Audit & Risk Committee Meeting
Notice of Meeting | 13th February 2024

Dear Councillors

I respectfully advise that the AUDIT & RISK COMMITTEE MEETING will be held in the Council Chambers, 10 Jennaberring Road, Quairading, WA on 13th February 2024 commencing at 5.00pm

MEETING AGENDA ATTACHED

Natalie Ness
CHIEF EXECUTIVE OFFICER

Date: 09 February 2024

Disclaimer

Members of the public should note that in any discussion regarding any planning or other application that any statement or intimation of approval made by any member or officer of the Shire of Quairading during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Quairading. No action should be taken on any item discussed at a Council meeting prior to written advice on the resolution of the Council being received.

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CONTENTS

SHIRE OF QUAIRADING

Audit & Risk Committee Meeting

ITEM 1   OPENING & ANNOUNCEMENTS

The Chairperson opened the Meeting at _____ pm.

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

ITEM 2   ATTENDANCE AND APOLOGIES

Councillors

Cr JN Haythornthwaite	Shire President
Cr TJ Stacey	Deputy Shire President
Cr RC Faltyn	
Cr JC Hayes	
Cr JR Hippisley	
Cr PD Smith	

Council Officers

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

Observer/Visitor

Nil

Apologies

Cr Becky Cowcill
Ms T Brown

Leave of Absence Previously Granted

Nil

ITEM 3   DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/PETITIONS

Nil

ITEM 3   DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/PETITIONS

Nil

ITEM 4   DECLARATIONS OF INTEREST

Elected Members in accordance with section 5.61 and 5.65 of the Local Government Act 1995 and the *Local Government (Model Code of Conduct) Regulations 2021* Schedule 1 Division 4 regulation 22:

A member who has an interest in any matter to be discussed at a Council or Committee meeting that will be attended by the member must disclose the nature of the interest -

a.   in a written notice given to the CEO before the meeting; or
b.   at the meeting immediately before the matter is discussed.

Local Government employees in accordance with section 5.70 or 5.71 of the *Local Government Act 1995* and the *Local Government (Administration) Regulations* 1996 Part 4A Division 2, regulation 19AD:

An employee who has an interest in any matter to be discussed at a council or committee meeting attended by the local government employee disclose the nature of the interest —

a.   in a written notice given to the CEO before the meeting; or
b.   at the meeting immediately before the matter is discussed.

ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

5.1 Confirmation of Minutes: Audit & Risk Committee Meeting – 14 November 2023

OFFICER RECOMMENDATION

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

BUSINESS ARISING

ITEM 6   STANDING ITEMS – EXTERNAL AUDIT

6.1   2022/2023 Financial Audit - Office of the Auditor General (OAG)

Responsible Officer	Natalie Ness, Chief Executive Officer
Reporting Officer	Tricia Brown, Executive Manager, Corporate Services
Attachments	1. (i) Findings Identified During the Final Audit 2. (ii) Independant Auditors Report Opinion 3. (iii) Signed Financial Statements 2022-2023 4. (iv) Transmittal Letter to President
Voting Requirements	Simple Majority
Disclosure of Interest	Reporting Officer: Nil Responsible Officer: Nil

OFFICER RECOMMENDATION

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

1.   Notes that the Auditors finalised the 2022-2023 Financial Audit on the 13th December 2023 with 1 Minor Rating – Findings Identified During the Final Audit (Attachment i).

2.   Notes Receipt of the Independent Auditor's Report Opinion 2023 (Attachment ii), Signed Financial Statements (Attachment iii), Transmittal Letter to President – OAG (Attachment iv)

IN BRIEF

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

BACKGROUND

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

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

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

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

Australian Accounting Standards

International Financial Reporting Standards

POLICY IMPLICATIONS

Purchasing Policy

Delegation 1.1.13: Payments from the municipal or trust funds

Records Management Policy

Significant Accounting Policies

Delegations Register

FINANCIAL IMPLICATIONS

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

ALIGNMENT WITH STRATEGIC PRIORITIES

5.3   **Governance & Leadership**: Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

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

CONSULTATION

Nil.

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

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

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

RISK ASSESSMENT

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

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

COMMENT

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

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

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

ATTACHMENT

SHIRE OF QUAIRADING

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

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

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

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

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

ATTACHMENT

SHIRE OF QUAIRADING

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. EMPLOYEE ENTITLEMENTS

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

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

Rating: Minor

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

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

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

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

Responsible officer: Tricia Brown
Completion date: 11/12/2023

Auditor General

INDEPENDENT AUDITOR'S REPORT
2023
Shire of Quairading

To the Council of the Shire of Quairading

Opinion

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

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended

- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records

- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2023 and its financial position at the end of that period

- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Basis for opinion

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

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

Other information

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

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

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

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

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

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

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

- keeping proper accounts and records

- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards

- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

- assessing the Shire's ability to continue as a going concern

- disclosing, as applicable, matters related to going concern

- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Matters relating to the electronic publication of the audited financial report

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

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

SHIRE OF QUAIRADING

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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

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

Principal place of business:
10 Jennaberring Road
Quairading WA 6383

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

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

STATEMENT BY CEO

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

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

Signed on the   Eleventh   day of   December   2023

_____
Chief Executive Officer

_____
Natalie Ness
Name of Chief Executive Officer

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

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

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

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

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

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

OAG AUDITED

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

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

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

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

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

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

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

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

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

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

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

1. BASIS OF PREPARATION

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

Local Government Act 1995 requirements
Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board except for disclosure requirements of:
· AASB 7 Financial Instruments Disclosures
· AASB 16 Leases paragraph 58
· AASB 101 Presentation of Financial Statements paragraph 61
· AASB 107 Statement of Cash Flows paragraphs 43 and 45
· AASB 116 Property, Plant and Equipment paragraph 79
· AASB 137 Provisions, Contingent Liabilities and Contingent Assets paragraph 85
· AASB 140 Investment Property paragraph 75(f)
· AASB 1052 Disaggregated Disclosures paragraph 11
· AASB 1054 Australian Additional Disclosures paragraph 16

