of my interest is (6)

\_\_\_\_\_

I understand that the above information will be recorded in the minutes of the meeting and recorded in the Financial Interest Register.

Yours faithfully,

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Date

1. Insert Name
2. Insert the date of the Council Meeting at which the item is to be considered.
3. Insert the Agenda Item Number and Title.
4. Tick box to indicate type of interest.
5. Describe the nature of your interest.
6. Describe the extent of your interest (if seeking to participate in the matter under S. 5.68 of the Act).

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## **SHIRE OF MINGENEW**

### **AGENDA FOR AUDIT COMMITTEE TO BE HELD IN COUNCIL CHAMBERS ON 15 November 2017 COMMENCING AT 4.00pm**

- 1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**
- 2.0 RECORD OF ATTENDANCE/APOLOGIES**
- 3.0 PUBLIC QUESTION TIME/PETITIONS/DEPUTATIONS/PRESENTATIONS/SUBMISSIONS**
- 4.0 DECLARATIONS OF INTEREST**
- 5.0 CONFIRMATION OF PREVIOUS MEETING MINUTES**
  - 5.1.1 AUDIT COMMITTEE MEETING HELD 15 MARCH 2017**



**MINUTES FOR THE  
AUDIT COMMITTEE MEETING  
HELD ON  
WEDNESDAY  
15 March 2017**

**SHIRE OF MINGENEW**

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## SHIRE OF MINGENEW

### MINUTES FOR AUDIT COMMITTEE MEETING OF COUNCIL HELD IN COUNCIL 15 MARCH COMMENCING AT 3.15pm

#### 1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The President, Cr Bagley, declared the meeting open at 3:15pm and welcomed all in attendance.

#### 2.0 ATTENDANCE

MA Bagley	President	Rural Ward
HM Newton	Deputy President	Town Ward
GJ Cosgrove	Councillor	Rural Ward
MP Pearce	Councillor	Town Ward
KL Criddle	Councillor	Rural Ward
LM Eardley	Councillor	Town Ward
CR Lucken	Councillor	Town Ward

#### STAFF

MG Whitely	Chief Executive Officer
D Ojha	Finance Manager

#### APOLOGIES

Nil

#### 3.0 PUBLIC QUESTION TIME / PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

Nil

#### 4.0 DECLARATIONS OF INTEREST

Nil

#### 5.0 ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION

Nil

#### 6.0 OFFICERS REPORTS



## **6.1 CHIEF EXECUTIVE OFFICER**

### **6.1.1 2016 COMPLIANCE AUDIT RETURN**

**Location/Address:** Shire of Mingenew  
**Name of Applicant:** Shire of Mingenew  
**Disclosure of Interest:** Nil  
**File Reference:** ADM0057  
**Date:** 9 March 2017  
**Author:** Martin Whitely, Chief Executive Officer

#### **Summary**

This report recommends that the Audit Committee review and adopts the 2016 Compliance Audit Return for the period 1 January 2016 to 31 December 2016.

#### **Attachment**

A copy of the completed Compliance Audit Return is attached for Council consideration.

#### **Background**

Every year local government is required to carry out a compliance audit for the period 1 January to 31 December. Section 7.13 of the Local Government Act 1995 requires Council to complete the Compliance Audit Return in the form specified by the Department of Local Government and Communities and return by 31 March in the year that the Compliance Audit Return is completed.

#### **Comment**

There were areas of non compliance identified during the completion of the 2016 Return.

#### **Consultation**

Nil

#### **Statutory Environment**

Local Government Act 1995  
Local Government (Functions & General) Regulations 1996  
Local Government (Administration) Regulations 1996  
Local Government (Audit) Regulations 1996  
Local Government (Elections) Regulations 1997  
Local Government (Rules of Conduct) Regulations 2007

#### **Policy Implications**

The Shire's Policy Manual should adhere with items contained within the Compliance Audit Return.

#### **Financial Implications**

Nil

#### **Strategic Implications**

Community Strategic Plan  
Outcome 4.5.1 - Ensure compliance with local, town planning, building and health and all other relevant legislation

**Voting Requirements**

Simple Majority

**OFFICER RECOMMENDATION – ITEM 6.1.1**

**That the Audit Committee;**

**Accept the 2016 Compliance Audit Return for the period 1 January 2016 to 31 December 2016 as tabled without change as per the recommendation of the Audit Committee.**

**COMMITTEE DECISION – ITEM 6.1.1**

**Moved Cr Cosgrove**

**Seconded Cr Eardley**

**That the Audit Committee;**

**Accept the 2016 Compliance Audit Return for the period 1 January 2016 to 31 December 2016 as tabled without change as per the recommendation of the Audit Committee.**

**CARRIED 7/0**

## 6.1.2 2016/17 BUDGET REVIEW

**Location/Address:** Shire of Mingenew  
**Name of Applicant:** Shire of Mingenew  
**Disclosure of Interest:** Nil  
**File Reference:** ADM0130  
**Date:** 9 March 2017  
**Author:** Martin Whitely, Chief Executive Officer

### **Summary**

The Audit Committee is requested to review and adopt the documentation tabled for the 2016/17 Budget Review.

### **Attachment**

Detailed Budget Review Documents

### **Background**

Regulation 33A of the Local Government (Financial Management) requires a local government to carry out a review of its annual budget between 1 January and 31 March each financial year.

### **Comment**

There are various timing and permanent timing variances that have been addressed in the budget review. Explanations for these variances are provided in the Budget Review commentary and a conservative approach has been taken in finalising the forecast closing surplus position.

### **Consultation**

Durga Ojha, Finance Manager

### **Statutory Environment**

Local Government (Audit) Regulations 1996

### **Policy Implications**

Nil

### **Financial Implications**

Nil

### **Strategic Implications**

The Budget Review process is an integral part of the integrated planning frameworks and risk management processes carried out by Council.

### **Voting Requirements**

Simple Majority

**OFFICER RECOMMENDATION – ITEM 6.1.2**

**That the Audit Committee**

- 1. Adopts the 2016/17 Budget Review as tabled, and**
- 2. That administration staff make the required budget amendments within the chart of accounts to reflect those changes adopted in “Note 4 – Predicted Variances” within the 2016/17 Budget Review document.**

**COMMITTEE DECISION – ITEM 6.1.2**

**Moved Cr Eardley**

**Seconded Cr Cosgrove**

**That the Audit Committee**

- 1. Adopts the 2016/17 Budget Review as tabled, and**
- 2. That administration staff make the required budget amendments within the chart of accounts to reflect those changes adopted in “Note 4 – Predicted Variances” within the 2016/17 Budget Review document.**

**CARRIED 7/0**

**6.2 FINANCE AND ADMINISTRATION**

Nil

**7.0 ELECTED MEMBERS/MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil

**8.0 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**

**8.1 ELECTED MEMBERS**

Nil

**8.2 STAFF**

Nil

**9.0 CLOSURE**

The President thanked all for attending and declared the meeting closed at 3.45 pm.

**These minutes were confirmed at an Ordinary Council meeting on 19 April 2017.**

**Signed** \_\_\_\_\_

**Presiding Officer**

**Date:** \_\_\_\_\_

## 6.0 OFFICERS REPORTS

### 6.1 FINANCE

#### 6.1.1 ANNUAL FINANCIAL REPORT & AUDIT REPORT 2016/17

<b>Location/Address:</b>	Shire of Mingenew
<b>Name of Applicant:</b>	Shire of Mingenew
<b>Disclosure of Interest:</b>	Nil
<b>File Reference:</b>	ADM0057
<b>Date:</b>	6 November 2017
<b>Author:</b>	Martin Whitely, Chief Executive Officer

#### **Summary**

The Audit Committee is required to consider and recommend to Council, the adoption of the annual financial report, examine the audit and management reports, and review the report prepared by the Chief Executive Officer.

#### **Attachment**

2016/17 Annual Financial Report  
2016/17 Audit Report  
2016/17 Management Letter

#### **Background**

Pursuant to Section 7.9 of the *Local Government Act 1995* ("LGA"), an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, prepare a report thereon and forward a copy of that report to:

- (a) Mayor or President; and
- (b) The Chief Executive Officer; and
- (c) The Minister.

Furthermore, in accordance with Regulation 10(4) of the *Local Government (Audit) Regulations 1996* ("*Audit Regulations*"), where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the LGA.

On finalisation of the Shire's 2016/2017 final audit, the Auditors have forwarded the Annual Financials Statements along with the Audit Report and the Management Letter.

The Audit Committee is required to examine the reports of the auditor after receiving a report from the Chief Executive Officer ("CEO") on the matters reported and:

- Determine if any matters raised require action to be taken by the local government; and
- Ensure that appropriate action is taken in respect of those matters.

The Audit Committee is also required to review a report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and present the report to Council for adoption. A copy of the report is to be forwarded to the Minister prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time.

The Audit Committee is requested to consider and recommend adoption of the annual financial report to Council.

### **Comment**

Following is the CEO's report to the Audit Committee on matters arising from the audit and management reports.

### **Audit Report**

There were no matters of statutory non-compliance reported.

### **Management Report**

The Auditor's Management Report provides an overview of the approach undertaken in respect of the annual audit process and the associated outcomes of the audit. The Management Report also identifies any findings that, whilst generally not material in relation to the overall audit of the financial report, are considered relevant to the day to day operations of the Shire.

### **Written Quotes for Expenditure**

The Management Letter notes that on some occasions two or more quotes were not provided for expenditure in excess of \$10,000. The Shire's Purchasing Policy requires all expenditure between \$10,000 and \$39,999 to have at least two quotes. While two written quotes are not required for purchases under \$10,000 staff are still encouraged to obtain several quotes for more significant transactions. The purpose for amending the levels of purchase order authorisation down to \$10,000 for the Works Supervisor, Finance Manager and Governance Officer is to limit the level of risk to Council for non-compliance since the CEO is the only authorised person to financially commit the Shire to amounts in excess of \$10,000. Written quotes have been obtained and attached to the purchase order for expenditure over \$10,000 since the review has been completed.

### **Tender Process**

The Management Letter notes that there was no evidence of the Lighting Tower tender being opened with two people present. The Lighting Towers tenders were opened with the Deputy Chief Executive Officer present, however this was not documented in the tender file. This was a procedural issue which was been addressed for all tenders processed in the past 12 months.

### **Credit Card**

The Management Letter comments that there was a lack of sufficient details on the supporting documentation to ascertain whether the expenditure incurred was of a business or personal nature for the Chief Executive Officer's credit card. As per my response I did not agree that this should be considered a "high" risk item since the CEO credit card statement includes narrations of the transactions incurred with supporting invoices and the credit card statement is presented to Council on a monthly basis. In further discussions with Marius van der Merwe, he made the comment that local government credit cards in general are considered to be high risk given recent events that have occurred at Shires such as Dowerin and Exmouth. Were possible additional documentation has been attached to credit card transactions since the review was completed.

### **Segregation of Duties**

The Management Letter comments that since the staff restructure management is actively taking measures to train remaining members of staff in order to ensure appropriate levels of control and segregation of duties are maintained and management will continue to look at improving these measures. Due to the size of the organisation and the range of financial functions performed by the Shire, management will continually need to address the roles and responsibilities of the administration staff

### **Payment Listing**

The Management Letter noted that on several occasions the payment listing presented to Council differed from the amount endorsed by Council. This is not acceptable and more care needs to be taken to ensure the payment listing presented to Council is a true reflection of payments that have been made during the month to ensure transparency of payments made by the organisation. The anomaly has been addressed since the March 2017 Ordinary Council Meeting.

### **Consultation**

Nil

**Statutory Environment**  
**Local Government Act 1995**

**6.4. Financial report**

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
  - (a) be prepared and presented in the manner and form prescribed; and
  - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —
  - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
  - (b) the annual financial report of the local government for the preceding financial year.

**7.9. Audit to be conducted**

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

**7.12A. Duties of local government with respect to audits**

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



- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
  - (aa) examine an audit report received by the local government; and
  - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
  - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
  - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
  - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

#### **5.54. Acceptance of annual reports**

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

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

#### **Local Government (Audit) Regulations 1996**

##### **10. Report by auditor**

- (1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
- (2) The report is to give the auditor's opinion on —
  - (a) the financial position of the local government; and
  - (b) the results of the operations of the local government.
- (3) The report is to include —
  - (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government; and
  - (b) any matters indicating non-compliance with Part 6 of the Act, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls in any other written law; and
  - (c) details of whether information and explanations were obtained by the auditor; and
  - (d) a report on the conduct of the audit; and
  - (e) the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions —
    - (i) the asset consumption ratio; and
    - (ii) the asset renewal funding ratio.
- (4A) In subregulation (3)(e) —

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

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

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

### Local Government (Financial Management) Regulations 1996

#### 17A. Assets, valuation of for financial reports etc.

- (1) In this regulation —  
**fair value**, in relation to an asset, means the fair value of the asset measured in accordance with the AAS.
- (2) Subject to subregulation (3), the value of an asset shown in a local government's financial reports must be the fair value of the asset.
- (3) A local government must show in each financial report —
- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
  - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government —
    - (i) that are plant and equipment; and
    - (ii) that are —
      - (I) land and buildings; or
      - (II) infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.
- (4) A local government must revalue all assets of the local government of the classes specified in column 1 of the Table to this subregulation —
- (a) by the day specified in column 2 of the Table; and
  - (b) by the expiry of each 3 yearly interval after that day

Class of asset	Day
Plant and equipment	30 June 2016
Land, buildings and infrastructure for which the fair value was shown in the local government's annual financial report for the financial year ending on 30 June 2014	30 June 2017
All other classes of asset	30 June 2018

- (5) A revaluation under subregulation (4) must be based on the value of the asset as at a time that is as close as possible to the day by which the revaluation is due.

