



CONFIRMED MINUTES

AUDIT AND RISK COMMITTEE MEETING

25 JANUARY 2022

I certify that the minutes of the meeting of the Audit and Risk Committee held on Tuesday, 25 January 2022 were confirmed on Tuesday, 22 February 2022.

Presiding Person

**CONFIRMED MINUTES
AUDIT AND RISK COMMITTEE MEETING
25 JANUARY 2022**

ATTENTION/DISCLAIMER

The purpose of this Committee Meeting is to discuss and make recommendations to Council about items appearing on the agenda and other matters for which the Committee is responsible. The Committee has no power to make any decisions which are binding on the Council or the Shire of Mundaring unless specific delegation of authority has been granted by Council. No person should rely on or act on the basis of any advice or information provided by a Member or Employee, or on the content of any discussion occurring, during the course of the Committee Meeting.

The Shire of Mundaring expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any advice or information provided by a Member or Employee, or the content of any discussion occurring during the course of the Committee Meeting.

CONTENTS

1.0	OPENING PROCEDURES	4
1.1	ANNOUNCEMENT OF VISITORS	4
1.2	ATTENDANCE/APOLOGIES	4
2.0	ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION	4
3.0	DECLARATION OF INTEREST	5
3.1	DECLARATION OF FINANCIAL INTEREST AND PROXIMITY INTERESTS	5
3.2	DECLARATION OF INTEREST AFFECTING IMPARTIALITY	5
4.0	RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE	5
5.0	PUBLIC QUESTION TIME	5
6.0	CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS	5
	ARC1.01.22.....	5
7.0	PRESENTATIONS	6
7.1	DEPUTATIONS	6
7.2	PETITIONS	6
7.3	PRESENTATIONS	6
8.0	REPORTS OF EMPLOYEES	7
8.1	AUDITED ANNUAL FINANCIAL REPORT 2020/21	7
	ARC2.01.22.....	11
8.2	INTERNAL AUDIT REPORT - INFRINGEMENTS	75
	ARC3.01.22.....	85
9.0	URGENT BUSINESS (LATE REPORTS)	104
10.0	CLOSING PROCEDURES	104
10.1	DATE, TIME AND PLACE OF THE NEXT MEETING	104
10.2	CLOSURE OF THE MEETING	104

AUDIT AND RISK COMMITTEE
COMMITTEE ROOM, 7000 GREAT EASTERN HIGHWAY, MUNDARING – 4.00 PM

1.0 OPENING PROCEDURES

The Presiding Person declared the meeting open at 4.00pm.

Acknowledgement of Country

Shire of Mundaring respectfully acknowledges the Whadjuk people of the Noongar Nation, who are the traditional custodians of this land. We wish to acknowledge Elders past, present and emerging and respect their continuing culture and the contribution they make to the region.

1.1 Announcement of Visitors

Nil

1.2 Attendance/Apologies

Members	Mr Craig Wilkinson (Presiding Person)	External Member
	Cr Simon Cuthbert (Deputy Presiding Person)	East Ward
	Cr James Martin (Shire President)	South Ward
	Cr Paige McNeil (Deputy Shire President)	Central Ward
	Cr John Daw	East Ward
	Cr Karen Beale	West Ward
	Mr Tony Wittcomb	External Member
	Ms Rachael Green	External Member
Staff	Jonathan Throssell	Chief Executive Officer
	Stan Kocian	Acting Director Corporate Services
	Liz Nicholls	Governance Co-ordinator
	Angus Money	Acting Director Statutory Services
	Craig Cuthbert	Co-ordinator Community Safety & Emergency Management
	Andrea Douglas	Minute Secretary
Apologies	Cr Doug Jeans	Central Ward
Absent	Nil	
Guests	Nil	
Members of the Public	Nil	
Members of the Press	Nil	

2.0 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

Nil

3.0 DECLARATION OF INTEREST

3.1 Declaration of Financial Interest and Proximity Interests

Elected Members must disclose the nature of their interest in matters to be discussed at the meeting (*Part 5 Division 6 of the Local Government Act 1995*).

Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting (*Sections 5.70 and 5.71 of the Local Government Act 1995*).

Nil

3.2 Declaration of Interest Affecting Impartiality

An Elected Member or an employee who has an interest in a matter to be discussed at the meeting must disclose that interest (*Shire of Mundaring Code of Conduct, Local Government (Admin) Reg. 34C*).

Nil

4.0 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

5.0 PUBLIC QUESTION TIME

Procedures for asking and responding to questions are determined by the Presiding Person and in accordance with the Shire’s Meeting Procedures Local Law 2015. Questions must relate to a function of the Committee.

Nil

6.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

COMMITTEE DECISION RECOMMENDATION		ARC1.01.22	
Moved by	Cr Cuthbert	Seconded by	Cr Martin

That the Minutes of the Audit and Risk Committee Meeting held 8 December 2021 be confirmed.

CARRIED 8/0

For: Cr Daw, Mr Wilkinson, Cr Cuthbert, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Beale

Against: Nil

7.0 PRESENTATIONS

7.1 Deputations

Nil

7.2 Petitions

Nil

7.3 Presentations

Nil

8.0 REPORTS OF EMPLOYEES

8.1 Audited Annual Financial Report 2020/21

File Code	FI.AUD 2021
Author	Stan Kocian, Manager Finance and Governance
Senior Employee	Garry Bird, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Audited Annual Financial Report 2020/21 ↓2. Annual Financial Report 2020/21 - Summary of Variances ↓

SUMMARY

This report presents the audited Annual Financial Report for the year ended 30 June 2021. The Annual Financial Report includes the independent audit report issued by the Office of the Auditor General (OAG).

BACKGROUND

The audited Annual Financial Report will be included as part of the Shire's Annual Report for 2020/21.

The OAG has completed the audit and an audit exit interview was conducted by the OAG and the OAG's audit contractor (Moore Australia) with the members of the Audit and Risk Committee and relevant Shire employees on Wednesday 8 December 2021.

The Annual Financial Report for the year ended 30 June 2021 has been prepared in accordance with Australian Accounting Standards and complies with the requirements of the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

The Audit and Risk Committee (ARC) is to review the audited Annual Financial Report prior to its presentation to Council.

The ARC Terms of Reference provides:

12.1 (h) *Review the Shire's draft Annual Financial Report. Focussing on:*

- *Accounting policies and practices*
- *Changes to accounting policies and practices*
- *The process used in making significant accounting estimates*
- *Significant adjustments to the financial report (if any) arising from the audit process*
- *Compliance with accounting standards and other reporting requirements*
- *Significant variances from prior years.*

STATUTORY / LEGAL IMPLICATIONS

The *Local Government Act 1995* sets out the requirements for the preparation of the annual financial report as follows:

- Section 6.4 (1) and (2) - requires the Shire to prepare an annual financial report for the preceding financial year which is to be presented in the manner and form prescribed.
- Section 6.4(3) - requires the Shire to submit to its auditor the accounts balanced up to the last day of the preceding financial year and the annual financial report by 30 September.
- Section 5.53(2) - requires the Shire to prepare an annual report that includes the financial report for the financial year and the auditor's report for the financial year.

Regulation 10 of the *Local Government (Audit) Regulations 1996* stipulates what is to be included in the auditor's report.

Sections 7.12A 4 (a) (b) and 7.12A 5 stipulate that a local government must:

- Prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters.
- Give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- Within 14 days after a local government gives a report to the Minister publish a copy of the report on the local government's official website.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.8 – Compliance with the Local Government Act 1995 and all relevant legislation and regulations

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Financial and reputational. Risk of material misstatement of the Shire's financial position and performance

Likelihood	Consequence	Rating
Rare	Major	Low
Action / Strategy		

The audit of the Shire's financial report is undertaken by an external auditor to mitigate the risk of material misstatement of the Shire's financial position and performance.