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

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

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

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

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

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

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

Initial application of accounting standards
During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time:
· *AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
· *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
· *AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]*
· *AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*

These amendments have no material impact on the current annual financial report

New accounting standards for application in future years
The following new accounting standards will have application to local government in future years:
· *AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
· *AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
· *AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*
  This standard will result in a terminology change for significant accounting policies
· *AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]*
· *AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback*
· *AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*
· *AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*
· *AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*
  The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.
Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

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

2. REVENUE AND EXPENSES

(a) Revenue

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

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

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

Revenue Recognition

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

For the year ended 30 June 2023

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

For the year ended 30 June 2022

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	Note	2023 Actual $	2022 Actual $
Interest revenue			
Financial assets at amortised cost - self supporting loans		44	(5)
Interest on reserve account funds		118,253	10,716
Trade and other receivables overdue interest		17,865	15,586
Other interest revenue		23,216	2,134
		159,378	28,431

The 2023 original budget estimate in relation to:
Trade and other receivables overdue interest was $19,050.

Fees and charges relating to rates receivable			
Charges on instalment plan		1,415	1,335

The 2023 original budget estimate in relation to:
Charges on instalment plan was $1,700.

(b) Expenses

Auditors remuneration			
- Audit of the Annual Financial Report		32,220	27,000
- Other services – grant acquittals		500	8,410
		32,720	35,410

Employee Costs			
Employee benefit costs		1,826,405	1,978,072
Other employee costs		294,126	244,078
		2,120,531	2,222,150

Finance costs			
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss		13,096	15,653
		13,096	15,653

Other expenditure			
Impairment losses on trade receivables		487	224
Write down of inventories to net realisable value	6	74,481	164,765
Sundry expenses		87,235	94,475
		162,203	259,464

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

3. CASH AND CASH EQUIVALENTS

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

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

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

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

Restricted financial assets
Restricted financial asset balances are not available for general use
by the local government due to externally imposed restrictions.
Restrictions are specified in an agreement, contract or legislation.
This applies to reserve accounts, unspent grants, subsidies and
contributions and unspent loans that have not been fully expended in
the manner specified by the contributor, legislation or loan agreement
and for which no liability has been recognised.

4. OTHER FINANCIAL ASSETS

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

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

SIGNIFICANT ACCOUNTING POLICIES
Other financial assets at amortised cost
The Shire classifies financial assets at amortised cost if both of
the following criteria are met:
- the asset is held within a business model whose objective is to
  collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely
  payments of principal and interest.

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

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

Financial assets at fair value through profit or loss
The Shire has elected to classify the following financial assets at fair
value through profit or loss:
- debt investments which do not qualify for measurement at either
  amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has elected to recognise as
  fair value gains and losses through profit or loss.

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

5. TRADE AND OTHER RECEIVABLES

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

Disclosure of opening and closing balances related to contracts with customers

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

6. INVENTORIES

	Note	2023 $	2022 $
Current			
Fuel and materials		10,828	4,513
Land held for resale			
Cost of acquisition		405,840	50,000
		416,668	54,513
Non-current			
Land held for resale			
Cost of acquisition		345,420	476,000
Development costs		0	349,741
		345,420	825,741

The following movements in inventories occurred during the year:

	Note	2023	2022
Balance at beginning of year		880,254	481,081
Inventories expensed during the year		(127,944)	(112,025)
Write down of inventories to net realisable value	2(b)	(74,481)	(164,765)
Disposal of inventory		(50,000)	0
Transfers to/from work in progress		0	48,931
Additions to inventory - capital		0	515,575
Additions to inventory - operating		134,259	111,457
Balance at end of year		762,088	880,254

SIGNIFICANT ACCOUNTING POLICIES
General
Inventories are measured at the lower of cost and net realisable value.

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

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

Land held for resale (Continued)
Borrowing costs and holding charges incurred after development is completed are expensed.

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

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

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

7. OTHER ASSETS

	2023	2022
	$	$
Other assets - current		
Prepayments	7,435	2,666
Accrued income	22,330	4,506
Contract assets	837,395	187,707
	867,160	194,879

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - non-specialised	Buildings - specialised	Total land and buildings not subject to operating lease	Total land and buildings	Furniture and equipment	Plant and equipment	Other property, plant and equipment WIP	Total property, plant and equipment
	$	$	$	$	$	$	$	$	$
Balance at 1 July 2021	1,295,370	2,328,494	12,675,720	16,299,584	16,299,584	123,229	4,651,559	352,624	21,426,996
Additions	0	0	142,407	142,407	142,407	23,544	113,897	255,519	535,367
Disposals	0	(188,420)	0	(188,420)	(188,420)	0	(2,000)	0	(190,420)
Depreciation	0	(29,442)	(250,069)	(279,511)	(279,511)	(22,398)	(346,867)	0	(648,776)
Transfers	0	0	303,692	303,692	303,692	0	(51,755)	(352,624)	(100,687)
Balance at 30 June 2022	1,295,370	2,110,632	12,871,750	16,277,752	16,277,752	124,375	4,364,834	255,519	21,022,480
Comprises:									
Gross balance amount at 30 June 2022	1,295,370	2,136,494	13,121,819	16,553,683	16,553,683	228,803	5,977,179	255,519	23,015,184
Accumulated depreciation at 30 June 2022	0	(25,862)	(250,069)	(275,931)	(275,931)	(104,428)	(1,612,345)	0	(1,992,704)
Balance at 30 June 2022	1,295,370	2,110,632	12,871,750	16,277,752	16,277,752	124,375	4,364,834	255,519	21,022,480
Additions	0	0	44,445	44,445	44,445	81,699	209,500	0	335,644
Disposals	0	0	(11,965)	(11,965)	(11,965)	(20,293)	(62,871)	0	(95,129)
Revaluation (decrements) / increments transferred to revaluation surplus	(94,499)	479,024	2,712,029	3,096,554	3,096,554	0	0	0	3,096,554
Depreciation	0	(25,863)	(256,490)	(282,353)	(282,353)	(34,930)	(340,203)	0	(657,486)
Transfers	255,519	0	0	255,519	255,519	0	18,214	(255,519)	18,214
Balance at 30 June 2023	1,456,390	2,563,793	15,359,769	19,379,952	19,379,952	150,851	4,189,474	0	23,720,277
Comprises:									
Gross balance amount at 30 June 2023	1,456,390	2,563,793	15,359,769	19,379,952	19,379,952	285,136	6,123,767	0	25,788,855
Accumulated depreciation at 30 June 2023	0	0	0	0	0	(134,285)	(1,934,293)	0	(2,068,578)
Balance at 30 June 2023	1,456,390	2,563,793	15,359,769	19,379,952	19,379,952	150,851	4,189,474	0	23,720,277