## **Policy Implications**

### **2013 RISK MANAGEMENT POLICY**

#### **PURPOSE**

The Shire of Mingenew (“the Shire”) Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire’s strategies, goals or objectives.

#### **POLICY**

It is the Shire’s Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk Management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire’s Integrated Planning Framework.

The Shire’s Management Team will determine and communicate the Risk Management Policy, Objectives and Procedures, as well as, direct and monitor implementation, practice and performance.

Every employee within the Shire is recognized as having a role in risk management from the identification of risks to implementing risk treatments and shall be invited and encouraged to participate in the process.

Consultants may be retained at times to advise and assist in the risk management process, or management of specific risks or categories of risk.

#### **DEFINITIONS (from AS/NZS ISO 31000:2009)**

**Risk:** Effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected – positive or negative.

Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

**Risk Management:** Coordinated activities to direct and control an organisation with regard to risk.

**Risk Management Process:** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

#### **RISK MANAGEMENT OBJECTIVES**

- Optimise the achievement of our vision, mission, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.

- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations.

### **RISK APPETITE**

The Shire quantified its risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.

All organisational risks to be reported at a corporate level are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilized; however these cannot exceed the organisations appetite and are to be noted within the individual risk assessment.

### **ROLES, RESPONSIBILITIES AND ACCOUNTABILITIES**

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (Operational Document).

### **MONITOR AND REVIEW**

The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by the Shire's Management Team and its employees. It will be formally reviewed within a three year cycle.

## **3007 PURCHASING POLICY**

The Shire of Mingenew is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance.

### **1. OBJECTIVES**

- To ensure best practice policies and procedures are followed in relation to internal purchasing for the Local Government.
- To ensure compliance with the Local Government Act 1995 (“the Act”) and the Local Government Act (Functions and General) Regulations 1996 (“the Regulations”).
- To ensure compliance with the State Records Act 2000 and associated records management practices and procedures of the Local Government.
- To undertake purchasing processes that ensures value for money for the Local Government by delivering the most advantageous outcome possible.
- To ensure openness, transparency, fairness and equity through the purchasing process to all potential suppliers.
- To ensure efficient and consistent purchasing processes are implemented and maintained across the organisation.

### **2. ETHICS & INTEGRITY**

#### 2.1 Code of Conduct

All officers and employees of the Local Government undertaking purchasing activities must have regard for the Code of Conduct requirements and shall observe the highest standards of ethics and integrity. All officers and employees of the Local Government must act in an honest and professional manner at all times which supports the standing of the Local Government.

#### 2.2 Purchasing Principles

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;
- all purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Local Government policies and Code of Conduct;
- purchasing is to be undertaken on a competitive basis where all potential suppliers are treated impartially, honestly and consistently;
- all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies, audit requirements and relevant legislation;
- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- any information provided to the Local Government by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

### **3. VALUE FOR MONEY**

#### 3.1 Policy

Value for money is an overarching principle governing purchasing which allows the best possible outcome to be achieved for the Local Government. It is important to note that compliance with the purchasing specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing and service benchmarks.

### 3.2 Application

An assessment of the best value for money outcome for any purchasing process should consider:

- all relevant Total Costs of Ownership (TCO) and benefits including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal;
- the technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality, including but not limited to an assessment of levels and currency of compliances, value adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales service, ease of communications etc.
- financial viability and capacity to supply without risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history); and
- a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

## **4. PURCHASING THRESHOLDS AND PROCESSES**

### 4.1 Legislative / Regulatory Requirements

The requirements that must be complied with by the Local Governments, including purchasing thresholds and processes, are prescribed within the *Local Government (Functions and General) Regulations 1996* and this Purchasing Policy.

### 4.2 Policy

Purchasing that is **below \$150,000** in total value (excluding GST) must utilise a Request for Quotation process, either direct to the market or through a panel of pre-qualified suppliers.

Purchasing that **exceeds \$150,000** in total value (excluding GST) must be put to public Tender **unless** a regulatory Tender exemption is utilised by the Local Government. Tender exemptions to be applied must be in accordance with Regulation 11A of the *Local Government (Functions and General) Regulations 1996*.

### Application of a tender

Determining purchasing value is to be based on the following considerations:

- The extent to which it could be reasonably expected that the Local Government will continue to purchase a particular category of goods, services or works and what total value is or could be reasonably expected to be purchased, or
- The actual or expected value of a contract over the full contract period (including all options to extend)

### 4.3 Purchasing Thresholds - Requirements

Below is the purchasing process that must be followed based on the actual or expected value of each purchase by the Local Government:

Purchasing Thresholds (ex GST)	Purchasing Requirements
Up to \$4,999	No quotations are required if the expenditure is approved in the Budget however officers are bound to value for money principles. The following factors are to be considered in the decision making process; <ul style="list-style-type: none"> <li>• Value for money</li> <li>• Knowledge of general cost of item / service</li> <li>• Buy local principles</li> <li>• Ongoing good relationship with supplier</li> <li>• Reliability of supplier</li> </ul>

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<p>\$5,000 to \$9,999</p>	<p>Obtain at least one (1) verbal or written quotation from suppliers. The following factors are to be considered in the decision making process;</p> <ul style="list-style-type: none"> <li>• Value for money</li> <li>• Knowledge of general cost of item / service</li> <li>• Buy local principles</li> <li>• Ongoing good relationship with supplier</li> <li>• Reliability of supplier</li> </ul>
<p>\$9,999 - \$39,999</p>	<p>Obtain at least two (2) written quotations (e.g. email, fax or original copy). OR Obtain quotations directly from a pre-qualified panel of suppliers. It is recommended that wherever possible, the Local Government source multiple competitive quotations (at least three Preferred Suppliers) using a simple quotation process either through eQuotes or directly in writing.</p>
<p>\$40,000 - \$149,999</p>	<p>Obtain at least three (3) written quotations (e.g. email, fax or original copy) from suppliers containing price and specification of goods and services. The procurement decision is to be based on all value for money considerations in accordance with the definition stated within this Policy. OR Obtain quotations directly from a pre-qualified panel of suppliers. It is recommended that wherever possible, the Local Government source multiple competitive quotations (at least three Preferred Suppliers) using a formal Request for Quotation process either through eQuotes or directly in writing.</p>
<p>\$150,000 and above</p>	<p>Conduct a public Tender process in accordance with this policy. The procurement decision is to be based on value for money considerations in accordance with the definition stated within this Policy. OR Obtain quotations directly from a Tender exempt and pre-qualified panel of suppliers. It is recommended that wherever possible, the Local Government source multiple competitive quotations (at least three Preferred Suppliers) using a formal Request for Quotation process either through eQuotes or directly in writing.</p>

Where considered necessary, a Local Government may consider calling public Tenders in lieu of undertaking a Request for Quotation for purchases under the \$150,000 threshold (excluding GST). This decision should be made after considering the benefits of this approach in comparison with the costs, risks, timeliness and compliance requirements and also whether the purchasing requirement can be met through a pre-qualified panel of suppliers.

If a decision is made to undertake a public Tender for contracts of less than \$150,000, a Request for Tender process entailing all the procedures for tendering outlined in this Policy must be followed in full.

#### 4.4 Purchasing Procedures

##### 4.4.1 Tender or Request for Quotation through Tender Exempt Panels (\$150,000 or over in value)

For the procurement of goods, services or works where the value exceeds \$150,000, the Local Government must either undertake:

1. a public Tender process; or
2. a Request for Quotation process from a Tender exempt panel of pre-qualified suppliers.

### Using a Tender Exempt Panel of Pre-Qualified Suppliers

When accessing a Tender exempt panel of pre-qualified suppliers, the Local Government must utilise a Request for Quotation process through eQuotes or in writing direct with the Preferred Suppliers.

In undertaking a Request for Quotation, the Local Government does not need to request that pre-qualified suppliers provide the type of information that is normally provided in a public Tender. Additionally, the Local Government does not need to use its own contractual terms and conditions given that WALGA has already developed best practice contractual terms and conditions which have been accepted by every Preferred Supplier. These contractual terms and conditions ensure that the interests of the Local Government are fully protected.

Keeping the scope of the Request for Quotation focused on the Specification and the selection criteria that will be utilised by the Local Government to assess different quotations will ensure that only the required information is sought from Preferred Suppliers and the response process is streamlined.

Responses from Preferred Suppliers should be in writing and contain the price and a sufficient amount of information that addresses the Specification and selection criteria provided by the Local Government.

### Request for Quotation Process

In the event that a Local Government elects to call a Request for Quotation, the following process should be followed:

- The Request for Quotation documentation must include:
  - written Specification that communicates the requirement(s) in a clear, concise and logical fashion;
  - selection criteria to be applied;
  - price schedule;
  - conditions of responding; and
  - validity period of offer.
- Invitations to quote must be issued simultaneously to ensure that all parties receive an equal opportunity to respond. This can be done through eQuotes or directly to suppliers.
- New information that is likely to change the requirements must be offered to all prospective suppliers at the same time.
- Written responses must be assessed for compliance, then against the selection criteria, and then value for money. All evaluations must be documented.
- Respondents must be advised in writing as soon as possible after the final determination is made and approved.

For this procurement range, selection **must** be based on value for money (in accordance with the definition stated within this Policy) and which quotation would be most advantageous to the Local Government.

The evaluation process should include an assessment of qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience, environmental and social impacts, corporate social responsibility and any other relevant factors as part of the assessment of the supplier's response.

The responsible officer is expected to demonstrate due diligence when conducting a Request for Quotation process and must comply with any record keeping and audit requirements. Record



keeping requirements must be maintained in accordance with record keeping policies and Regulation 11A of the Local Government (Functions and General) Regulations 1996,

### Public Tender

In the event that a Local Government elects to call a public Tender:

- Before Tenders are publicly invited, the Local Government must record the decision to invite Tenders (which is to be recorded in the Tender Register) and must determine in writing the criteria for deciding which tender should be accepted.
- The Evaluation Panel must be established prior to the advertising of the Tender and include a mix of skills and experience relevant to the nature of the purchase. For Tenders with a total estimated value (ex GST) of between \$40,000 and \$149,999, the Evaluation Panel must contain a minimum of two (2) members. For Tenders with a total estimated value (ex GST) of \$150,000 and above, the Evaluation Panel must contain a minimum of three (3) members.
- A Tender Notice must be advertised in a State wide publication e.g. “The West Australian” newspaper (Local Government Tenders section), preferably on a Wednesday or Saturday.
- The Tender must remain open for at least 14 days after the date the Tender is advertised. Care must be taken to ensure that 14 **full** days are provided as a minimum.
- The Tender Notice must include:
  - a brief description of the goods or services required;
  - information as to where and how Tenders may be submitted;
  - the date and time after which Tenders cannot be submitted; and
  - a contact person to supply more detailed information if required.
- The detailed information must include:
  - such information as the Local Government decides should be disclosed to those interested in submitting a Tender response;
  - detailed specifications of the goods or services required;
  - the criteria for deciding which Tender response should be accepted;
  - whether or not the Local Government has decided to submit a Tender response; and
  - whether or not Tender responses can be submitted by facsimile or other electronic means, and if so, how Tenders may so be submitted.
- Tenders must not be made available (counter, mail, internet, referral, or other means) without a robust process to ensure the recording of details of all parties who acquire the documentation. If clarifications, addendums or further communication are required prior to the close of Tenders, all potential Tenderers must have equal access to this information in order for the Local Government not to compromise its duty to be fair.
- If, after the Tender has been publicly advertised, any changes, variations or adjustments to the Tender document and/or the Conditions of Tender are required, the Local Government may vary the initial information by taking reasonable steps to give each person who has sought copies of the Tender documents notice of the variation.
- A Tender response that is not received in full in the required format by the advertised Tender Deadline must be rejected.
- No tenders are to be removed from the Tender Box or opened (read or evaluated) prior to the Tender Deadline.

- Tenders are to be opened in accordance with Regulation 16 of the Local Government (Functions & General) Regulations 1996.
- The details of all Tender responses received and opened must be recorded in the Tenders Register. Tender responses are to be opened in accordance with the advertised time and place. There is no obligation to disclose or record tendered prices at the Tender opening, and price information should be regarded as *commercial-in-confidence* to the Local Government. Members of the public are entitled to be present.
- The Tenderer's offer form, price schedule and other appropriate pages from each Tender shall be date stamped and initialled by at least two (2) Local Government officers present at the opening of Tender responses.
- Where the Local Government has invited Tender responses and no compliant submissions have been received; direct purchases can be arranged on the basis of the following:
  - a sufficient number of quotations are obtained;
  - the process follows the guidelines for seeking quotations
  - the specification for goods and/or services remains unchanged; and
  - purchasing is arranged within six months of the closing date of the lapsed Tender.
- Tender responses that have not been rejected must be assessed by the Local Government by means of a written evaluation against the pre-determined criteria. The Evaluation Panel must assess each Tender response that has not been rejected to determine which response is most advantageous.
- If after the Tender has been publicly advertised and a successful Tenderer has been chosen, and before the Local Government and Tenderer have entered into a contract, a minor variation may be made by the Local Government. A minor variation may **not** alter the nature of the goods and/or services procured, nor may it materially alter the specification or structure provided for by the initial Tender.
- Each Tenderer shall be notified of the outcome of the Tender following Council resolution or appropriate delegated authority. Notification must include:
  - The name of the successful Tenderer.
  - The total value of consideration of the winning offer.
- The details and total value of consideration for the winning offer must be entered into the Tenders Register at the conclusion of the Tender process.