EXTERNAL CONSULTATION

Nil

COMMENT

The independent audit report issued by OAG is an unqualified report.

In addressing the specifics of the Terms of Reference of ARC, the following is provided:

1. Accounting policies and practices

Significant accounting policies are set out in the Notes to and forming part of the Annual Financial Report.

2. Changes to accounting policies and practices

Amendments to section 154 of the *Planning and Development Act 2005* (PDA) changed the accounting treatment for cash in lieu of open space contributions received on or after 12 September 2020. Prior to the legislative change all cash in lieu of open space contributions received were held in the Shire's Trust Fund.

Subsequent to the legislative change, cash in lieu of open space contributions received are now accounted accounted for in the following manner:

Funds received post 12 September 2020

Any cash in lieu funds received under section 154 of the PDA has been placed in a reserve account for each sub-division within the municipal account in accordance with section 6.11 of the *Local Government Act 1995* (the Act).

Funds received from 10 April 2006 until 11 September 2020

Any cash in lieu funds received under section 154 of the PDA is still held in the trust account.

Funds received prior to 10 April 2006

Any cash in lieu funds received prior to 10 April 2006 would have been received under section 20C of the *Town Planning and Development Act 1928* (TPD). Any remaining unexpended funds received under the TPD are now held in the municipal account as restricted cash.

The impact of these changes were:

- \$62,447 in cash in lieu funds has been transferred from the trust account into a reserve account;
- \$563,735 in cash in lieu funds has been transfererd from the trust account into the muncipal account as resticted cash; and
- \$2,748,479 in cash in lieu funds remain in the trust account.

3. The process used in making significant accounting estimates

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

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

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

- Employee expenses (adjustments to Long Service Leave provisions)
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Right-of-use assets
- Lease liabilities
- Borrowing liabilities
- Provisions

4. Significant adjustments to the financial report (if any) arising from the audit process

There were no significant adjustments to the financial report arising from the audit process.

5. Compliance with accounting standards and other reporting requirements

The accounts have been prepared in compliance with applicable Australian Accounting Standards, the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended).

6. Significant variances from prior years

When comparing income and expenditure for the Income Statement it is appropriate to compare actual results to budget. Major variances between 2020/21 Budget and 2020/21 Actual and major variances between 2020/21 Actual and 2019/20 Actual are set out in **Attachment 2**.

At 4:19 pm, Cr Martin left the meeting.

At 4:20 pm, Cr Martin returned to the meeting.

At 4:22 pm, Cr Martin left the meeting.

At 4:23 pm, Cr Martin returned to the meeting.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION RECOMMENDATION		ARC2.01.22	
Moved by	Mr Wittcomb	Seconded by	Cr Daw

1. That Audit and Risk Committee accepts the audited Annual Financial Report for the year ended 30 June 2021 and notes the independent Audit Report issued by the Office of the Auditor General **Attachment 1**.
2. That the Audit and Risk Committee notes the significant variances and explanations in **Attachment 2**.

CARRIED 8/0

For: Cr Daw, Mr Wilkinson, Cr Cuthbert, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Beale

Against: Nil

For noting:

Acting Director Corporate Services to provide the following to Audit and risk Committee Members:-

1. The Shire's 4 year internal audit plan, which was presented to ARC in August of last year and;
2. The Shire's management report to the auditors for the fair value of the Shire's infrastructure assets as at 30 June 2021.

SHIRE OF MUNDARING
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Index of Notes to the Financial Report	9
Independent Auditor's Report	58

COMMUNITY VISION

The place for sustainable living

Principal place of business:

7000 Great Eastern Highway, Mundaring WA 6073

**SHIRE OF MUNDARING
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 10th day of December 2021



Chief Executive Officer

Jonathan Throssell

Name of Chief Executive Officer

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Rates	27(a)	29,081,843	29,092,236	29,096,034
Operating grants, subsidies and contributions	2(a)	6,650,178	4,809,716	6,214,762
Fees and charges	2(a)	11,293,756	11,264,137	11,793,327
Interest earnings	2(a)	410,015	532,545	857,739
Other revenue	2(a)	1,072,994	978,455	2,187,052
		48,508,786	46,677,089	50,148,914
Expenses				
Employee costs		(19,976,969)	(20,108,291)	(19,689,749)
Materials and contracts		(18,847,160)	(19,764,098)	(18,004,283)
Utility charges		(1,322,874)	(1,434,838)	(1,383,712)
Depreciation on non-current assets	11(b)	(7,698,584)	(8,120,471)	(7,533,373)
Interest expenses	2(b)	(440,796)	(439,268)	(480,450)
Insurance expenses		(527,096)	(460,095)	(472,985)
Other expenditure		(792,964)	(1,533,876)	(791,879)
		(49,606,443)	(51,860,937)	(48,356,431)
		(1,097,657)	(5,183,848)	1,792,483
Non-operating grants, subsidies and contributions	2(a)	3,566,137	5,938,534	1,912,854
Profit on asset disposals	11(a)	1,628	650,000	1,200
(Loss) on asset disposals	11(a)	0	(14,178)	(113,120)
Fair value adjustments to financial assets at fair value through profit or loss	5	4,525	0	2,017
Share of net profit of associates accounted for using the equity method	24	296,990	0	(1,041,469)
		3,869,280	6,574,356	761,482
Net result for the period		2,771,623	1,390,508	2,553,965
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	25,230,236	0	7,901,385
Share of comprehensive income of associates and joint ventures accounted for using the equity method	13 & 24	(513,725)	0	125,171
Total other comprehensive income for the period		24,716,511	0	8,026,556
Total comprehensive income for the period		27,488,134	1,390,508	10,580,521

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

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Governance	2(a)	386,002	179,748	228,737
General purpose funding		31,915,229	30,803,281	32,453,105
Law, order, public safety		862,888	562,400	884,148
Health		109,040	46,200	66,790
Education and welfare		5,648,611	5,762,350	5,609,650
Community amenities		7,179,480	7,147,722	8,752,302
Recreation and culture		1,507,888	1,438,856	1,266,932
Transport		85,870	65,700	75,309
Economic services		300,164	256,825	270,836
Other property and services		513,614	414,007	541,105
		48,508,786	46,677,089	50,148,914
Expenses				
Governance	2(b)	(4,377,400)	(4,813,278)	(4,655,661)
General purpose funding		(585,755)	(811,573)	(861,984)
Law, order, public safety		(3,349,282)	(2,476,558)	(2,887,927)
Health		(730,226)	(787,645)	(747,168)
Education and welfare		(7,397,086)	(8,018,301)	(6,855,618)
Community amenities		(9,109,013)	(9,012,593)	(8,495,573)
Recreation and culture		(10,626,669)	(10,932,106)	(10,181,607)
Transport		(10,550,119)	(12,228,858)	(10,838,439)
Economic services		(714,452)	(738,656)	(721,473)
Other property and services		(1,725,645)	(1,602,101)	(1,630,531)
		(49,165,647)	(51,421,669)	(47,875,981)
Finance Costs				
Governance	2(b)	(211,927)	(210,399)	(240,205)
Recreation and culture		(228,869)	(228,869)	(240,245)
		(440,796)	(439,268)	(480,450)
		(1,097,657)	(5,183,848)	1,792,483
Non-operating grants, subsidies and contributions	2(a)	3,566,137	5,938,534	1,912,854
Profit on disposal of assets	11(a)	1,628	650,000	1,200
(Loss) on disposal of assets	11(a)	0	(14,178)	(113,120)
Fair value adjustments to financial assets at fair value through profit or loss		4,525	0	2,017
Share of net profit of associates accounted for using the equity method	24	296,990	0	(1,041,469)
		3,869,280	6,574,356	761,482
Net result for the period		2,771,623	1,390,508	2,553,965
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	25,230,236	0	7,901,385
Share of comprehensive income of associates and joint ventures accounted for using the equity method	13 & 24	(513,725)	0	125,171
Total other comprehensive income for the period		24,716,511	0	8,026,556
Total comprehensive income for the period		27,488,134	1,390,508	10,580,521