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

(i) Fair Value

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2023	Price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2023	Price per square metre
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2023	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

(ii) Cost

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Furniture and equipment	3	N/A	Cost	N/A	N/A
Plant and equipment	3	N/A	Cost	N/A	N/A

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

9. INFRASTRUCTURE

(a) Movements in Balances

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

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

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

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

(i) Fair Value

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

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

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

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SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023

10. FIXED ASSETS

(a) Depreciation

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

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

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

10. FIXED ASSETS (Continued)

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

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

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value
Assets for which the fair value as at the date of acquisition is under $5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

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

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

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair They are subject to subsequent revaluation at the next revaluation consistent with *Financial Management Regulation 17A(4)*.

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

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

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

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

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

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

(i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.

(ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

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

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

Gains or losses on disposal
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income in the period in which they arise.

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SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets - plant and equipment	Right-of-use assets Total
		$	$
Balance at 1 July 2021		82,132	82,132
Depreciation		(29,272)	(29,272)
Balance at 30 June 2022		52,860	52,860
Gross balance amount at 30 June 2022		91,091	91,091
Accumulated depreciation at 30 June 2022		(38,231)	(38,231)
Balance at 30 June 2022		52,860	52,860
Depreciation		(29,272)	(29,272)
Balance at 30 June 2023		23,588	23,588
Gross balance amount at 30 June 2023		91,091	91,091
Accumulated depreciation at 30 June 2023		(67,503)	(67,503)
Balance at 30 June 2023		23,588	23,588

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:	Note	2023 Actual	2022 Actual
		$	$
Depreciation on right-of-use assets		(29,272)	(29,272)
Finance charge on lease liabilities	27(b)	(442)	(772)
Total amount recognised in the statement of comprehensive income		(29,714)	(30,044)
Total cash outflow from leases		(29,831)	(29,830)

(b) Lease Liabilities

	Note		
Current		20,898	40,850
Non-current		0	9,437
	27(b)	20,898	50,287

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

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

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

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

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

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

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

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

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

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SHIRE OF QUAIRADING
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11. LEASES (Continued)

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

	2023 Actual $	2022 Actual $
The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.		
Less than 1 year	41,472	35,100
1 to 2 years	39,508	35,100
2 to 3 years	34,745	35,100
3 to 4 years	0	35,100
4 to 5 years	0	35,100
> 5 years	0	100,973
	115,725	276,473

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

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

SIGNIFICANT ACCOUNTING POLICIES
The Shire as Lessor
Upon entering into each contract as a lessor, the Shire assesses if the lease is a finance or operating lease.

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

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

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

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SHIRE OF QUAIRADING
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12. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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SHIRE OF QUAIRADING
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13. OTHER LIABILITIES

	2023 $	2022 $
Current		
Contract liabilities	37,618	1,750
Capital grant/contributions liabilities	473,908	471,530
	511,526	473,280
Reconciliation of changes in contract liabilities		
Opening balance	1,750	5,734
Additions	37,618	1,750
Revenue from contracts with customers included as a contract liability at the start of the period	(1,750)	(5,734)
	37,618	1,750

The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was $37,618 (2022: $1,750)

The Shire expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months.

	2023	2022
Reconciliation of changes in capital grant/contribution liabilities		
Opening balance	471,530	201,945
Additions	473,908	471,530
Revenue from capital grant/contributions held as a liability at the start of the period	(471,530)	(201,945)
	473,908	471,530
Expected satisfaction of capital grant/contribution liabilities		
Less than 1 year	473,908	471,530
	473,908	471,530

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

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

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

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

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

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SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023

14. BORROWINGS

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

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

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

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

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

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

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SHIRE OF QUAIRADING
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15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

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

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

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

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

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

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

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

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

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SHIRE OF QUAIRADING
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16. REVALUATION SURPLUS

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

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

17. RESTRICTIONS OVER FINANCIAL ASSETS

	Note	2023 Actual $	2022 Actual $
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	4,701,461	4,168,322
		4,701,461	4,168,322
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	28	4,093,439	3,594,674
Contract liabilities	13	37,618	1,750
Capital grant liabilities	13	473,908	471,530
Bonds and deposits held	12	96,496	100,368
Total restricted financial assets		4,701,461	4,168,322

18. UNDRAWN BORROWING FACILITIES AND CREDIT STANDBY ARRANGEMENTS

	Note	2023 Actual	2022 Actual
Credit card limit		17,000	17,000
Credit card balance at balance date		(6,091)	(5,048)
Total amount of credit unused		10,909	11,952
Loan facilities			
Loan facilities - current	14	66,106	66,151
Loan facilities - non-current	14	277,617	343,723
Total facilities in use at balance date		343,723	409,874
Unused loan facilities at balance date		0	0