For this procurement range, selection of Tenderer **must** be based on value for money (in accordance with the definition stated within this Policy) and which Tender response would be most advantageous to the Local Government.

To comply with the requirements of Regulation 18(4) of the *Local Government (Functions and General) Regulations 1996*, the Tender evaluation process must provide a written assessment of the extent that each Tender response satisfies the criteria which was set prior to advertising the Tender. This should include an assessment of qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience, environmental and social impacts, corporate social responsibility and any other relevant factors as part of the assessment of the Tender response.

The responsible officer is expected to demonstrate due diligence when conducting a public Tender and must comply with any record keeping and audit requirements.

#### 4.4.2 Request for Quotation (\$40,000 or over to \$149,999 in value)

For the procurement of goods or services where the value exceeds \$40,000 but is less than \$149,999, it is recommended that at least three (3) written quotations be obtained from the market or from a pre-qualified panel of suppliers.

In the event that a Local Government elects to call a Request for Quotation, the following process should be followed:

- Provide a Request for Quotation that includes as a minimum:
  - written Specification that communicates the requirement(s) in a clear, concise and logical fashion;
  - selection criteria to be applied;
  - price schedule;
  - conditions of responding; and
  - validity period of offer.
- Invitations to quote must be issued simultaneously to ensure that all parties receive an equal opportunity to respond. This can be done through eQuotes or directly to suppliers.
- New information that is likely to change the requirements must be offered to all prospective suppliers at the same time.
- Written responses must be assessed for compliance, then against the selection criteria, and then value for money. All evaluations must be documented.
- Respondents must be advised in writing as soon as possible after the final determination is made and approved.

Requests for Quotation to a panel of pre-qualified suppliers should be undertaken through eQuotes or in writing directly with the Preferred Suppliers. Responses from Preferred Suppliers should be in writing and contain the price and a sufficient amount of information that addresses the Specification and selection criteria provided by the Local Government.

For this procurement range, selection of supplier should be based on value for money (in accordance with the definition stated within this Policy) and the response which would be most advantageous to the Local Government.

The evaluation of quotations should consider qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience, environmental and social impacts, corporate social responsibility and any other relevant factors as part of the assessment of the quote.

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements. Record keeping requirements must be maintained in accordance with record keeping policies and Regulation 17 of the Local Government (Functions & General) Regulations 1996.

#### 4.4.3 Request for Quotation (under \$40,000 in value)

##### Written Requests for Quotations

For the procurement of goods or services where the value is under \$40,000, it is recommended that at least two (2) written quotations be obtained from the market or from a pre-qualified panel of suppliers.

In the event that a Local Government elects to call a Request for Quotation, the following process should be followed:

- Provide a simple Request for Quotation document that outlines the key elements of the process and requires written quotations.
- Provide an appropriately detailed written Specification that communicates the requirement(s) in a clear, concise and logical fashion.
- Invitations to quote must be issued simultaneously to ensure that all parties receive an equal opportunity to respond. This can be done through eQuotes or directly to suppliers.
- New information that is likely to change the requirements must be offered to all prospective suppliers at the same time.
- Written responses must be assessed for compliance, then against the selection criteria, and then value for money. All evaluations must be documented.
- Respondents must be advised in writing as soon as possible after the final determination is made and approved.

Requests for Quotation to a panel of pre-qualified suppliers should be undertaken through eQuotes or in writing directly with the Preferred Suppliers. Responses from Preferred Suppliers should be in writing and contain the price and a sufficient amount of information that addresses the Specification and selection criteria provided by the Local Government.

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements.

#### Verbal Requests for Quotations

For the procurement of goods or services where the value is between \$5,000 - \$9,999 the Local Government may undertake a verbal Request for Quotation process.

At least one (1) verbal or written quotation must be obtained from the market or the Local Government may purchase from a Tender exempt panel of pre-qualified suppliers.

The requirements relating to verbal quotations are:

- Ensure that the requirement/specification is clearly understood by the Local Government employee seeking the verbal quotations.
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.
- Ensure that all quotations from suppliers are in writing and/or refer to a pricing list in an email, website or catalogue.

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements.

## **5. RECORDS MANAGEMENT**

### Policy

Records of all Tenders and Requests for Quotation must be retained in compliance with the *State Records Act 2000 (WA)* the Local Government's internal Records Management Policy and Regulation 17 of the Local Government (Functions & General) Regulations 1996.

### Application

All records associated with the Tender or Request for Quotation process must be recorded and retained in the Tender Register in accordance with Regulation 17 of the Local Government (Functions & General) Regulations 1996.

For a Tender process, this includes:

- Tender documentation.
- Internal documentation.
- Evaluation documentation.
- Enquiry and response documentation.
- Approval documentation.

- Notification and award documentation.

For a Request for Quotation process, this includes:

- Quotation documentation
- Internal documentation.
- Approval documentation.
- Order forms and requisitions.

## **6. SUSTAINABLE PROCUREMENT AND CORPORATE SOCIAL RESPONSIBILITY**

Sustainable Procurement is defined as the purchasing of goods and services that have less environmental and social impacts than competing products and services.

Corporate Social Responsibility (CSR) in procurement is defined as purchasing which provides preference to organisations that can demonstrate compliance with ethical and regulatory standards and can demonstrate making a positive impact on the communities and markets in which they operate. ISO 26000 provides guidance on how Local Governments can procure goods and services in a socially responsible way.

### Policy

Local Government is committed to providing a preference to organisations that demonstrate both sustainable business practices and high levels of corporate social responsibility. Where appropriate, the Local Government shall endeavour to design Requests for Quotation and Tenders to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace CSR. Sustainable and CSR considerations must be balanced against value for money outcomes in accordance with the Local Government's sustainability objectives.

### Application

In practical terms sustainability and corporate social responsibility in procurement means the Local Government shall endeavour at all times to identify and purchase products and services that:

- have been determined as necessary;
- demonstrate environmental best practice in energy efficiency/and or consumption which can be demonstrated through suitable rating systems and eco-labelling;
- demonstrate environmental best practice in water efficiency;
- are environmentally sound in manufacture, use, and disposal with a specific preference for products made using the minimum amount of raw materials from a sustainable resource, are free of toxic or polluting materials and consume minimal energy during the production stage;
- can be refurbished, reused, recycled or reclaimed. Those that are designed for ease of recycling, re-manufacture or otherwise to minimise waste will be given priority;
- demonstrate a regard for the local economy and a supply chain that supports local business development;
- are ethically sourced from sustainable and fair trade supply chains;
- (with regards to motor vehicles) feature the highest fuel efficiency available, based on vehicle type and within the designated price range; and
- (with regards to new buildings and refurbishments) use renewable energy and technologies where available.

### **3010 CORPORATE CREDIT CARD POLICY**

#### **General**

- An agreement shall be signed by the cardholder and the local government which sets out the cardholder's responsibilities and legal obligations when using the credit card.
- A register of all current cardholders shall be kept which includes; card number, expiry date of the credit card, credit limit and details of goods and services the cardholder has authority to purchase.
- All new and existing cardholders shall be provided with a copy of the policies in relation to the use of credit cards.
- The card is withdrawn in the event employment ceases, an extended period of leave is taken or they are moved to a position which does not require the use of a credit card.
- Cardholders are responsible for the use of the corporate credit card in accordance with these guidelines and other operational guidelines, and must ensure the safe-keeping of the card at all times. Loss or theft of the corporate credit card must be reported to the Chief Executive Officer immediately or in the case of the Chief Executive Officer the President.
- Credit cards shall not be transferred to other users.
- Cards are the property of the bank and the Bank should be responsible for the destruction of all surrendered credit cards.
- Where the cardholder fails to meet the policy guidelines, the CEO, or Council in the case of the CEO, may request that the card be withdrawn or a temporary disqualification from use of the credit card be enforced.
- The cardholder will be required to sign a certification, on each and every credit card statement issued from this date forward, to the effect all purchases made using the corporate credit card were for official business purposes.
- For all expenditure, the cardholder shall obtain a tax invoice and/or receipt, which itemises the details of the expenditure. If the invoice or receipt does not provide sufficient details of the item purchased, further details must be recorded on the invoice or receipt by the cardholder. In the case of expenditure relating to meals or entertainment the person/s attending and purpose are to be recorded.
- Pin issued by the bank is not to be changed.

#### **Purchasing**

Corporate credit cards issued by the Shire can only be used for the business purposes of the Shire. Among the permitted uses are –

- In person, across the counter retail purchases,
- Facsimile/telephone/internet business related purchases,
- Mail order purchases and subscriptions,
- Official travel, accommodation and related expenses,
- Entertainment and business hospitality expenses.

The corporate credit card must not be used for –

- Personal or non work related expenditure,
- Obtaining cash advances

## MINGENEW SHIRE COUNCIL AUDIT COMMITTEE MEETING AGENDA – 15 November 2017

- The purchase of goods or services where the cardholder gains personal advantage through the transaction (e.g. special offers such as Fly Buys that benefit individuals).

### **Cardholder's and Limits**

Maximum credit limits shall be based on the cardholder's need. These are currently:

\$7,500 for the Chief Executive Officer

\$5,000 for the Finance Manager

\$2,000 for the Works Supervisor

### **Payments**

- Payments of accounts should be made monthly to ensure that credit charges are minimised (currently direct debit arrangement in place with the Bank to clear the outstanding balance).
- Authorisation of accounts must be done by a person other than the cardholder.

### **Financial Implications**

Nil

### **Strategic Implications**

Community Strategic Plan

Outcome 4.2.2 – To be strong advocates representing the Shire's interests

### **Voting Requirements**

Absolute Majority

<b>OFFICER RECOMMENDATION – ITEM 6.1.1</b>
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**That Council on recommendation from the Audit Committee:**

- 1. Receives the Chief Executive Officer's report relating to the audit**
- 2. Receives the Audit Report and Audit Management Report dated 6 November 2017**
- 3. Adopts the Annual Financial Report for the year ended 30 June 2017**

## **7.0 CLOSURE**

**SHIRE OF MINGENEW**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

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Principal place of business:  
22 Victoria Street  
Mingenew WA 6522



**SHIRE OF MINGENEW  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30 June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

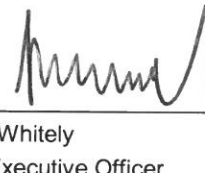
Signed as authorisation of issue on the

16<sup>th</sup>

day of

OCTOBER

2017



Martin Whitely  
Chief Executive Officer

**SHIRE OF MINGENEW**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 \$	2017 Budget \$	2016 \$
<b>Revenue</b>				
Rates	23	1,757,549	1,786,567	1,709,615
Operating grants, subsidies and contributions	30	1,132,003	834,184	462,647
Fees and charges	29	266,510	264,486	270,945
Interest earnings	2(a)	36,577	22,152	34,300
Other revenue	2(a)	615,808	566,000	718,861
		<u>3,808,447</u>	<u>3,473,389</u>	<u>3,196,368</u>
<b>Expenses</b>				
Employee costs		(1,066,022)	(1,017,429)	(930,317)
Materials and contracts		(701,171)	(1,119,309)	(625,411)
Utility charges		(99,315)	(123,768)	(110,352)
Depreciation on non-current assets	2(a)	(2,100,736)	(2,360,651)	(2,370,889)
Interest expenses	2(a)	(121,634)	(54,270)	(60,064)
Insurance expenses		(127,662)	(143,612)	(138,975)
Other expenditure		(611,374)	(649,328)	(609,530)
		<u>(4,827,914)</u>	<u>(5,468,367)</u>	<u>(4,845,538)</u>
		(1,019,468)	(1,994,978)	(1,649,170)
Non-operating grants, subsidies and contributions	30	1,557,937	1,795,921	823,830
Profit on asset disposals	21	5,060	43,000	16,566
(Loss) on asset disposals	21	(5,340)	(6,235)	(8,543)
Fair value adjustments to financial assets at fair value through profit or loss	4	0	0	0
<b>Net result</b>		<b>538,190</b>	<b>(162,292)</b>	<b>(817,317)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(434,800)	0	(139,829)
<b>Total other comprehensive income</b>		<b>(434,800)</b>	<b>0</b>	<b>(139,829)</b>
<b>Total comprehensive income</b>		<b>103,390</b>	<b>(162,292)</b>	<b>(957,146)</b>