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

| 4

SHIRE OF MUNDARING
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	10,251,439	9,256,541
Trade and other receivables	6	3,384,111	2,742,273
Other financial assets	5(a)	31,229,182	28,587,867
Inventories	7	72,323	92,674
Other assets	8	210,183	18,669
TOTAL CURRENT ASSETS		45,147,238	40,698,024
NON-CURRENT ASSETS			
Trade and other receivables	6	1,270,768	1,165,797
Other financial assets	5(b)	154,162	124,637
Investment in associate	24	19,187,760	19,404,495
Property, plant and equipment	9	79,617,744	81,174,047
Infrastructure	10	323,008,343	296,591,856
Right-of-use assets	12(a)	80,814	285,695
TOTAL NON-CURRENT ASSETS		423,319,591	398,746,527
TOTAL ASSETS		468,466,829	439,444,551
CURRENT LIABILITIES			
Trade and other payables	14	6,682,818	5,412,594
Other liabilities	15	1,263,452	164,440
Lease liabilities	16(a)	66,701	206,263
Borrowings	17(a)	700,169	666,777
Employee related provisions	18	3,597,455	3,531,831
TOTAL CURRENT LIABILITIES		12,310,595	9,981,905
NON-CURRENT LIABILITIES			
Other liabilities	15	440,000	440,000
Lease liabilities	16(a)	16,050	82,752
Borrowings	17(a)	9,134,523	9,834,692
Employee related provisions	18	252,531	280,206
Other provisions	19	150,000	150,000
TOTAL NON-CURRENT LIABILITIES		9,993,104	10,787,650
TOTAL LIABILITIES		22,303,699	20,769,555
NET ASSETS		446,163,130	418,674,996
EQUITY			
Retained surplus		134,338,009	135,761,948
Reserves - cash/financial asset backed	4	29,398,577	25,203,015
Revaluation surplus	13	282,426,544	257,710,033
TOTAL EQUITY		446,163,130	418,674,996

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

SHIRE OF MUNDARING
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

		RESERVES CASH/FINANCIAL		
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS
		\$	\$	\$
Balance as at 1 July 2019		142,699,111	22,026,683	245,452,529
Change in accounting policy		(1,283,848)	0	(800,000)
Restated balance at the beginning of the financial year		141,415,263	22,026,683	244,652,529
Comprehensive income				
Net result for the period		2,553,965	0	0
Other comprehensive income	13	0	0	8,026,556
Total comprehensive income		2,553,965	0	8,026,556
Correction to share of associate's other comprehensive income	13 *	(5,030,948)	0	5,030,948
Transfers from reserves	4	1,715,871	(1,715,871)	0
Transfers to reserves	4	(4,892,203)	4,892,203	0
Balance as at 30 June 2020		135,761,948	25,203,015	257,710,033
Comprehensive income				
Net result for the period		2,771,623	0	0
Other comprehensive income	13	0	0	24,716,511
Total comprehensive income		2,771,623	0	24,716,511
Transfers from reserves	4	766,453	(766,453)	0
Transfers to reserves	4	(4,962,015)	4,962,015	0
Balance as at 30 June 2021		134,338,009	29,398,577	282,426,544

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

* Relates to the Shire's share in the other comprehensive income of the EMRC in previous years being incorrectly recognised as part of the Shire's net result rather than other comprehensive income.