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SHIRE OF QUAIRADING
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19. CONTINGENT LIABILITIES

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

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

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

20. CAPITAL COMMITMENTS

	2023	2022
	$	$
Contracted for:		
- capital expenditure projects	122,375	352,905
	122,375	352,905
Payable:		
- not later than one year	122,375	352,905

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

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

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SHIRE OF QUAIRADING
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21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

	Note	2023 Actual $	2023 Budget $	2022 Actual $
Fees, expenses and allowances to be paid or reimbursed to elected council members.				
President's annual allowance		526	526	651
President's meeting attendance fees		5,741	7,406	6,972
		6,267	7,932	7,623
Deputy President's meeting attendance fees		3,122	0	0
		3,122	0	0
All other council member's meeting attendance fees		14,042	27,020	21,436
		14,042	27,020	21,436
	21(b)	23,431	34,952	29,059

(b) Key Management Personnel (KMP) Compensation

	Note	2023 Actual $	2022 Actual $
The total of compensation paid to KMP of the Shire during the year are as follows:			
Short-term employee benefits		631,324	487,487
Post-employment benefits		63,422	78,292
Employee - other long-term benefits		16,536	13,533
Employee - termination benefits		39,590	96,133
Council member costs	21(a)	23,431	29,059
		774,303	704,504

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

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

Other long-term benefits
These amounts represent annual leave and long service leave entitlements accruing during the year.

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

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

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SHIRE OF QUAIRADING
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21. RELATED PARTY TRANSACTIONS

Transactions with related parties

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

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

	2023 Actual $	2022 Actual $
In addition to KMP compensation above the following transactions occurred with related parties:		
Sale of goods and services	642	295
Purchase of goods and services	0	2,004
Payment of council member costs (Refer to Note 21(a))	23,431	29,059
Amounts outstanding from related parties:		
Trade and other receivables	1,904	1,168
Amounts payable to related parties:		
Trade and other payables	5,667	7,248

Related Parties

The Shire's main related parties are as follows:

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

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

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

iii. Entities subject to significant influence by the Shire
There were no such entities requiring disclosure during the current or previous year.

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SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023

22. JOINT ARRANGEMENTS

Share of joint operations
The Shire of Quairading has participated in a joint venture with
Homeswest for the construction of two three bedroom duplex units
in Suburban Road, Quairading. The provision of this housing aims
to provide accommodation for low income families.
The Shire of Quairading has a 18.95% interest in
the assets and liabilities of this joint venture.
Council manages the operation of the joint venture
under the auspices of Homeswest.
All revenue and expenses of the joint venture are recognised
in the relevant financial statements of Council.

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

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

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

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

23. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

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

24. OTHER SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.

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

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

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

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

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

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

j) Impairment of assets
In accordance with Australian Accounting Standards the Shire's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

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

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

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

25. RATING INFORMATION

(a) General Rates

RATE TYPE Rate Description	Basis of valuation	Rate in $	Number of Properties	2022/23 Actual Rateable Value*	2022/23 Actual Rate Revenue	2022/23 Actual Interim Rates	2022/23 Actual Total Revenue	2022/23 Budget Rate Revenue	2022/23 Budget Interim Rate	2022/23 Budget Total Revenue	2021/22 Actual Total Revenue
				$	$	$	$	$	$	$	$
Residential	Gross rental valuation	0.144781	316	2,567,764	371,764	0	371,764	371,764	0	371,764	355,201
Industrial	Gross rental valuation	0.144781	22	280,765	40,649	350	40,999	40,649	0	40,649	38,197
Commercial	Gross rental valuation	0.144781	11	248,376	35,960	0	35,960	35,960	0	35,960	34,379
Rural	Unimproved valuation	0.009743	360	199,965,500	1,948,264	3,327	1,951,591	1,948,264	0	1,948,264	1,855,997
Non-Rateable	Gross rental valuation	0.000000	229	289,438	0	0	0	0	0	0	0
Total general rates			938	203,351,843	2,396,637	3,677	2,400,314	2,396,637	0	2,396,637	2,283,774
Minimum payment		Minimum Payment $									
Residential	Gross rental valuation	680	61	62,032	41,480	0	41,480	41,480	0	41,480	40,565
Industrial	Gross rental valuation	680	5	6,315	3,400	0	3,400	3,400	0	3,400	3,990
Commercial	Gross rental valuation	680	0	0	0	0	0	0	0	0	0
Rural	Unimproved valuation	680	50	1,668,770	34,000	0	34,000	34,000	0	34,000	31,255
Total minimum payments			116	1,737,117	78,880	0	78,880	78,880	0	78,880	75,810
Total general rates and minimum payments		Rate in $	1,054	205,088,960	2,475,517	3,677	2,479,194	2,475,517	0	2,475,517	2,359,584
Ex-gratia Rates											
CBH Receival Bin	Tonnage	0.04673	1	277,550	12,970	0	12,970	12,970	0	12,970	12,399
Total amount raised from rates (excluding general rates)			1	277,550	12,970	0	12,970	12,970	0	12,970	12,399
Total Rates							2,492,164			2,488,487	2,371,983
Rate instalment interest							2,239			3,000	2,376
Rate overdue interest							15,626			16,050	13,210

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

*Rateable Value at time of raising of rate.