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

**SHIRE OF MINGENEW**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 \$	2017 Budget \$	2016 \$
<b>Revenue</b>				
	2(a)			
Governance		22,145	7,099	8,718
General purpose funding		2,678,184	2,384,752	2,019,573
Law, order, public safety		31,522	79,070	35,864
Health		2,870	301	436
Education and welfare		2,197	3,745	5,532
Housing		113,631	118,733	108,001
Community amenities		82,713	85,662	160,551
Recreation and culture		57,012	31,619	31,014
Transport		632,685	641,827	641,686
Economic services		6,373	6,824	7,300
Other property and services		179,114	113,757	177,692
		<u>3,808,446</u>	<u>3,473,389</u>	<u>3,196,367</u>
<b>Expenses</b>				
	2(a)			
Governance		(175,998)	(289,736)	(241,390)
General purpose funding		(63,516)	(88,815)	(54,489)
Law, order, public safety		(135,091)	(170,044)	(116,405)
Health		(66,221)	(75,539)	(88,430)
Education and welfare		(54,768)	(65,336)	(51,739)
Housing		(77,680)	(97,680)	(101,104)
Community amenities		(202,149)	(372,924)	(164,488)
Recreation and culture		(951,002)	(1,116,780)	(990,652)
Transport		(2,748,194)	(2,635,420)	(2,650,701)
Economic services		(248,211)	(395,022)	(210,974)
Other property and services		16,550	(106,801)	(115,102)
		<u>(4,706,280)</u>	<u>(5,414,097)</u>	<u>(4,785,474)</u>
<b>Finance costs</b>				
	2(a)			
General purpose funding		0	(1,000)	(76)
Education and welfare		(16,063)	(6,424)	(6,659)
Housing		(47,140)	(20,702)	(22,044)
Recreation and culture		(15,421)	(6,167)	(6,393)
Transport		(43,010)	(19,977)	(24,891)
		<u>(121,634)</u>	<u>(54,270)</u>	<u>(60,063)</u>
		<u>(1,019,468)</u>	<u>(1,994,978)</u>	<u>(1,649,170)</u>
Non-operating grants, subsidies and contributions				
	30	1,557,937	1,795,921	823,830
Profit on disposal of assets	21	5,060	43,000	16,566
(Loss) on disposal of assets	21	(5,340)	(6,233)	(8,543)
<b>Net result</b>		<u><b>538,190</b></u>	<u><b>(162,292)</b></u>	<u><b>(817,317)</b></u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(434,800)	0	(139,829)
<b>Total other comprehensive income</b>		<u><b>(434,800)</b></u>	<u><b>0</b></u>	<u><b>(139,829)</b></u>
<b>Total comprehensive income</b>		<u><u><b>103,390</b></u></u>	<u><u><b>(162,292)</b></u></u>	<u><u><b>(957,146)</b></u></u>

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

**SHIRE OF MINGENEW**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2017**

	NOTE	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	2,241,222	1,146,578
Trade and other receivables	5	192,197	46,466
Inventories	6	43,591	53,679
<b>TOTAL CURRENT ASSETS</b>		<u>2,477,010</u>	<u>1,246,723</u>
<b>NON-CURRENT ASSETS</b>			
Inventories	6	35,000	50,000
Property, plant and equipment	7	11,659,704	10,380,613
Infrastructure	8	26,203,959	28,726,661
<b>TOTAL NON-CURRENT ASSETS</b>		<u>37,898,663</u>	<u>39,157,274</u>
<b>TOTAL ASSETS</b>		<u>40,375,673</u>	<u>40,403,997</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	318,736	244,106
Current portion of long term borrowings	10	150,775	181,410
Provisions	11	231,014	261,493
<b>TOTAL CURRENT LIABILITIES</b>		<u>700,525</u>	<u>687,009</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	10	640,502	705,769
Provisions	11	24,552	104,516
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>665,054</u>	<u>810,285</u>
<b>TOTAL LIABILITIES</b>		<u>1,365,579</u>	<u>1,497,294</u>
<b>NET ASSETS</b>		<u>39,010,094</u>	<u>38,906,703</u>
<b>EQUITY</b>			
Retained surplus		28,653,488	28,203,154
Reserves - cash backed	12	396,477	308,621
Revaluation surplus	13	9,960,129	10,394,929
<b>TOTAL EQUITY</b>		<u>39,010,094</u>	<u>38,906,704</u>

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

**SHIRE OF MINGENEW  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2015</b>		<b>29,057,124</b>	<b>271,968</b>	<b>10,534,758</b>	<b>39,863,850</b>
Comprehensive income					
Net result		(817,317)	0	0	(817,317)
Changes on revaluation of assets	13	0	0	(139,829)	(139,829)
Total comprehensive income		(817,317)	0	(139,829)	(957,146)
Transfers from/(to) reserves		(36,653)	36,653	0	0
<b>Balance as at 30 June 2016</b>		<b>28,203,154</b>	<b>308,621</b>	<b>10,394,929</b>	<b>38,906,704</b>
Comprehensive income					
Net result		538,190	0	0	538,190
Changes on revaluation of assets	13	0	0	(434,800)	(434,800)
Total comprehensive income		538,190	0	(434,800)	103,390
Transfers from/(to) reserves		(87,856)	87,856	0	0
<b>Balance as at 30 June 2017</b>		<b>28,653,488</b>	<b>396,477</b>	<b>9,960,129</b>	<b>39,010,094</b>

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

**SHIRE OF MINGENEW**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,711,326	1,786,567	1,706,991
Operating grants, subsidies and contributions		1,054,081	834,184	515,434
Fees and charges		270,941	264,486	270,945
Interest earnings		36,577	22,152	34,300
Goods and services tax		(26,017)	0	0
Other revenue		615,808	566,000	718,861
		<u>3,662,716</u>	<u>3,473,389</u>	<u>3,246,531</u>
<b>Payments</b>				
Employee costs		(1,140,269)	(1,017,429)	(903,429)
Materials and contracts		(631,989)	(1,088,256)	(782,584)
Utility charges		(99,315)	(123,768)	(110,352)
Interest expenses		(142,294)	(54,270)	(62,730)
Insurance expenses		(127,662)	(143,612)	(138,975)
Goods and services tax		0	0	(4,060)
Other expenditure		(611,374)	(649,328)	(609,533)
		<u>(2,752,903)</u>	<u>(3,076,663)</u>	<u>(2,611,663)</u>
<b>Net cash provided by (used in) operating activities</b>	14(b)	<u>909,813</u>	<u>396,726</u>	<u>634,868</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for development of Land held for resale		0	(200,000)	0
Payments for purchase of property, plant & equipment		(735,396)	(1,337,500)	(216,654)
Payments for construction of infrastructure		(998,428)	(1,681,362)	(1,118,522)
Non-operating grants, subsidies and contributions		1,557,937	1,795,921	823,830
Proceeds from sale of fixed assets		456,621	447,000	111,364
<b>Net cash provided by (used in) investment activities</b>		<u>280,734</u>	<u>(975,941)</u>	<u>(399,982)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		(181,409)	(181,409)	(172,462)
Proceeds on re-financing of debentures		85,507	0	0
<b>Net cash provided by (used in) financing activities</b>		<u>(95,902)</u>	<u>(181,409)</u>	<u>(172,462)</u>
<b>Net increase (decrease) in cash held</b>		1,094,645	(760,624)	62,424
Cash at beginning of year		1,146,578	1,156,788	1,084,154
<b>Cash and cash equivalents at the end of the year</b>	14(a)	<u><u>2,241,222</u></u>	<u><u>396,164</u></u>	<u><u>1,146,578</u></u>

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

**SHIRE OF MINGENEW  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2017**

NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>	<u>653,606</u>	<u>688,089</u>	<u>505,333</u>
<b>Revenue from operating activities (excluding rates)</b>			
Governance	22,145	7,099	8,718
General purpose funding	955,293	598,185	343,452
Law, order, public safety	31,522	79,070	35,864
Health	2,870	301	436
Education and welfare	2,197	3,745	5,532
Housing	113,631	118,733	108,001
Community amenities	82,713	85,662	160,551
Recreation and culture	57,012	31,619	31,014
Transport	637,745	684,827	658,252
Economic services	6,373	6,824	7,300
Other property and services	179,114	113,757	177,692
	<u>2,090,615</u>	<u>1,729,822</u>	<u>1,536,812</u>
<b>Expenditure from operating activities</b>			
Governance	(175,998)	(289,736)	(241,390)
General purpose funding	(63,516)	(89,815)	(54,565)
Law, order, public safety	(135,091)	(170,044)	(116,405)
Health	(66,221)	(75,539)	(88,430)
Education and welfare	(70,831)	(71,760)	(58,398)
Housing	(124,820)	(118,382)	(123,148)
Community amenities	(202,149)	(372,924)	(164,488)
Recreation and culture	(966,423)	(1,122,947)	(997,045)
Transport	(2,796,544)	(2,661,632)	(2,684,135)
Economic services	(248,211)	(395,022)	(210,974)
Other property and services	16,550	(106,801)	(115,102)
	<u>(4,833,254)</u>	<u>(5,474,602)</u>	<u>(4,854,080)</u>
<b>Operating activities excluded from budget</b>			
(Profit) on disposal of assets	21	(5,060)	(43,000)
Loss on disposal of assets	21	5,340	6,235
Movement in employee benefit provisions (non-current)		(110,443)	0
Depreciation and amortisation on assets	2(a)	2,100,736	2,360,651
<b>Amount attributable to operating activities</b>		<u>(98,460)</u>	<u>(413,418)</u>
			0
<b>INVESTING ACTIVITIES</b>			
Non-operating grants, subsidies and contributions		1,557,937	1,795,921
Proceeds from disposal of assets	21	456,621	447,000
Purchase of land held for resale		0	(200,000)
Purchase of property, plant and equipment	7(b)	(735,396)	(1,337,500)
Purchase and construction of infrastructure	8(b)	(998,428)	(1,118,522)
<b>Amount attributable to investing activities</b>		<u>280,734</u>	<u>(399,982)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of debentures	22(a)	(181,409)	(181,409)
Transfers to reserves (restricted assets)	12	(106,453)	(91,775)
Transfers from reserves (restricted assets)	12	18,597	195,362
<b>Amount attributable to financing activities</b>		<u>(183,758)</u>	<u>(77,822)</u>
<b>Surplus(deficiency) before general rates</b>		<u>(1,483)</u>	<u>(1,022,515)</u>
<b>Total amount raised from general rates</b>	23	<u>1,722,892</u>	<u>1,676,121</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24	<u><u>1,721,407</u></u>	<u><u>(1)</u></u>

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

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) BASIS OF PREPARATION**

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

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

All figures in the financial report are presented in Australian dollars.

**CRITICAL ACCOUNTING ESTIMATES**

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

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

**THE LOCAL GOVERNMENT REPORTING ENTITY**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

**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) Cash and Cash Equivalents**

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

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



**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Trade and Other Receivables**

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

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

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

**(d) Inventories**

***General***

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

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

***Land held for sale***

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

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

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

**(e) Fixed Assets**

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

***Mandatory requirement to revalue non-current assets***

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

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

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

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Fixed Assets (Continued)**

***Land under control***

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

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

***Initial recognition and measurement between mandatory revaluation dates***

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

***Revaluation***

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

***Land under roads***

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

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

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Fixed Assets (Continued)**

***Depreciation***

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Formed roads (unsealed) formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

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

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

***Capitalisation threshold***

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

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fair Value of Assets and Liabilities**

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

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.

***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.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fair Value of Assets and Liabilities (Continued)**

**Income approach**

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

**Cost approach**

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

**(g) Financial Instruments**

***Initial recognition and measurement***

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

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

***Classification and subsequent measurement***

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

Amortised cost is calculated as:

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

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

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Financial Instruments (Continued)**

***Classification and subsequent measurement (continued)***

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

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

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

*(iv) Available-for-sale financial assets*

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

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

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

*(v) Financial liabilities*

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

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Financial Instruments (Continued)**

***Impairment***

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

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

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

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

***Derecognition***

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

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

**(h) 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.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

**(i) Trade and Other Payables**

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

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) Employee Benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations 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.

**(k) Borrowing Costs**

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

**(l) Provisions**

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

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

**(m) Leases**

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

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

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

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

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



**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(n) Investment in Associates**

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

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

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

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

**(o) Interests in Joint Arrangements**

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the proportionate consolidation method. Refer below for a description of the proportionate consolidation method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

**(p) Rates, Grants, Donations and Other Contributions**

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

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

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

**(q) 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.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(r) Current and Non-Current Classification**

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

**(s) Rounding Off Figures**

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

**(t) 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 statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**(u) Budget Comparative Figures**

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

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable <sup>(1)</sup></b>	<b>Impact</b>
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2018	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.  The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.  Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul> <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**(w) Adoption of New and Revised Accounting Standards**

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

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

- (i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

[AASB 10, 124 & 1049]

The objective of this Standard was to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit sector entities.

The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

<b>2. REVENUE AND EXPENSES</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net result includes:		
(i) Charging as an expense:		
<b>Significant revenue</b>		
Advance Financial Assistance Grants	<u>309,762</u>	<u>0</u>
Significant amount of roads were damaged by the flood on 29 January 2017. There has been a claim of \$3,210,715 was submitted to WANDRRA however no claims funds have been finalised and paid as at 30 June 2017		
<b>Auditors remuneration</b>		
Audit of the Annual Financial Report	10,180	23,986
Audit of grant acquittals	3,200	3,000
Disbursements	3,882	898
Financial management system review	5,500	0
<b>Depreciation</b>		
Buildings - non-specialised	40,981	430,658
Buildings - specialised	374,960	0
Furniture and equipment	13,421	14,342
Plant and equipment	135,186	240,186
Bushfire equipment	45,399	45,928
Tools	477	536
Infrastructure - Roads	1,216,355	1,369,532
Infrastructure - Footpath	17,791	17,791
Infrastructure - Airfields	9,072	9,072
Infrastructure - Drainage	2,611	2,309
Infrastructure - Bridges	136,245	136,245
Infrastructure - Recreations	97,345	93,397
Infrastructure - Other	10,893	10,893
	<u>2,100,736</u>	<u>2,370,889</u>
<b>Interest expenses (finance costs)</b>		
Debentures (refer Note 22 (a))	36,127	60,064
Refinancing cost	85,507	0
	<u>121,634</u>	<u>60,064</u>
<b>Other revenue</b>		
Reimbursements and recoveries	543,945	718,295
Other	71,863	566
	<u>615,808</u>	<u>718,861</u>
	<b>2017</b>	<b>2017</b>
	<b>Actual</b>	<b>Budget</b>
	<b>\$</b>	<b>\$</b>
<b>Interest earnings</b>		<b>2016</b>
Reserve funds	3,509	3,640
Other funds	15,626	17,904
Other interest revenue (refer note 28)	17,442	12,756
	<u>36,577</u>	<u>34,300</u>

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

**COMMUNITY VISION**

Standing proud. Growing strong.