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		28,564,261	29,092,236	28,669,627
Operating grants, subsidies and contributions		7,721,669	4,809,716	6,589,066
Fees and charges		11,202,194	11,264,137	11,793,327
Interest received		410,015	532,545	857,739
Goods and services tax received		1,954,724	2,200,000	2,164,740
Other revenue		1,072,994	978,455	2,187,052
		50,925,857	48,877,089	52,261,551
Payments				
Employee costs		(19,874,881)	(20,108,291)	(19,331,281)
Materials and contracts		(17,943,946)	(19,764,098)	(18,334,558)
Utility charges		(1,322,874)	(1,434,838)	(1,383,712)
Interest expenses		(440,796)	(439,268)	(480,450)
Insurance paid		(527,096)	(460,095)	(472,985)
Goods and services tax paid		(1,933,160)	(2,200,000)	(2,134,905)
Other expenditure		(792,964)	(1,533,876)	(791,879)
		(42,835,717)	(45,940,466)	(42,929,770)
Net cash provided by (used in) operating activities	20	8,090,140	2,936,623	9,331,781
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for financial assets at amortised cost - term deposits		(2,641,315)	0	(2,543,946)
Payments for financial assets at amortised cost - community group loan		(25,000)	0	0
Payments for purchase of property, plant & equipment	9(a)	(798,461)	(2,666,564)	(2,247,327)
Payments for construction of infrastructure	10(a)	(6,344,471)	(8,245,167)	(5,782,254)
Non-operating grants, subsidies and contributions	2(a)	3,566,137	5,938,534	1,912,854
Proceeds from sale of property, plant & equipment	11(a)	20,909	1,139,989	420,020
Proceeds from associate (dividend distribution)	24	0	0	533,316
Net cash provided by (used in) investment activities		(6,222,201)	(3,833,208)	(7,707,337)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	17(b)	(666,777)	(666,777)	(635,199)
Payments for principal portion of lease liabilities	16(b)	(206,264)	0	(283,995)
Net cash provided by (used in) financing activities		(873,041)	(666,777)	(919,194)
Net increase (decrease) in cash held		994,898	(1,563,362)	705,250
Cash at beginning of year		9,256,541	9,329,913	8,551,291
Cash and cash equivalents at the end of the year	20	10,251,439	7,766,551	9,256,541

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

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	28 (b)	6,386,144	5,453,805	6,094,336
		6,386,144	5,453,805	6,094,336
Revenue from operating activities (excluding rates)				
Governance		390,527	179,748	228,737
General purpose funding		2,833,386	1,711,045	3,357,071
Law, order, public safety		862,888	562,400	884,148
Health		109,040	46,200	67,990
Education and welfare		5,648,611	5,762,350	5,609,650
Community amenities		7,179,480	7,147,722	8,752,302
Recreation and culture		1,507,888	2,088,856	1,266,932
Transport		87,498	65,700	75,309
Economic services		597,154	256,825	270,836
Other property and services		513,614	414,007	541,105
		19,730,086	18,234,853	21,054,080
Expenditure from operating activities				
Governance		(4,589,327)	(5,023,677)	(4,895,866)
General purpose funding		(585,755)	(811,573)	(861,984)
Law, order, public safety		(3,349,282)	(2,476,558)	(2,902,838)
Health		(730,226)	(787,645)	(747,168)
Education and welfare		(7,397,086)	(8,018,301)	(6,866,958)
Community amenities		(9,109,013)	(9,012,593)	(8,532,319)
Recreation and culture		(10,855,538)	(11,175,153)	(10,426,366)
Transport		(10,550,119)	(12,228,858)	(10,884,048)
Economic services		(714,452)	(738,656)	(721,473)
Other property and services		(1,725,645)	(1,602,101)	(1,630,531)
		(49,606,443)	(51,875,115)	(48,469,551)
Non-cash amounts excluded from operating activities	28(a)	7,262,795	7,484,649	7,870,162
Amount attributable to operating activities		(16,227,418)	(20,701,808)	(13,450,973)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	3,566,137	5,938,534	1,912,854
Proceeds from disposal of assets	11(a)	20,909	1,139,989	420,020
Payments for financial assets at amortised cost -community group loan		(25,000)	0	0
Purchase of property, plant and equipment	9(a)	(798,461)	(2,666,564)	(2,247,327)
Purchase and construction of infrastructure	10(a)	(6,344,471)	(8,245,167)	(5,782,254)
Proceeds from associate (dividend distribution)	24	0	0	533,316
		(3,580,886)	(3,833,208)	(5,163,391)
Amount attributable to investing activities		(3,580,886)	(3,833,208)	(5,163,391)
FINANCING ACTIVITIES				
Repayment of borrowings	17(b)	(666,777)	(666,777)	(635,199)
Payments for principal portion of lease liabilities	16(b)	(206,264)	0	(283,995)
Transfers to reserves (restricted assets)	4	(4,962,015)	(4,444,535)	(4,892,203)
Transfers from reserves (restricted assets)	4	766,453	2,099,343	1,715,871
Amount attributable to financing activities		(5,068,603)	(3,011,969)	(4,095,526)
Surplus/(deficit) before imposition of general rates		(24,876,907)	(27,546,985)	(22,709,890)
Total amount raised from general rates	27(a)	29,081,843	29,092,236	29,096,034
Surplus/(deficit) after imposition of general rates	28(b)	4,204,936	1,545,251	6,386,144