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

26. DETERMINATION OF SURPLUS OR DEFICIT

	Note	2022/23 (30 June 2023 Carried Forward)	2022/23 Budget (30 June 2023 Carried Forward)	2021/22 (30 June 2022 Carried Forward
		$	$	$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with *Financial Management Regulation 32.*				
Adjustments to operating activities				
Less: Profit on asset disposals		(24,899)	0	0
Less: Movement in liabilities associated with restricted cash		4,666	464	363
Less: Fair value adjustments to financial assets at fair value through profit or loss		(3,686)	0	(3,997)
Add: Loss on disposal of assets		42,010	229,131	190,420
Add: Depreciation	10(a)	3,088,512	3,152,569	3,051,224
Non-cash movements in non-current assets and liabilities:				
Pensioner deferred rates		(4,875)	0	1,338
Employee benefit provisions		7,604	0	(4,543)
Assets expensed		0	0	6,173
Inventory		74,481	0	164,765
Non-cash amounts excluded from operating activities		3,183,813	3,382,164	3,405,743
(b) Surplus or deficit after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserve accounts	28	(4,093,439)	(3,812,774)	(3,594,674)
Less: Financial assets at amortised cost - self supporting loans	4(a)	0	0	(1,787)
Less: Current assets not expected to be received at end of year				
- Land held for resale	6	(405,840)	0	(50,000)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	14	66,106	0	66,151
- Current portion of lease liabilities	11(b)	20,898	3,252	40,850
- Employee benefit provisions		171,302	167,100	166,636
Total adjustments to net current assets		(4,240,973)	(3,642,422)	(3,372,824)
Net current assets used in the Statement of Financial Activity				
Total current assets		8,622,313	4,369,719	6,685,649
Less: Total current liabilities		(2,066,287)	(706,129)	(1,233,041)
Less: Total adjustments to net current assets		(4,240,973)	(3,642,422)	(3,372,824)
Surplus or deficit after imposition of general rates		2,315,053	21,168	2,079,784

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

27. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Principal at 1 July 2021 $	New Loans During 2021-22 $	Principal Repayments During 2021-22 $	Principal at 30 June 2022 $	New Loans During 2022-23 $	Principal Repayments During 2022-23 $	Principal at 30 June 2023 $
					Actual			
Depot Building		341,871	0	(48,332)	293,539	0	(49,813)	243,726
Park Cottages		128,886	0	(14,338)	114,548	0	(14,551)	99,997
Total		470,757	0	(62,670)	408,087	0	(64,364)	343,723
Self Supporting Loans								
Bowling Club		9,228	0	(9,228)	0	0	0	0
Golf Club		3,503	0	(1,716)	1,787	0	(1,787)	0
Total Self Supporting Loans		12,731	0	(10,944)	1,787	0	(1,787)	0
Total Borrowings	14	483,488	0	(73,614)	409,874	0	(66,151)	343,723

Purpose		Principal at 1 July 2022 $	New Loans During 2022-23 $	Principal Repayments During 2022-23 $	Principal at 30 June 2023 $
				Budget	
Depot Building		293,540	0	(49,813)	243,727
Park Cottages		114,547	0	(14,551)	99,996
Total		408,087	0	(64,364)	343,723
Self Supporting Loans					
Bowling Club		0	0	0	0
Golf Club		1,786	0	(1,786)	0
Total Self Supporting Loans		1,786	0	(1,786)	0
Total Borrowings		409,873	0	(66,150)	343,723

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

Borrowing Finance Cost Payments

Purpose	Note	Loan Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023 $	Budget for year ending 30 June 2023 $	Actual for year ending 30 June 2022 $
Depot Building		118	WATC*	3.04%	15/07/2027	(10,279)	(10,028)	(12,107)
Park Cottages		119	WATC*	1.49%	9/06/2029	(2,317)	(1,855)	(2,633)
Total						(12,596)	(11,883)	(14,740)
Self Supporting Loans Finance Cost Payments								
Golf Club		117	WATC*	4.08%	5/08/2023	(58)	(126)	(141)
Total Self Supporting Loans Finance Cost Payments						(58)	(126)	(141)
Total Finance Cost Payments						(12,654)	(12,009)	(14,881)

* WA Treasury Corporation

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

27. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

Purpose	Note		Actual					Budget			
		Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	Principal at 1 July 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023
		$	$	$	$	$	$	$	$	$	$	$
CESM Vehicle		69,453	0	(25,806)	43,647	0	(26,092)	17,555	43,647	0	(26,092)	17,555
Canon Copier		9,892	0	(3,252)	6,640	0	(3,297)	3,343	9,892	0	(11,461)	(1,569)
Skeleton Weed Vehicle		0	0	0	0	0	0	0	53,618	0	(3,297)	50,321
Total Lease Liabilities	11(b)	79,345	0	(29,058)	50,287	0	(29,389)	20,898	107,157	0	(40,850)	66,307

Lease Finance Cost Payments

Purpose	Note	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022	Lease Term
						$	$	$	
CESM Vehicle		2	Summit Fleet	1.10%	15/02/2024	(349)	(349)	(634)	36 Months
Canon Copier		3	Canon Finance	1.40%	20/05/2024	(93)	(93)	(138)	48 Months
Skeleton Weed Vehicle		4	ANZ	6.32%	21/01/2027	0	(1,064)	0	60 months
Total Finance Cost Payments						(442)	(1,506)	(772)	