**COMMUNITY ASPIRATIONS AND VALUES**

Strong leaders, good decisions.  
Striving to be innovative and progressive.  
Respecting our environment and each other.  
Proud independent community spirit.

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

**GOVERNANCE**

**Objective:**

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

**Activities:**

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

**GENERAL PURPOSE FUNDING**

**Objective:**

To collect revenue to allow for the provision of services.

**Activities:**

Rates, general purpose government grants and interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

**Objective:**

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

**Activities:**

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

**HEALTH**

**Objective:**

To provide an operational framework for environmental and community health.

**Activities:**

Inspection of food outlets and their control, noise control and waste disposal compliance.

**EDUCATION AND WELFARE**

**Objective:**

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

**Activities:**

Support of day care centre and Autumn Centre Senior Citizens.  
Youth and seniors projects.

**HOUSING**

**Objective:**

To provide and maintain housing for staff, senior citizens and the community.

**Activities:**

Provision and maintenance of housing.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective (Continued)**

**COMMUNITY AMENITIES**

**Objective:**

To provide services required by the community.

**Activities:**

Rubbish collection services, operation of rubbish disposal sites, litter control, administration of town planning schemes, maintenance of the cemetery and public conveniences.

**RECREATION AND CULTURE**

**Objective:**

To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.

**Activities:**

Maintenance of recreational and cultural facilities including the recreation centre and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

**TRANSPORT**

**Objective:**

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

**Activities:**

Construction and maintenance of roads, streets, footpaths, depots, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

**ECONOMIC SERVICES**

**Objective:**

To help promote the shire and its economic wellbeing.

**Activities:**

Tourism and area promotion including support of the Tourist and Promotions group. Provision of rural services including weed control, vermin control and standpipes. Building Control. Drum Muster.

**OTHER PROPERTY AND SERVICES**

**Objective:**

To monitor and control council's overheads operating accounts.

**Activities:**

Private works operation, plant repair and operation costs and engineering operation costs.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**2. REVENUE AND EXPENSES (Continued)**

**(c) Conditions Over Grants/Contributions**

<b>Grant/Contribution</b>	<b>Opening Balance <sup>(1)</sup> 1/07/15 \$</b>	<b>Received <sup>(2)</sup> 2015/16 \$</b>	<b>Expended <sup>(3)</sup> 2015/16 \$</b>	<b>Closing Balance <sup>(1)</sup> 30/06/16 \$</b>	<b>Received <sup>(2)</sup> 2016/17 \$</b>	<b>Expended <sup>(3)</sup> 2016/17 \$</b>	<b>Closing Balance 30/06/17 \$</b>
<b>General purpose funding</b>							
Special purpose Grants - Bridges	0	0	0	0	210,000	0	210,000
<b>Community amenities</b>							
Office of Crime Prevention	3,643	0	(114)	3,529	0	(3,529)	0
Town Revitalisation Plan	0	60,000	0	60,000	0	0	60,000
Town Planning scheme	0	25,000	0	25,000	0	0	25,000
Mingenew Transfer Station	0	0	0	0	45,000	0	45,000
<b>Recreation and culture</b>							
MWDC - Museum	54,425	0	(54,425)	0	13,712	0	13,712
Lotterywest little well project	0	0	0	0	13,580	0	13,580
DSR - Oval Lighting	0	0	0	0	50,000	0	50,000
<b>Transport</b>							
Royalties for Regions	101,631	0	(101,631)	0	0	0	0
Roads to Recovery	170,119	75,191	(117,214)	128,096	354,802	(331,692)	151,206
<b>Total</b>	<b>329,818</b>	<b>160,191</b>	<b>(273,384)</b>	<b>216,625</b>	<b>687,094</b>	<b>(335,221)</b>	<b>568,498</b>

**Notes:**

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



**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	Note	2017 \$	2016 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		1,276,249	621,333
Restricted		<u>964,973</u>	<u>525,245</u>
		<u><u>2,241,222</u></u>	<u><u>1,146,578</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves cash backed			
Building Reserve	12	58,767	43,920
Plant Reserve	12	148,056	146,392
Sports Ground Reserve	12	2,725	2,695
Accrued Leave Reserve	12	64,065	13,907
APU Jointventure Reserve	12	20,230	20,002
Town St Maintenance Reserve	12	0	14,307
Painted Road Reserve	12	0	4,202
Environmental Rehabilitation	12	18,002	17,799
Industrial Area Dev. Reserve	12	5,287	5,228
RTC/PO/NAB Reserve	12	20,382	20,153
Insurance Reserve	12	40,243	20,016
Economic Development & Marketing Reserve	12	18,719	0
Unspent Grants	2(c)	<u>568,498</u>	<u>216,625</u>
		<u><u>964,974</u></u>	<u><u>525,246</u></u>

**4. INVESTMENTS**

Financial assets at fair value through profit and loss		Nil	Nil
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**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates outstanding	83,832	37,609
Sundry debtors	79,873	1,951
GST receivable	30,077	4,060
Provision for Doubtful Debt	(1,585)	(1,585)
Prepayments	0	4,431
	<u>192,197</u>	<u>46,466</u>

Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

<b>Rates outstanding</b>	<u>83,832</u>	<u>37,609</u>
Includes:		
Past due and not impaired	0	0
Impaired	<u>0</u>	<u>0</u>
 <b>Sundry debtors</b>	 <u>79,873</u>	 <u>1,951</u>
Includes:		
Past due and not impaired	18,371	39
Impaired	<u>61,502</u>	<u>1,912</u>

**6. INVENTORIES**

<b>Current</b>		
Fuel & Materials	3,197	13,285
Land held for resale - cost	<u>40,394</u>	<u>40,394</u>
	<u>43,591</u>	<u>53,679</u>
<b>Non-current</b>		
Land held for resale - cost	<u>35,000</u>	<u>50,000</u>
	<u>35,000</u>	<u>50,000</u>

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>7 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land - freehold land		
- Independent valuation 2014- level 2	0	1,471,016
- Independent valuation 2017 - level 2	859,100	0
- Independent valuation 2017 - level 3	253,000	0
	<u>1,112,100</u>	<u>1,471,016</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	0	15,000
- Independent valuation 2017 - level 3	200,000	0
	<u>200,000</u>	<u>15,000</u>
	<u>1,312,100</u>	<u>1,486,016</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level 2	0	7,732,912
- Independent valuation 2017 - level 2	625,000	0
- Additions after valuation - cost	0	346,844
Less: accumulated depreciation	0	(850,659)
	<u>625,000</u>	<u>7,229,097</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	7,514,500	0
- Management valuation 2017 - level 3	443,592	0
- Additions after valuation - cost	230,618	0
	<u>8,188,710</u>	<u>0</u>
	<u>8,813,710</u>	<u>7,229,097</u>
Total land and buildings	<u>10,125,810</u>	<u>8,715,113</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	81,914	81,914
- Additions after valuation - cost	3,318	0
Less: accumulated depreciation	(13,421)	0
	<u>71,811</u>	<u>81,914</u>
Plant and equipment at:		
- Independent valuation 2016 - level 2	1,118,085	1,118,085
- Disposals after valuation	(441,901)	0
- Additions after valuation - cost	501,460	0
Less: accumulated depreciation	(135,186)	0
	<u>1,042,458</u>	<u>1,118,085</u>
Bushfire equipment at:		
- Independent valuation 2016- level 2	460,885	460,885
Less: accumulated depreciation	(45,399)	0
	<u>415,486</u>	<u>460,885</u>

Tools at:

- Independent valuation 2016 - level 2

4,616

4,616

Less: accumulated depreciation

(477)

0

4,139

4,616

11,659,704

10,380,613

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	1,471,016	0	(14,397)	(246,600)	0	0	0	(97,919)	1,112,100
Land - vested in and under the control of Council	15,000	0	0	185,000	0	0	0	0	200,000
<b>Total land</b>	<b>1,486,016</b>	<b>0</b>	<b>(14,397)</b>	<b>(61,600)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(97,919)</b>	<b>1,312,100</b>
Buildings - non-specialised	7,229,097	0	0	(198,017)	0	0	(40,981)	(6,365,099)	625,000
Buildings - specialised	0	230,618	14,397	1,855,638	0	0	(374,960)	6,463,018	8,188,710
<b>Total buildings</b>	<b>7,229,097</b>	<b>230,618</b>	<b>14,397</b>	<b>1,657,621</b>	<b>0</b>	<b>0</b>	<b>(415,941)</b>	<b>97,919</b>	<b>8,813,711</b>
<b>Total land and buildings</b>	<b>8,715,113</b>	<b>230,618</b>	<b>0</b>	<b>1,596,021</b>	<b>0</b>	<b>0</b>	<b>(415,941)</b>	<b>0</b>	<b>10,125,811</b>
Furniture and equipment	81,914	3,318	0	0	0	0	(13,421)	0	71,811
Plant and equipment	1,118,085	501,460	(441,901)	0	0	0	(135,186)	0	1,042,458
Bushfire equipment	460,885	0	0	0	0	0	(45,399)	0	415,486
Tools	4,616	0	0	0	0	0	(477)	0	4,139
<b>Total property, plant and equipment</b>	<b>10,380,613</b>	<b>735,396</b>	<b>(441,901)</b>	<b>1,596,021</b>	<b>0</b>	<b>0</b>	<b>(610,424)</b>	<b>0</b>	<b>11,659,705</b>

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(c) Fair Value Measurements**

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
<b>Land - freehold land</b>					
land - Freehold land	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2017	Price per hectare
Land - freehold land	3	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2017	Price per hectare
Land - vested in and under the control of Council	3	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2017	Market data/Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - non-specialised	3	Cost approach using depreciated replacement cost	Independent Registered Valuer	June 2017	Market data/Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - specialised	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2017	Market data/Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (Level 3) inputs.
<b>Furniture and equipment</b>	3	Market approach using recent observable market data for similar properties	Management Valuation	June 2016	Market data/costs and current condition (Level 2), residual values and remaining useful life assessments
<b>Plant and equipment</b>					
- Independent valuation 2016	3	Market approach using recent observable market data for similar assets/cost approach using depreciated replacement cost	Independent Registered Valuer	June 2016	Market data/costs and current condition (Level 2), residual values and remaining useful life assessments
- Disposals after valuation	3	Market approach using recent observable market data for similar assets/cost approach using depreciated replacement cost	Management Valuation	June 2016	Market data/costs and current condition (Level 2), residual values and remaining useful life assessments
<b>Bushfire equipment</b>	2	Market approach using recent observable market data for similar assets/cost approach using depreciated replacement cost	Management Valuation	June 2016	Market data/costs and current condition (Level 2), residual values and remaining useful life assessments
<b>Tools</b>	2	Market approach using recent observable market data for similar assets/cost approach using depreciated replacement cost	Management Valuation	June 2016	Market data/costs and current condition (Level 2), residual values and remaining useful life assessments