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

SHIRE OF MUNDARING
INDEX OF NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	16
Note 4	Reserves - Cash/Financial Asset backed	17
Note 5	Other Financial Assets	18
Note 6	Trade and Other Receivables	19
Note 7	Inventories	20
Note 8	Other Assets	21
Note 9	Property, Plant and Equipment	22
Note 10	Infrastructure	24
Note 11	Fixed Assets	26
Note 12	Leases	29
Note 13	Revaluation Surplus	30
Note 14	Trade and Other Payables	31
Note 15	Other Liabilities	32
Note 16	Lease Liabilities	33
Note 17	Information on Borrowings	34
Note 18	Employee Provisions	36
Note 19	Other Provisions	37
Note 20	Notes to the Statement of Cash Flows	38
Note 21	Total Assets Classified by Function and Activity	39
Note 22	Elected Members Remuneration	40
Note 23	Related Party Transactions	42
Note 24	Investment in Associates	44
Note 25	Major Land Transactions	46
Note 26	Trading Undertakings and Major Trading Undertakings	46
Note 27	Rating Information	47
Note 28	Rate Setting Statement Information	50
Note 29	Financial Risk Management	51
Note 30	Trust Funds	54
Note 31	Other Significant Accounting Policies	55
Note 32	Activities/Programs	56
Note 33	Financial Ratios	57
Note 34	Subsequent Events	57
Note 35	Contingent Liabilities	57

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

1. BASIS OF PREPARATION

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

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

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 30 to these financial statements.

INITIAL APPLICATION OF ACCOUNTING STANDARDS

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

These were:

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

- Employee expenses
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Right-of-use assets
- Lease liabilities
- Borrowing liabilities
- Provisions

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
Governance	81,000	0	0
General purpose funding	2,368,556	1,133,500	2,293,321
Law, order, public safety	702,495	375,000	647,415
Education and welfare	3,139,199	3,030,000	3,138,184
Community amenities	54,927	40,000	0
Recreation and culture	238,847	166,516	71,683
Transport	50,776	49,700	49,722
Other property and services	14,378	15,000	14,437
	6,650,178	4,809,716	6,214,762
Non-operating grants, subsidies and contributions			
Law, order, public safety	0	800,000	0
Education and welfare	12,250	0	0
Recreation and culture	374,608	469,850	280,855
Transport	3,179,279	4,668,684	1,631,999
	3,566,137	5,938,534	1,912,854
Total grants, subsidies and contributions	10,216,315	10,748,250	8,127,616
Fees and charges			
Governance	0	50,000	92,729
General purpose funding	25,001	15,000	169,700
Law, order, public safety	164,092	181,400	217,194
Health	109,040	46,200	66,790
Education and welfare	2,485,124	2,703,150	2,449,058
Community amenities	6,939,257	6,752,722	7,262,126
Recreation and culture	1,200,645	1,241,840	1,125,095
Transport	7,095	16,000	25,588
Economic services	362,611	256,825	270,836
Other property and services	891	1,000	114,211
	11,293,756	11,264,137	11,793,327