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

28. RESERVE ACCOUNTS

	2023 Actual Opening Balance $	2023 Actual Transfer to $	2023 Actual Transfer (from) $	2023 Actual Closing Balance $	2023 Budget Opening Balance $	2023 Budget Transfer to $	2023 Budget Transfer (from) $	2023 Budget Closing Balance $	2022 Actual Opening Balance $	2022 Actual Transfer to $	2022 Actual Transfer (from) $	2022 Actual Closing Balance $
Restricted by council												
(a) Long Service Leave Reserve	166,636	4,666	0	171,302	166,636	464	0	167,100	166,273	363	0	166,636
(b) Building Reserve	972,784	27,242	(75,000)	925,026	972,784	2,706	(75,000)	900,490	1,005,220	2,195	(34,631)	972,784
(c) Furniture, Fittings & Equipment Reserve	114,060	3,194	(45,000)	72,254	114,060	317	(45,000)	69,377	113,811	249	0	114,060
(d) Plant Reserve	740,497	270,737	(231,900)	779,334	740,496	252,060	(231,900)	760,656	438,580	364,058	(62,141)	740,497
(e) Health Reserve	48,225	51,351	0	99,576	48,225	134	0	48,359	48,120	105	0	48,225
(f) Swimming Pool Reserve	264	20,014	0	20,278	264	1	0	265	264	0	0	264
(g) Sustainable Environment Reserve	166,743	4,670	0	171,413	166,743	464	0	167,207	166,380	363	0	166,743
(h) Town Planning & Development Reserve	2,000	70,049	0	72,049	2,000	6	0	2,006	505,724	76,855	(580,579)	2,000
(i) HomesWest Joint Venture Housing Reserve	5,277	148	0	5,425	5,277	15	0	5,292	5,266	11	0	5,277
(j) Road Infrastructure Reserve	428,918	122,011	0	550,929	428,919	61,193	0	490,112	427,983	935	0	428,918
(k) Rec Centre Multi Purpose Precinct Reserve	378,024	160,586	0	538,610	378,024	151,052	0	529,076	227,527	150,497	0	378,024
(l) Building Renewal Reserve	122,314	3,425	0	125,739	122,314	340	0	122,654	122,047	267	0	122,314
(m) Independent Living Reserve	448,932	112,572	0	561,504	448,932	101,248	0	550,180	348,172	100,760	0	448,932
	3,594,674	850,665	(351,900)	4,093,439	3,594,674	570,000	(351,900)	3,812,774	3,575,367	696,658	(677,351)	3,594,674
	3,594,674	850,665	(351,900)	4,093,439	3,594,674	570,000	(351,900)	3,812,774	3,575,367	696,658	(677,351)	3,594,674

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

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

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

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Our Ref: F21/69

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Ms Jo Haythornwaite
President
Shire of Quairading
PO Box 38
QUAIRADING WA 6383

Email: crhaythornwaite@quairading.wa.gov.au

Dear President

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

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

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

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

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

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

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

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

Yours sincerely,

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

6.2   Audit register - progress report

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

OFFICER RECOMMENDATION

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

1. Notes the progress recorded against each item within the audit register in confidential attachment (i); and

2. Approves all findings marked as Closed (100%) in the audit register, to be registered complete, removed from the register and no longer reported to the Committee.

3. Notes (1) new audit finding from the 2022-2023 financial audit

IN BRIEF

- This report provides an update on the progress of actions included in the audit register.

- The audit register includes all open audit findings that have previously been accepted by the Audit and Risk Committee.

- Reporting through the audit register commenced in November 2021 and includes items from the 2020/21 interim audit, and all subsequent audits.

MATTER FOR CONSIDERATION

Receipt of the audit register progress report to February 2024.

BACKGROUND

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

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

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

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

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

Local Government Act 1995

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

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

ALIGNMENT WITH STRATEGIC PRIORITIES

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

CONSULTATION

Nil.

RISK ASSESSMENT

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

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

COMMENT

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

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

1. An external audit is completed, and an audit report is finalised.

2. The audit report is presented to the Audit and Risk Committee (ARC).

3. The ARC recommends to Council that it notes and accepts the audit report.

4. All findings from the audit report are **added** to the audit register.

5. Progress is reported by management with updates recorded quarterly in "officer comment / action taken".

6. Any findings deemed as complete by management are marked as "100% complete" with the status of "closed".

7. The audit register – progress report is submitted by management to the ARC.

8. The ARC reviews the audit register and confirms completion of any 100% and closed findings.

9. The ARC recommends to Council that it notes progress and approves the findings marked as complete to be registered as closed.

10. Closed findings are **removed** from the audit register.

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

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

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

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

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

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

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

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

ITEM 7   STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

7.1   Report on Excess Annual Leave and Long Service Leave Entitlements

Responsible Officer   Natalie Ness, Chief Executive Officer

Reporting Officer   Tricia Brown, Executive Manager, Corporate Services

Attachments   Nil

Voting Requirements   Simple Majority

Disclosure of Interest   Reporting Officer: Nil

                               Responsible Officer: Nil

OFFICER RECOMMENDATION

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

IN BRIEF

- Since 2017, Council has requested that excess annual leave and long service leave be reported to the Audit and Risk Committee.

- Not taking a reasonable amount of annual leave or long service leave may pose a threat to the health and safety of employees and represent a significant financial liability for the Shire, therefore there are steps in place to ensure that leave balances are monitored and are at appropriate levels.

- Employee entitlement movements during the year are due to many reasons, such as, leave taken during the period, increased accrued leave balances, increases in remuneration rates and changes in the underlying staff with leave balances transferred to and from the Shire.

MATTER FOR CONSIDERATION

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

BACKGROUND

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

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

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

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Work Health & Safety Act 2020

Minimum Conditions of Employment Act 1993

POLICY IMPLICATIONS

Leave Management Policy

FINANCIAL IMPLICATIONS

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

The annual budget treats current leave as accruals.

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

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

ALIGNMENT WITH STRATEGIC PRIORITIES

5.3 **Governance & Leadership**: Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

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

CONSULTATION

Nil

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

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

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

RISK ASSESSMENT

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

	Consequence				
Likelihood	**Insignificant**	**Minor**	**Moderate**	**Major**	**Critical**
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
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COMMENT

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

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

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

Annual Leave:

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

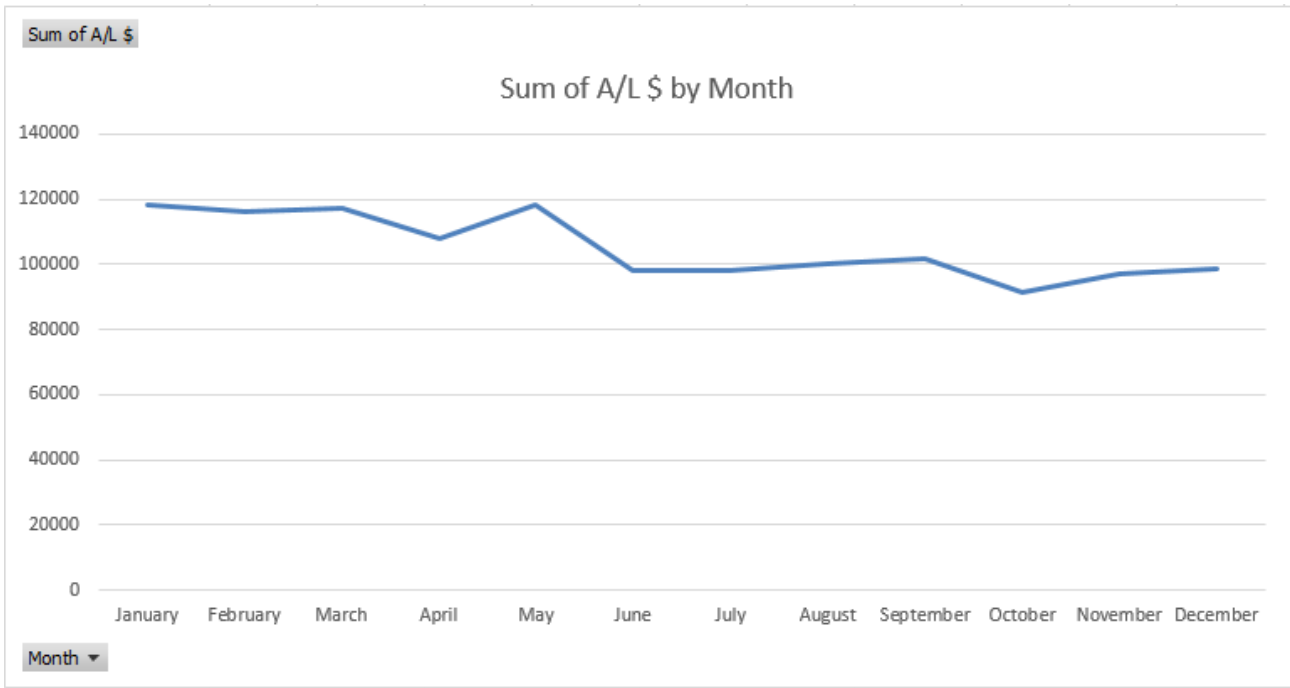There has been a decrease of 16% (dollar value) in the annual leave liability since January 2023.
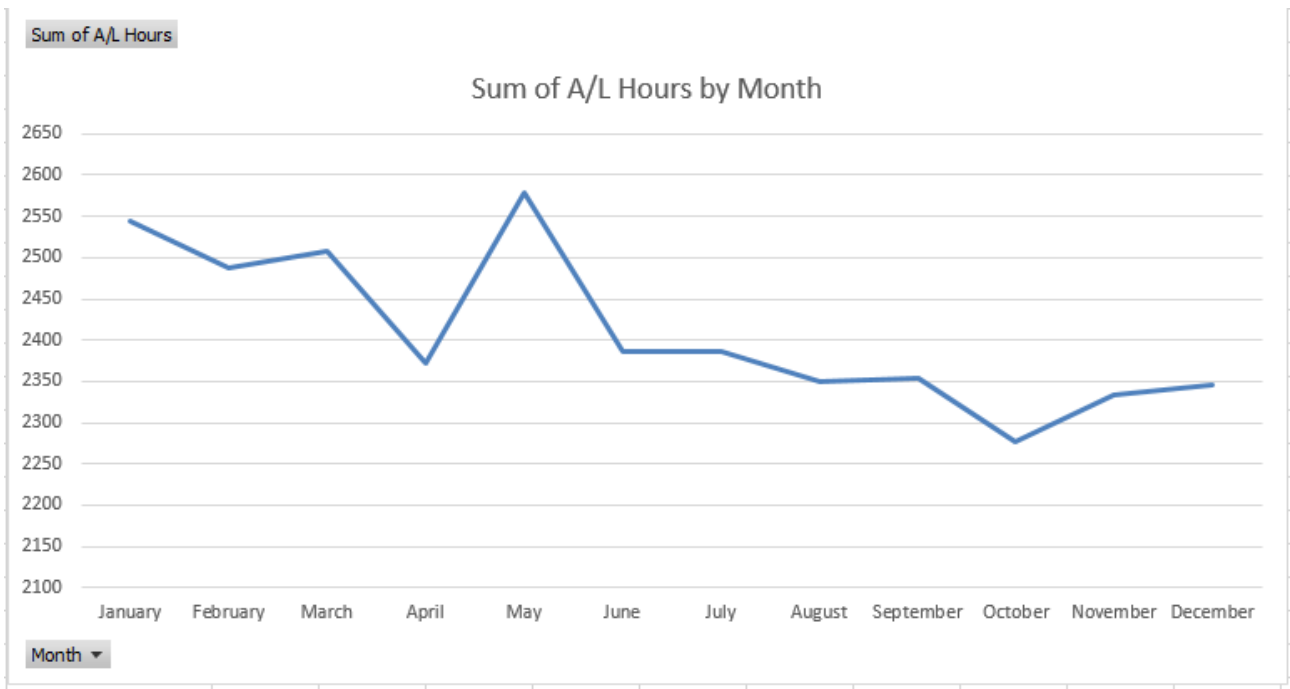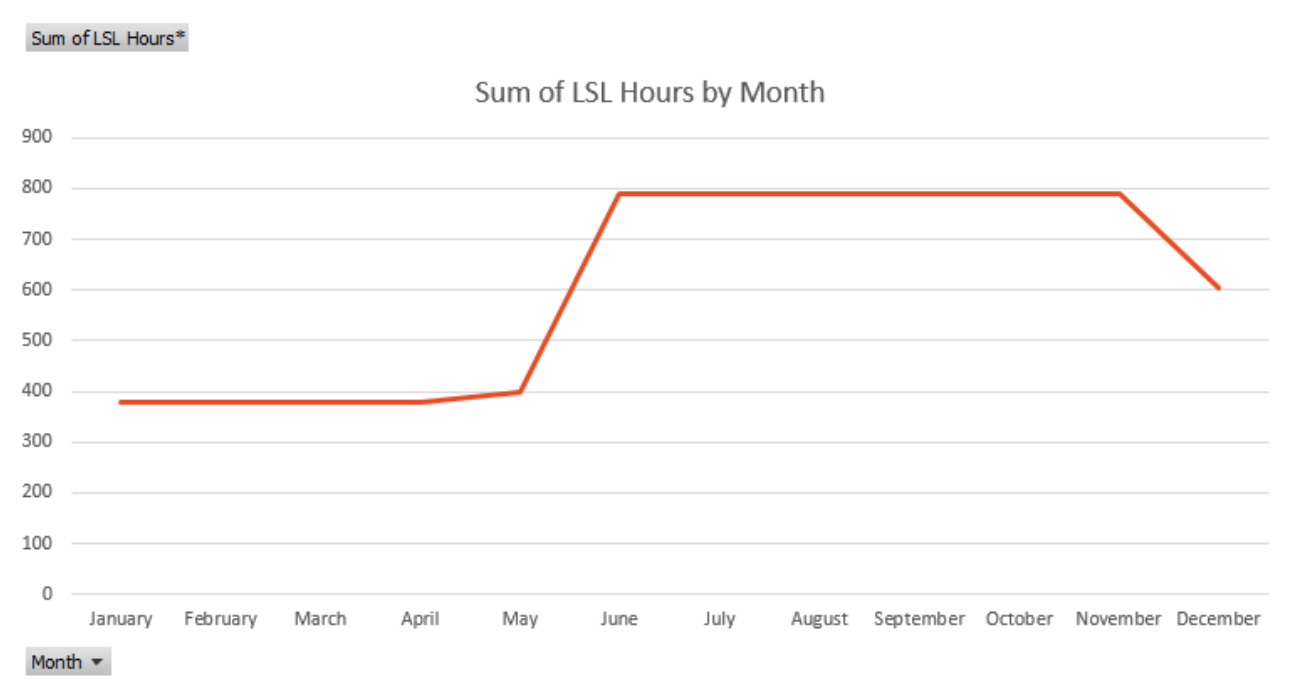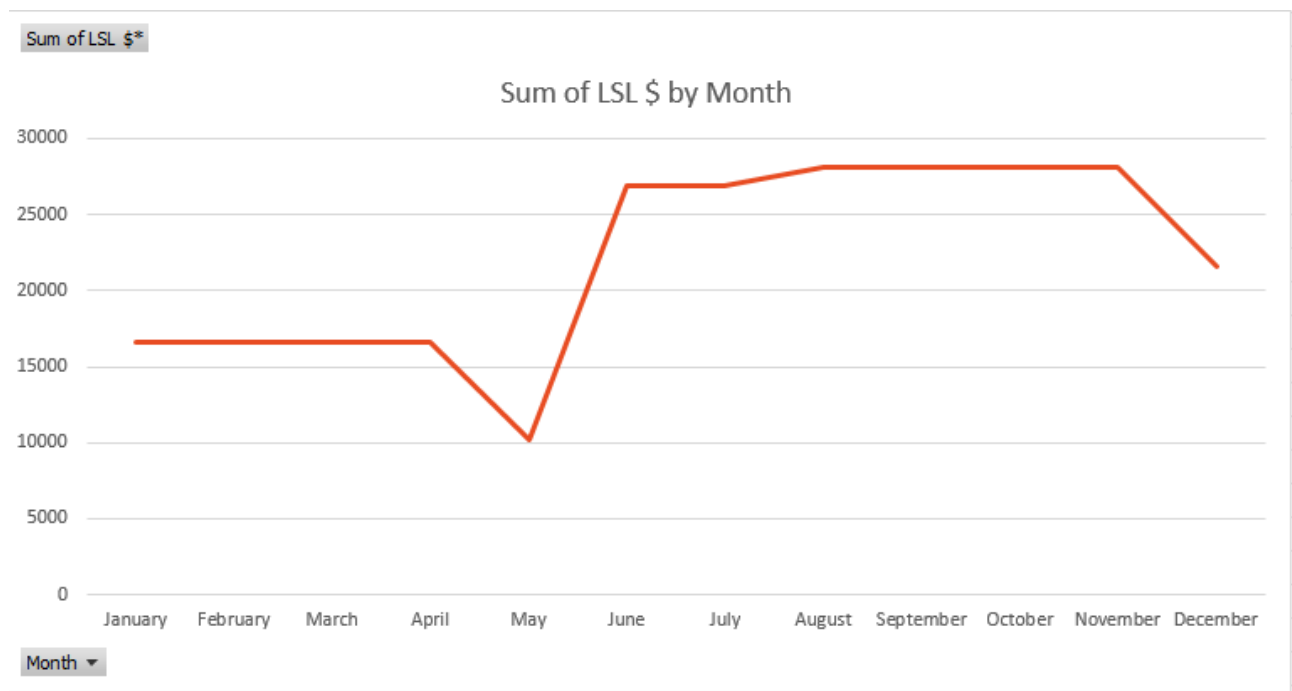
Long Service Leave:

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

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

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

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

Sum of A/L Hours by Month

Sum of A/L $ by Month

Sum of LSL $*

Sum of LSL $ by Month

Month ▾

Sum of LSL Hours*

Sum of LSL Hours by Month

Month ▾

ITEM 8   EMERGING ISSUES/LATE ITEMS

ITEM 9   NEXT MEETING DATE

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

ITEM 10   CLOSURE

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