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.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>8 (a). INFRASTRUCTURE</b>		
Infrastructure - Roads		
- Independent valuation 2015- level 3	0	39,526,453
- Management valuation 2017 - level 3	37,731,065	0
- Additions after valuation - cost	835,729	1,094,256
Less: accumulated depreciation	<u>(17,720,928)</u>	<u>(16,504,574)</u>
	20,845,866	24,116,135
Infrastructure - Footpath		
- Independent valuation 2015 - level 3	834,860	834,860
- Additions after valuation - cost	0	0
Less: accumulated depreciation	<u>(609,294)</u>	<u>(591,503)</u>
	225,566	243,357
Infrastructure - Airfields		
- Management valuation 2015 - level 3	147,420	147,420
- Additions after valuation - cost	0	0
Less: accumulated depreciation	<u>(63,504)</u>	<u>(54,432)</u>
	83,916	92,988
Infrastructure - Drainage		
- Independent valuation 2015 - level 3	206,064	184,000
- Additions after valuation - cost	3,102	22,064
Less: accumulated depreciation	<u>(50,920)</u>	<u>(48,309)</u>
	158,246	157,755
Infrastructure - Bridges		
- Independent valuation 2015 - level 3	6,812,250	6,812,250
- Additions after valuation - cost	0	0
Less: accumulated depreciation	<u>(3,798,281)</u>	<u>(3,662,036)</u>
	3,013,969	3,150,214
Infrastructure - Recreations		
- Independent valuation 2014 - level 3	0	948,800
- Independent valuation 2017 - level 3	1,525,457	0
- Management valuation 2017 - level 3	32,658	0
- Additions after valuation - cost	35,424	2,202
Less: accumulated depreciation	<u>0</u>	<u>(93,397)</u>
	1,593,539	857,605
Infrastructure - Other		
- Independent valuation 2014 - level 3	0	119,500
- Independent valuation 2017 - level 3	132,900	0
- Management valuation 2017 - level 3	25,784	0
- Additions after valuation - cost	124,173	0
Less: accumulated depreciation	<u>0</u>	<u>(10,893)</u>
	282,857	108,607
	<u>26,203,959</u>	<u>28,726,661</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A(2) which requires infrastructure to be shown at fair value.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**8. INFRASTRUCTURE (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	24,116,135	835,729	0	0	0	(2,889,644)	(1,216,355)	0	20,845,865
Infrastructure - Footpath	243,357	0	0	0	0	0	(17,791)	0	225,566
Infrastructure - Airfields	92,988	0	0	0	0	0	(9,072)	0	83,916
Infrastructure - Drainage	157,755	3,102	0	0	0	0	(2,611)	0	158,246
Infrastructure - Bridges	3,150,214	0	0	0	0	0	(136,245)	0	3,013,969
Infrastructure - Recreations	857,605	35,424	0	797,854	0	0	(97,345)	0	1,593,538
Infrastructure - Other	108,607	124,173	0	60,969	0	0	(10,893)	0	282,856
<b>Total infrastructure</b>	<b><u>28,726,661</u></b>	<b><u>998,428</u></b>	<b><u>0</u></b>	<b><u>858,823</u></b>	<b><u>0</u></b>	<b><u>(2,889,644)</u></b>	<b><u>(1,490,312)</u></b>	<b><u>0</u></b>	<b><u>26,203,956</u></b>



**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**8. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Infrastructure - Roads</b>	3	Depreciated Cost	Independent specialist valuer	June 2015	Depreciated cost value of similar assets adjusted for condition and comparability.
<b>Infrastructure - Footpath</b>	3	Depreciated Cost	Independent specialist valuer	June 2015	Depreciated cost value of similar assets adjusted for condition and comparability.
<b>Infrastructure - Airfields</b>	3	Depreciated Cost	Independent specialist valuer	June 2015	Depreciated cost value of similar assets adjusted for condition and comparability.
<b>Infrastructure - Drainage</b>	3	Depreciated Cost	Independent specialist valuer	June 2015	Depreciated cost value of similar assets adjusted for condition and comparability.
<b>Infrastructure - Bridges</b>	3	Depreciated Cost	Independent specialist valuer	June 2015	Depreciated cost value of similar assets adjusted for condition and comparability.
<b>Infrastructure - Recreations</b>	3	Depreciated Cost	Independent specialist valuer	June 2017	Depreciated cost value of similar assets adjusted for condition and comparability.
<b>Infrastructure - Other</b>	3	Depreciated Cost	Independent specialist valuer	June 2017	Depreciated cost value of similar assets adjusted for condition and comparability.

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 MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	261,624	195,750
Accrued Expenses	13,414	34,074
Accrued salaries and wages	1,977	1,977
ATO liabilities	41,721	5,525
Income received in advance	0	6,780
	<u>318,736</u>	<u>244,106</u>

**10. LONG-TERM BORROWINGS**

<b>Current</b>		
Secured by floating charge		
Debentures	150,775	181,410
	<u>150,775</u>	<u>181,410</u>
<b>Non-current</b>		
Secured by floating charge		
Debentures	640,502	705,769
	<u>640,502</u>	<u>705,769</u>

Additional detail on borrowings is provided in Note 22.

**11. PROVISIONS**

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
<b>Opening balance at 1 July 2016</b>			
Current provisions	150,847	110,646	261,493
Non-current provisions	0	104,516	104,516
	<u>150,847</u>	<u>215,162</u>	<u>366,009</u>
Additional provision	(64,737)	(45,706)	(110,443)
<b>Balance at 30 June 2017</b>	<u>86,110</u>	<u>169,456</u>	<u>255,566</u>
<b>Comprises</b>			
Current	86,110	144,904	231,014
Non-current	0	24,552	24,552
	<u>86,110</u>	<u>169,456</u>	<u>255,566</u>

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**12. RESERVES - CASH BACKED**

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Building Reserve	43,920	14,847	0	58,767	43,920	439	(40,000)	4,359	43,342	578	0	43,920
Plant Reserve	146,394	1,664	0	148,058	146,394	1,460	(100,000)	47,854	131,625	14,767	0	146,392
Sports Ground Reserve	2,694	31	0	2,725	2,694	27	0	2,721	2,658	36	0	2,694
Accrued Leave Reserve	13,907	50,158	0	64,065	13,907	50,139	0	64,046	13,724	183	0	13,907
APU Jointventure Reserve	20,002	227	0	20,229	20,002	200	0	20,202	19,739	263	0	20,002
Town St Maintenance Reserve	14,306	70	(14,376)	0	14,306	143	(14,449)	0	14,118	188	0	14,306
Painted Road Reserve	4,201	20	(4,221)	0	4,201	42	(4,243)	0	4,146	55	0	4,201
Enviromental Rehabilitation	17,799	202	0	18,001	17,799	178	(17,977)	0	17,565	234	0	17,799
Industraial Area Dev. Reserve	5,227	59	0	5,286	5,227	52	0	5,279	5,159	68	0	5,227
RTC/PO/NAB Reserve	20,153	229	0	20,382	20,153	202	0	20,355	19,888	265	0	20,153
Insurance Reserve	20,016	20,228	0	40,244	20,016	20,200	0	40,216	0	20,016	0	20,016
Economic Development & Marketing Reserve	0	18,718	0	18,718	0	18,693	(18,693)	0	0	0	0	0
	<b>308,617</b>	<b>106,453</b>	<b>(18,597)</b>	<b>396,475</b>	<b>308,619</b>	<b>91,775</b>	<b>(195,362)</b>	<b>205,030</b>	<b>271,964</b>	<b>36,653</b>	<b>0</b>	<b>308,617</b>

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

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

<b>Name of Reserve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
Building Reserve	TBD	To be used for the acquisition, construction and maintenance of land and building.
Plant Reserve	TBD	To be used for the purchase of plant & equipment.
Sports Ground Reserve	TBD	To be used for the improvement of the sportsground.
Accrued Leave Reserve	TBD	To be used to fund annual and long service leave requirements.
APU Jointventure Reserve	TBD	To be used for the funding of future operating shortfalls of the aged person's units in accordance with the management agreement Council has with Homewest.
Town St Maintenance Reserve	TBD	To be closed and funds transfered to Economic Development and Marketing Reserve.
Painted Road Reserve	TBD	To be used for the painted road and associated projects.
Enviromental Rehabilitation	TBD	To be used for the rehabilitation of gravel pits.
Industraial Area Dev. Reserve	TBD	To be used for the development of the industrial area.
RTC/PO/NAB Reserve	TBD	To be used for the maintenance and upkeep of the Rural Transaction Centre.
Insurance Reserve	TBD	To be used for the settlement of minor property expenses under \$5,000.
Economic Development & Marketing Reserve	TBD	To be used for Economic Development and Marketing of the Shire of Mingenew.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**13. REVALUATION SURPLUS**

	30/6/2017	30/6/2017	30/6/2017	30/6/2017	30/6/2017	30/6/2016	30/6/2016	30/6/2016	30/6/2016	30/6/2016	30/6/2016
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	Closing	Closing
	Balance	Increment	(Decrement)	Revaluation	Balance	Balance	Increment	(Decrement)	Revaluation	Balance	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Free hold land	4,713,033	(246,600)	0	(246,600)	4,466,433	4,713,033	0	0	0	0	4,713,033
Revaluation surplus - Land - vested in and under the control of Council	0	185,000	0	185,000	185,000	0	0	0	0	0	0
Revaluation surplus - Buildings - non-specialised	0	(198,017)	0	(198,017)	(198,017)	0	0	0	0	0	0
Revaluation surplus - Buildings - specialised	0	1,855,638	0	1,855,638	1,855,638	0	0	0	0	0	0
Revaluation surplus - Plant and equipment	156,598	0	0	0	156,598	296,427	40,401	(180,230)	(139,829)	156,598	156,598
Revaluation surplus - Infrastructure -bridges	1,169,324	0	0	0	1,169,324	1,169,324	0	0	0	1,169,324	1,169,324
Revaluation surplus - Infrastructure - Roads	3,560,385	0	(2,889,644)	(2,889,644)	670,741	3,560,385	0	0	0	3,560,385	3,560,385
Revaluation surplus - Infrastructure - Footpaths	99,085	0	0	0	99,085	99,085	0	0	0	99,085	99,085
Revaluation surplus - Infrastructure - Drainage	132,054	797,854	0	797,854	929,908	132,054	0	0	0	132,054	132,054
Revaluation surplus - Infrastructure - Recreations	354,493	60,969	0	60,969	415,462	354,493	0	0	0	354,493	354,493
Revaluation surplus - Infrastructure - Other	107,897	0	0	0	107,897	107,897	0	0	0	107,897	107,897
Revaluation surplus - Infrastructure - Airfield	102,060	0	0	0	102,060	102,060	0	0	0	102,060	102,060
	<u>10,394,929</u>	<u>2,454,844</u>	<u>(2,889,644)</u>	<u>(434,800)</u>	<u>9,960,129</u>	<u>10,534,758</u>	<u>40,401</u>	<u>(180,230)</u>	<u>(139,829)</u>	<u>10,394,929</u>	<u>10,394,929</u>

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**14. 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:

	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
Cash and cash equivalents	<u>2,241,222</u>	<u>396,164</u>	<u>1,146,578</u>

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

Net result	538,190	(162,290)	(817,317)
Non-cash flows in Net result:			
Depreciation	2,100,736	2,360,651	2,370,889
(Profit)/Loss on sale of asset	279	(36,765)	(8,023)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(145,731)	0	41,670
(Increase)/Decrease in inventories	10,088	0	(4,260)
Increase/(Decrease) in payables	74,630	31,053	(159,913)
Increase/(Decrease) in provisions	(110,443)	0	35,652
Grants contributions for the development of assets	<u>(1,557,937)</u>	<u>(1,795,921)</u>	<u>(823,830)</u>
Net cash from operating activities	<u>909,813</u>	<u>396,728</u>	<u>634,868</u>

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	50,000	400,000
Bank overdraft at balance date	50,000	400,000
Credit card limit	9,500	14,500
Credit card balance at balance date	9,500	(510)
<b>Total amount of credit unused</b>	<u>119,000</u>	<u>813,990</u>
<b>Loan facilities</b>		
Loan facilities - current	150,775	181,410
Loan facilities - non-current	640,502	705,769
<b>Total facilities in use at balance date</b>	<u>791,277</u>	<u>887,179</u>
<b>Unused loan facilities at balance date</b>	<u>NIL</u>	<u>NIL</u>

**SHIRE OF MINGENEW**  
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**15. CONTINGENT LIABILITIES**

No known contingent liabilities.

	<b>2017</b>	<b>2016</b>
<b>16. CAPITAL AND LEASING COMMITMENTS</b>	<b>\$</b>	<b>\$</b>

**(a) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year	5,056	4,656
- later than one year but not later than five years	863	5,432
	<u>5,918</u>	<u>10,088</u>
	<u>5,918</u>	<u>10,088</u>

**(b) Capital Expenditure Commitments**

The Shire did not have any future capital expenditure commitments at the reporting date.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**17. JOINT VENTURE ARRANGEMENTS**

In 1997/98, Council, in conjunction with Homeswest, constructed 3 x two bedroom and 1 x one bedroom Aged Persons' Units in the Mingenew townsite. The terms of the joint venture agreement provided for Council to contribute \$59,136 which equates to an equity of 13.92%. Council has subsequently capitalised expenditure on the units. The recalculated equity for Council is 18.58%. Fair Value assessment of the property was undertaken in 2013/14 along with all other Council Land and Building Assets. The amount shown below is 18.58% of the fair value of \$470,000 and is included in Land & Buildings in note 7.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current assets</b>		
Land and buildings	87,326	117,110
Less: accumulated depreciation	0	(7,156)
	<u>87,326</u>	<u>109,954</u>

**18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Governance	462,608	462,608
General purpose funding	2,521,524	44,514
Law, order, public safety	511,495	511,495
Health	36,265	36,265
Education and welfare	775,698	775,698
Housing	2,469,341	2,469,341
Community amenities	359,798	359,798
Recreation and culture	4,488,348	3,473,471
Transport	26,453,670	28,504,483
Economic services	532,821	532,821
Other property and services	1,355,965	1,355,965
Unallocated	408,140	1,877,538
	<u>40,375,673</u>	<u>40,403,997</u>

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	2017	2016	2015
<b>19. FINANCIAL RATIOS</b>			
Current ratio	2.38	1.07	0.75
Asset sustainability ratio	0.83	0.49	1.10
Debt service cover ratio	3.97	3.40	5.33
Operating surplus ratio	(0.39)	(0.60)	(0.32)
Own source revenue coverage ratio	0.54	0.57	0.57

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**Notes:**

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 62 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$309,762.

Three of the 2016 and 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$(300,764).

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	1.89	1.5	0.8
Debt service cover ratio	2.95	4.69	3.9
Operating surplus ratio	(0.50)	(0.49)	(0.3)



**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**20. TRUST FUNDS**

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

	<b>1 July 2016</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>30 June 2017</b>
	\$	\$	(\$)	\$
BCITF Levy	1,374	641	(2,014)	0
BRB Levy	1,086	801	(1,883)	4
Autumn Committee	974	0	0	974
Community Bus	2,460	140	(400)	2,200
ANZAC Day Breakfast Donation	501	0	0	501
Building Relocation Bond	1,000	0	0	1,000
Mid West Industry Road Safety Alliance	39,650	52,250	(70,606)	21,294
Mingenew Cemetery Group	4,314	0	0	4,314
Housing Bonds	1,428	0	0	1,428
Cool Room Bond	530	0	0	530
Outdoor Camera Bond	350	0	0	350
Animal Trap Bond	50	0	(50)	0
Projector Screen	0	20	(20)	0
Other Bonds	200	0	0	200
Rates Incentive Prizes	200	0	(100)	100
Sinosteel Community Trust Fund	63,415	0	(63,415)	0
Tree Planter - LCDC	88	0	0	88
Weary Dunlop Memorial	87	0	0	87
Mingenew P & C - NBN Rental	0	6,190	(6,190)	0
Joan Trust	961	1,200	0	2,161
Youth Advisory Council	746	0	0	746
Centenary Committee	897	0	0	897
Community Christmas Tree	132	300	0	432
Silverchain Committee	2,268	0	(2,268)	0
Seniors Donations	0	50	0	50
	<u>122,711</u>	<u>61,592</u>	<u>(146,947)</u>	<u>37,356</u>

## 21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
<b>Plant and Equipment</b>								
<u>Governance</u>								
Holden Caprice MI 1 (7/9/2016)	40,846	41,170	324	0	43,000	43,000	0	0
Mitsubishi Pajero MI 177 (8/7/2016)	40,477	39,647	0	(830)	43,000	43,000	0	0
Mitsubishi Pajero MI 177 (13/10/2016)	40,887	39,787	0	(1,100)	43,000	43,000	0	0
Holden Caprice MI 1 (9/1/2017)	41,899	41,170	0	(729)	43,000	43,000	0	0
Mitsubishi Pajero MI 177(9/2/2016)	40,389	40,000	0	(389)	43,000	43,000	0	0
Holden Caprice MI 1 (1/6/2017)	39,765	40,842	1,077	0	43,000	43,000	0	0
Mitsubishi Pajero MI 177(27/6/2016)	39,069	39,860	792	0	0	0	0	0
<u>Transport</u>								
Mitsubishi Pajero MI 108(3/8/2016)	40,136	38,978	0	(1,158)	43,000	43,000	0	0
Mitsubishi Pajero MI 108(28/11/2016)	37,376	40,000	2,624	0	43,000	43,000	0	0
Mitsubishi Pajero MI 108 (17/3/2017)	39,756	40,000	244	0	43,000	43,000	0	0
Mitsubishi Pajero MI 108(26/6/2017)	39,710	39,860	0	150	0	0	0	0
Victa Mower	1,590	909	0	(681)	0	0	0	0
11 Tonne Dual Cab Truck	0	0	0	0	17,000	60,000	43,000	0
Ride on Mower	0	0	0	0	5,355		0	(5,355)
Road Broom	0	0	0	0	878	0	0	(878)
<u>Other property and services</u>								
Industrial Areas Land	15,000	14,397	0	(603)	0	0	0	0
	<u>456,900</u>	<u>456,621</u>	<u>5,060</u>	<u>(5,340)</u>	<u>410,233</u>	<u>447,000</u>	<u>43,000</u>	<u>(6,233)</u>

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal	Refinancing	Principal		Principal		Interest	
	1 July 2016		Cost	Repayments	Budget	30 June 2017	Budget	Repayments
	\$	\$	Actual	\$	Actual	\$	Actual	\$
<b>Education and welfare</b>								
Loan 137 - Seniors Citizens Bldg	96,720	11,102	5,086	5,086	102,736	91,634	4,961	6,424
<b>Housing</b>								
Loan 133 - Triplex	73,136	7,483	11,770	11,370	68,849	61,766	2,415	3,639
Loan 134 - Silver Chain House	52,130	5,631	5,649	5,649	52,112	46,481	2,314	3,516
Loan 136 - Staff Housing	116,262	13,416	7,727	7,727	121,951	108,535	5,792	8,230
Loan 142 - Staff Housing	65,811	6,803	9,658	9,658	62,956	56,153	1,655	2,603
<b>Recreation and culture</b>								
Loan 138 - Pavilion Fitout	95,050	10,658	4,483	4,883	101,225	90,167	4,277	6,909
<b>Transport</b>								
Loan 139 - Roller	39,169	2,939	14,913	14,913	27,194	24,256	1,365	2,329
Loan 141 - Grader	106,509	9,964	24,266	24,266	92,207	82,243	2,415	3,639
Loan 143 - 2 x Trucks	54,771	0	54,771	54,771	0	0	2,884	4,497
Loan 144 - Side Tipping Trailer	65,811	6,803	9,658	9,658	62,956	56,153	4,763	7,167
Loan 145 - Drum Roller	121,811	10,708	33,429	33,429	99,090	88,382	3,286	5,317
	887,180	85,507	181,411	181,410	791,276	705,770	36,127	54,270
	887,180	85,507	181,409	181,409	791,276	705,770	36,127	54,270

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**22. INFORMATION ON BORROWINGS (Continued)**

(b) New Debentures - 2016/17

The Shire did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Council established an overdraft facility of \$50,000 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2016 and 1 July 2017 was NIL.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**23. RATING INFORMATION - 2016/17 FINANCIAL YEAR**

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential general rate / general rate</b>											
<b>Gross rental value valuations</b>											
GRV - Mingenew & Yandanooka	13.5884	145	1,568,940	212,194	(50)	0	212,143	213,194	0	0	213,194
<b>Unimproved value valuations</b>											
UV - Rural & Mining	1.4014	113	102,310,000	1,433,773	(13,793)	0	1,419,980	1,433,767	0	0	1,433,767
<b>Sub-Total</b>		<b>258</b>	<b>103,878,940</b>	<b>1,645,967</b>	<b>(13,844)</b>	<b>0</b>	<b>1,632,124</b>	<b>1,646,961</b>	<b>0</b>	<b>0</b>	<b>1,646,961</b>
<b>Minimum payment</b>	<b>Minimum</b>										
<b>Gross rental value valuations</b>											
GRV - Mingenew & Yandanooka	655	77	90,176	50,435	655	0	51,090	55,675	0	0	55,675
<b>Unimproved value valuations</b>											
UV - Rural & Mining	1,500	37	1,353,478	55,500	0		55,500	55,500	0	0	55,500
<b>Sub-Total</b>		<b>114</b>	<b>1,443,654</b>	<b>105,935</b>	<b>655</b>	<b>0</b>	<b>106,590</b>	<b>111,175</b>	<b>0</b>	<b>0</b>	<b>111,175</b>
<hr/>											
		<b>372</b>	<b>105,322,594</b>	<b>1,751,902</b>	<b>(13,189)</b>	<b>0</b>	<b>1,738,714</b>	<b>1,758,136</b>	<b>0</b>	<b>0</b>	<b>1,758,136</b>
Discounts/Concessions (refer note 27)							(15,822)				(6,235)
<b>Total amount raised from general rate</b>							<b>1,722,892</b>				<b>1,751,901</b>
Specified Area Rate (refer note 25)							0				0
Ex-gratia rates							34,657				34,666
<b>Totals</b>							<b>1,757,549</b>				<b>1,786,567</b>

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**24. NET CURRENT ASSETS**

Composition of net current assets

	2017	2017	2016
	(30 June 2017 Carried Forward) \$	(1 July 2016 Brought Forward) \$	(30 June 2016 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 16 brought forward</b>	<u>1,721,405</u>	<u>653,606</u>	<u>653,606</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	1,276,249	621,333	621,333
Restricted	964,973	525,245	525,245
Receivables			
Rates outstanding	83,832	37,609	37,609
Sundry debtors	79,873	1,951	1,951
GST receivable	30,077	4,060	4,060
Provision for Doubtful Debt	(1,585)	(1,585)	(1,585)
Prepayments	0	4,431	4,431
Inventories			
Fuel & Materials	3,197	13,285	13,285
Land held for resale - cost	40,394	40,394	40,394
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(261,624)	(195,750)	(195,750)
Accrued Expenses	(13,414)	(34,074)	(34,074)
Accrued salaries and wages	(1,977)	(1,977)	(1,977)
ATO liabilities	(41,721)	(5,525)	(5,525)
Income received in advance	0	(6,780)	(6,780)
Current portion of long term borrowings			
Secured by floating charge	(150,775)	(181,410)	(181,410)
Provisions			
Provision for annual leave	(86,110)	(150,847)	(150,847)
Provision for long service leave	(144,904)	(110,646)	(110,646)
<b>Unadjusted net current assets</b>	<u><b>1,776,485</b></u>	<u><b>559,714</b></u>	<u><b>559,714</b></u>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(396,475)	(308,617)	(308,617)
Add: Secured by floating charge	150,775	181,410	181,410
Land held for resale - cost	(40,394)	(40,394)	(40,394)
Provision for annual & long service leave	231,014	261,493	261,493
<b>Adjusted net current assets - surplus/(deficit)</b>	<u><u><b>1,721,405</b></u></u>	<u><u><b>653,606</b></u></u>	<u><u><b>653,606</b></u></u>

**Difference**

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

**SHIRE OF MINGENEW  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR**

No specified area rates were imposed by the Shire during the ended 30 June 2017.

**26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR**

No service charges were imposed by the Shire during the year ended 30 June 2017.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS**  
**- 2016/17 FINANCIAL YEAR**

**Rates Discounts**

No discounts were offered in Financial Year 2016/17.

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

	<b>Type</b>	<b>Concession %</b>	<b>Concession \$</b>	<b>Actual \$</b>	<b>Budget \$</b>
Yandanooka GRV Rates	Concession	50.00%	1,000	1,000	6,235
UV Minimum	Concession		500	14,822	0
				<u>15,822</u>	<u>6,235</u>

**Rate or Fee and Charge to which the Waiver or Concession is Granted**  
Yandanooka GRV Rates

**Circumstances in which the Waiver or Concession is Granted and to whom it was available**  
Properties in Yandanooka Town site

**Objects of the Waiver or Concession**  
Recognise reduced level of service provided to these ratepayers.



**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**28. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR**

	<b>Date Due</b>	<b>Instalment Plan Admin Charge</b>	<b>Instalment Plan Interest Rate</b>	<b>Unpaid Rates Interest Rate</b>
		<b>\$</b>	<b>%</b>	<b>%</b>
<b>Instalment Options</b>				
<b>Option One</b>	12 September 16	0	%	11.00%
Single full payment				
<b>Option Two</b>				
First Instalment	12 September 16			
Second Instalment	16 November 16	15	5.50%	11.00%
<b>Option Three</b>				
First Instalment	12 September 16			
Second Instalment	16 November 16	15	5.50%	11.00%
Third Instalment	27 January 17	15	5.50%	11.00%
Fourth Instalment	29 March 17	15	5.50%	11.00%
			<b>Revenue</b>	<b>Budgeted Revenue</b>
			<b>\$</b>	<b>\$</b>
Interest on unpaid rates			15,698	10,270
Interest on instalment plan			1,744	0
Charges on instalment plan			2,900	2,775
			<u>20,342</u>	<u>13,045</u>

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

<b>29. FEES &amp; CHARGES</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Governance	6,110	3,977
General purpose funding	3,560	3,431
Law, order, public safety	2,724	5,511
Health	270	436
Education and welfare	1,115	2,537
Housing	100,619	105,567
Community amenities	78,510	74,599
Recreation and culture	33,543	30,788
Transport	14,622	13,670
Economic services	6,003	6,984
Other property and services	19,433	23,445
	<u>266,510</u>	<u>270,945</u>

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

**30. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Operating grants, subsidies and contributions</b>		
Governance	13,457	0
General purpose funding	884,157	275,946
Law, order, public safety	28,649	29,775
Health	2,600	0
Education and welfare	1,000	2,889
Housing	12,286	0
Community amenities	4,000	85,187
Recreation and culture	23,438	0
Transport	74,576	68,225
Other property and services	87,840	625
	<u>1,132,003</u>	<u>462,647</u>
<b>Non-operating grants, subsidies and contributions</b>		
General purpose funding	210,000	0
Education and welfare	0	3,447
Housing	395,455	0
Community amenities	45,000	0
Recreation and culture	153,907	0
Transport	698,135	820,383
Economic services	55,440	0
	<u>1,557,937</u>	<u>823,830</u>
	<u>2,689,940</u>	<u>1,286,477</u>

**31. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>14</u>	<u>19</u>
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**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

<b>32. ELECTED MEMBERS REMUNERATION</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	27,565	28,140	26,893
President's allowance	7,150	7,150	7,100
Deputy President's allowance	1,794	1,790	1,627
Travelling expenses	0	500	0
	<b>36,508</b>	<b>37,580</b>	<b>35,620</b>

**33. RELATED PARTY TRANSACTIONS**

**Key Management Personnel (KMP) Compensation Disclosure**

	<b>2017</b>
	<b>\$</b>
The total of remuneration paid to KMP of the Shire during the year are as follows:	
Short-term employee benefits	593,509
Post-employment benefits	62,525
Other long-term benefits	65,034
Termination benefits	111,241
	<b>832,309</b>

**Short-term employee benefits**

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 32.

**Post-employment benefits**

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

**Other long-term benefits**

These amounts represent long service benefits accruing during the year.

**Termination benefits**

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

**Related Parties**

**The Shire's main related parties are as follows:**

*i. Key management personnel*

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

*ii. Entities subject to significant influence by the Shire*

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

*iii. Joint venture entities accounted for under the proportionate consolidation method*

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint venture entities, refer to Note 17.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**33. RELATED PARTY TRANSACTIONS (Continued)**

**Transactions with related parties**

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

The following transactions occurred with related parties:

**2017**

**\$**

**Associated companies/individuals:**

Sale of goods and services	0
Purchase of goods and services	50,501

**Joint venture entities:**

Distributions received from joint venture entities	0
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**Amounts outstanding from related parties:**

Trade and other receivables	0
Loans to associated entities	0
Loans to key management personnel	0

**Amounts payable to related parties:**

Trade and other payables	0
Loans from associated entities	0

**Additional disclosures**

- a. The former Works Manager's wife was working for the Shire of Mingenew as the Finance Officer.
- b. There is an identifiable relationship between one of the plumbing contractors (Irwin Plumbing) employee and the former Works Manager who awarded the plumbing work to the contractor and approved the financial transactions for such.
- c. The wife of a Councillor is employed by the Shire of Mingenew as a cleaner and his sister was employed as an Administration Officer.
- d. The President of the Shire of Mingenew donated gravel to the Shire free of charge to complete gravel sheeting works. The value of the gravel is estimated to be worth \$12,000.

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

**34. MAJOR LAND TRANSACTIONS**

The Shire did not participate in any major land transactions during the 2016/2017 financial year.

**35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The Shire did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT**

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

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

Financial risk management is carried out by the finance area under policies approved by the Council.

*The Shire held the following financial instruments at balance date:*

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	2,241,222	1,146,578	2,241,222	1,146,578
Receivables	192,197	46,466	192,197	46,466
	<u>2,433,419</u>	<u>1,193,044</u>	<u>2,433,419</u>	<u>1,193,044</u>
<b>Financial liabilities</b>				
Payables	318,736	244,106	318,736	244,106
Borrowings	791,277	887,179	791,277	887,179
	<u>1,110,013</u>	<u>1,131,285</u>	<u>1,110,013</u>	<u>1,131,285</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

**Financial assets at fair value through profit and loss**

**Available-for-sale financial assets**

**Held-to-maturity investments**

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

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

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

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	22,412	11,466
- Statement of Comprehensive Income	22,412	11,466

*Notes:*

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

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Receivables**

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

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

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

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

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

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

	<b>2017</b>	<b>2016</b>
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	23%	2%
- Overdue	77%	98%

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**

**Borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. 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.

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2017</u></b>					
Payables	318,736	0	0	318,736	318,736
Borrowings	150,775	640,502	0	791,277	791,277
	<u>469,511</u>	<u>640,502</u>	<u>0</u>	<u>1,110,013</u>	<u>1,110,013</u>
<b><u>2016</u></b>					
Payables	244,106	0	0	244,106	244,106
Borrowings	229,017	559,069	318,209	1,106,295	887,179
	<u>473,123</u>	<u>559,069</u>	<u>318,209</u>	<u>1,350,401</u>	<u>1,131,285</u>



**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**

**Borrowings (continued)**

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

<b>Year ended 30 June 2017</b>	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b>Borrowings</b>								
<b>Fixed rate</b>								
Council loan 133,134,136,137,138,139,141,142,144 & 145	150,774	115,472	197,118	161,995	165,918		791,277	
Weighted average Effective interest rate	2.40%	2.40%	2.40%	2.40%	2.40%			2.4%

**SHIRE OF MINGENEW**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**Borrowings**

<b>Fixed rate</b>	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Debentures								
Loan 133	11,370	12,160	13,004	13,908	14,874	7,819	73,135	
Loan 134	5,649	6,005	6,384	6,786	7,214	20,092	52,130	
Loan 136	7,727	8,225	8,755	9,320	9,922	74,513	118,462	
Loan 137	5,086	5,397	5,726	6,076	6,448	67,986	96,719	
Loan 138	4,882	5,181	5,497	5,833	6,190	65,268	92,851	
Loan 139	14,913	15,907	8,348	0	0	0	39,168	
Loan 141	24,266	25,777	27,381	29,085	0	0	106,509	
Loan 142	9,658	10,148	10,662	11,203	11,771	12,370	65,812	
Loan 143	54,770	0	0	0	0	0	54,770	
Loan 144	9,658	10,148	10,662	11,203	11,771	12,370	65,812	
Loan 145	33,429	34,511	35,627	18,244	0	0	121,811	
	<b>(181,408)</b>	<b>(133,459)</b>	<b>(132,046)</b>	<b>(111,658)</b>	<b>(68,190)</b>	<b>(260,418)</b>	<b>(887,179)</b>	<b>5.76%</b>
Weighted average								
Effective interest rate	5.64%	5.73%	5.73%	5.64%	5.92%	5.92%		

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SHIRE OF MINGENEW

### Report on the Financial Report

#### Opinion

We have audited the financial report of the Shire of Mingenew, which comprises the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Chief Executive Officer.

In our opinion, the financial report of the Shire of Mingenew is in accordance with the underlying records of the Shire, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

#### Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Shire in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

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

#### Other Information

The Council are responsible for the other information. The other information comprises the information in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and the auditor's report thereon.

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

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

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

### **Council's Responsibility for the Financial Report**

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives 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 our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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.

As part of an audit in accordance with the Australia Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Shire to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Emphasis of Matter**

Without modifying our opinion, we draw attention to page 63 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

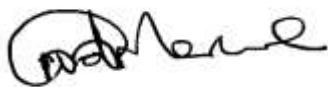
### **Reporting on Other Legal and Regulatory Requirements**

We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) Apart from the operating surplus ratio and asset sustainability ratio there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE  
Director

Perth

Date: 16 October 2017

**SHIRE OF MINGENEW  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2017**

**RATIO INFORMATION**

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Asset consumption ratio	0.63	0.50	0.51
Asset renewal funding ratio	0.39	0.95	0.92

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

MvdM : SHA  
MING01

6 November 2017

Ms M Bagley  
The President  
The Shire of Mingenew  
PO Box 120  
MINGENEW WA 6522

Dear Michelle

## **SHIRE OF MINGENEW**

We wish to advise that we have recently completed the audit of the above mentioned Council for the year ended 30 June 2017.

The Australian Auditing and Assurance Standards Board encourages auditors to issue a management letter on completion of each audit as a means of advising Council of any matters noted during the course of the audit.

Our audit involves the review of only those systems and controls adopted by the Council upon which we wish to rely for the purposes of determining our interim audit procedures. Furthermore, our interim audit should not be relied upon to disclose defalcations or other similar irregularities, although their disclosure, if they exist, may well result from the procedures we undertake. While we have considered the control environment in accordance with Australian Auditing Standards, we have not tested controls and hence do not comment on whether systems and controls are operating effectively.

We advise that we have not encountered any other matters during the course of our audit that we believe should be brought to your attention other than the following:

### **Written quotes for expenditure**

As reported in the Financial Management Review report dated August 2016, we continue to note that in certain instances the shire failed to obtain a minimum of two written quotes for purchases exceeding \$10,000 as required by the current purchasing policy. We also noted that the reason for selecting one supplier quote over another was not documented.

#### *What can go wrong:*

Suppliers may not be provided with an equal opportunity to provide services to the Shire with the result that the best suppliers and prices may not be selected.

*Risk rating:* Medium

*Management comment:*

At the May 2017 Ordinary Council Meeting the CEO's recommendation to amend the purchase order authorisation for the Finance Manager and Works Supervisor (previously Deputy Chief Executive Officer and Works Manager) to reduce the level of authority down from \$60,000 to \$10,000 was endorsed by Council. This means that only the CEO has the ability to financially commit the Shire to amounts in excess of \$10,000 which will ensure that any financial commitment above \$10,000 is the responsibility of the CEO.

**Tender process for programs**

As reported in the Financial Management Review report dated August 2016, we continue to note that quotations in respect of tenders requested through WALGA e-Quotes are opened solely by the CEO. A recommendation was made for another manager to be present when the e-Quotes are opened after the tender closing date and to sign the tender documents as evidence of the review thereof. On review of the tender relating to the Lighting Towers which closed on 21 October 2016, no evidence of this recommendation being implemented was documented.

*What can go wrong:*

Tenders may be opened before the closing date and information gained used to manipulate the remaining tenders to be received. This compromises the tender process which may lead to suppliers not being provided with an equal opportunity to provide services to the Shire with the result that the best suppliers and prices may not be selected.

*Risk rating:* High

*Management comment:*

WALGA e-Quotes cannot be accessed prior to the tender submission deadline and information received through WALGA e-Quotes cannot be amended. All tenders received through WALGA e-Quotes are then presented to Council so I am at a loss how this could be considered a "high" risk.

The Lighting Towers tenders were opened with the Deputy Chief Executive Officer present, however this was not documented in the tender file. In relation to this tender I spoke with Marius van der Merwe at my concerns that there could potentially be the perception that tenders received prior to the closing date could be accessed by the CEO as tender submissions were submitted to the ceo@mingenew.wa.gov.au email address. It was agreed that this perception could be avoided by having all submissions send to a separate tenders@mingenew.wa.gov.au or similar email address which will be auctioned for future tenders outside of WALGA e-Quotes.

Section 16(3)(a) of the Local Government (Functions and General) Regulations 1996 clearly states that tenders may be opened by only one person.

**Credit card expenditure**

On review of the expenditure of the CEO's credit card it was noted that there was a lack of sufficient details on the supporting documentation to ascertain whether the expenditure incurred was of a business or personal nature.



*What can go wrong:*

Expenditure of a personal nature may be incurred thus resulting in financial loss to the Shire.

*Risk rating:* Medium - High

*Management comment:*

The CEO credit card statement includes narrations, albeit brief narrations due to the space provided, of transactions incurred which are supported by invoices. All credit card expenses incurred by the CEO are tabled at the Ordinary Council meeting each month for Council information and comment. Transactions on the CEO credit card are consistent with that would be expected from a rural local government CEO (ie. Fuel accommodation, meeting expenses, etc) while other expenditure more uncommon (ie. Fire brigade items) are clearly documented what the expenditure is for.

Taking into consideration the information provided on the monthly statements, the supporting documentation, the amount of the transactions and the reporting to Council I do not agree with the comments and that this would be considered "high" risk.

### **Segregation of duties and levels of controls**

From our review of the shire's control environment we have noted a lack of segregation of duties within the general financial administrative process.

A recent staff restructuring has seen various employees being made redundant including the senior Finance Officer and Works Manager.

The duties of the senior Finance Officer have been taken up by the newly appointed Finance Manager who is now not only responsible for reviewing transactions and reconciliations, but also for performing reconciliations and capturing transactions to the synergy soft accounting system. The Finance Manager also has access to online banking and is tasked with uploading of batch payments to online banking for release by the CEO.

The duties of the Works Manager have been taken up by the Works Supervisor who now oversees the works programs in relation to roads including the daily supervision of the works crew and the ordering process in conjunction with the CEO.

All other works programs including capital and maintenance projects in town are now overseen by the CEO directly who is now responsible for all aspects of these programs including obtaining quotes, placing orders, reviewing invoices and approving payments.

We appreciate that due to the nature and size of the shire, management overseas all the functions within the shire, however as a result of the staff restructuring, there is now even more limited segregation of duties within the general financial administrative process and we recommend that this should be continually considered by the management in designing compensating controls.

*What can go wrong:*

As there is now even more limited segregation of duties within the general financial administrative process with fewer layers of control, there is a greater potential for management override of controls which could lead to potential fraud and error.

*Risk rating:* Medium - High

*Management comment:*

I appreciate that within a small organisation that the segregation of duties will be associated with some level of risk, however this risk can be reduced by ensuring stop checks are in place which I believe they presently are. Regardless of the number of staff that may review transactions there is still the ability for fraudulent activity. What I consider as the most crucial stop check in a small organisation is to ensure that all payments made are authorised by two staff. Previously payments were predominately authorised by the Finance Officer and Deputy Chief Executive Officer while payments are now authorised by the Finance Manager and CEO which I see as a much higher level of quality control.

**Staff restructuring**

Following the reorganization of the administration and management team at the Shire, we note that management is actively taking measures to train remaining members of staff in order to ensure appropriate levels of control and segregation of duties are maintained. In addition, controls are being designed and implemented at all levels to mitigate the risks associated with having a smaller administration and management team. We remind management of their obligation to proceed with the reorganization in terms of the approved restructuring policy.

**Payments for Approval by the Council**

As discussed with the Manager of Finance in August 2017, we noted that for the months of September 2016 to February 2017, Council had not been provided with accurate Payment Listings resulting in discrepancies between approved monthly Payment Listings and what was actually paid during each of the months in question. Since March 2017, the issue appears to have been rectified.

*What can go wrong:*

Payments may not be appropriately authorized by Council.

*Risk rating:* Medium

*Management comment:*

Agree. More care needs to be taken to ensure the payment listing presented to Council is a true reflection of payments that have been made during the month to ensure transparency of payments made by the organization.

We wish to thank the Shire of Mingenew staff for their assistance during the audit.

Should you have any questions please do not hesitate to contact me.

Yours sincerely

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA  
Director