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

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2021 Actual \$	2021 Budget \$	2020 Actual \$
Contracts with customers and transfers for recognisable non-financial assets			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:			
Non-operating grants, subsidies and contributions	3,566,137	5,938,534	1,912,854
	3,566,137	5,938,534	1,912,854
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:			
Revenue from contracts with customers included as a contract liability at the start of the period	64,440	0	0
Revenue from contracts with customers recognised during the year	(64,440)	0	0
Revenue from transfers intended for acquiring or constructing recognisable non financial assets held as a liability at the start of the period	0	0	140,000
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	3,566,137	5,938,534	1,772,854
	3,566,137	5,938,534	1,912,854
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	362,498		296,883
Contract liabilities from contracts with customers	(56,604)		(64,440)
Grant liabilities from transfers for recognisable non financial assets	(1,646,848)		(540,000)

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

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

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

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates	29,081,843	29,092,236	29,096,034
Statutory permits and licences	702,228	474,600	466,287
Fines	52,266	82,500	69,611
	<u>29,836,337</u>	<u>29,649,336</u>	<u>29,631,932</u>

Other revenue

Reimbursements and recoveries	843,852	141,000	526,031
Other	229,142	837,455	1,661,021
	<u>1,072,994</u>	<u>978,455</u>	<u>2,187,052</u>

Interest earnings

Interest on reserve funds	152,823	227,545	340,967
Rates penalty interest (refer Note 27(c))	167,271	105,000	199,822
Other interest earnings	89,921	200,000	316,950
	<u>410,015</u>	<u>532,545</u>	<u>857,739</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

Audit of the Annual Financial Report
Other services

Interest expenses (finance costs)

Borrowings
Lease liabilities

Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
	49,000	48,000	48,000
	800	3,000	2,600
	49,800	51,000	50,600
17(b)	435,889	439,268	467,466
16(b)	4,907	0	12,984
	440,796	439,268	480,450

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Fees and charges 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	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Fees and charges Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Fees and charges Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Fees and charges Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Fees and charges Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Fees and charges Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Other revenue Sale of stock	Kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Other revenue Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2021 \$	2020 \$
Cash at bank and on hand		10,251,439	9,256,541
Total cash and cash equivalents		10,251,439	9,256,541

Restrictions

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

- Cash and cash equivalents		2,718,821	2,277,532
- Financial assets at amortised cost	5	29,398,577	25,203,015
		32,117,398	27,480,547

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

Reserves - cash/financial asset backed	4 & 14	29,398,577	25,203,015
Bonds and deposits held	14	2,155,086	2,277,532
Cash in lieu of POS (prior to 10 April 2006)*	14	563,735	0
Total restricted assets		32,117,398	27,480,547

* Cash in lieu of POS received after 12 September 2020 has been placed in the "Cash in lieu of Public Open Space" Reserve in accordance with the amendments to section 154 of *Planning and Development Act 2005*.

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

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

4. RESERVES - CASH/FINANCIAL ASSET BACKED

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Reserves cash backed - Long Service Leave Reserve	334,482	644,961	(365,525)	613,918	364,833	604,089	(250,000)	718,922	403,533	214,580	(283,631)	334,482
(b) Reserves cash backed - Civic Facilities Reserve	9,576,301	1,562,842	(207,020)	10,932,123	9,431,404	1,605,702	(345,399)	10,691,707	8,774,504	1,040,822	(239,025)	9,576,301
(c) Reserves cash backed - Information Technology Reserve	1,080,252	56,055	(131,000)	1,005,307	1,087,517	62,188	(81,000)	1,068,705	1,044,192	66,060	(30,000)	1,080,252
(d) Reserves cash backed - Childrens Services Reserve	2,713,189	443,741	0	3,156,930	2,679,462	30,030	(55,000)	2,654,492	2,305,803	407,386	0	2,713,189
(e) Reserves cash backed - Capital Investment Reserve	3,896,605	0	0	3,896,605	3,896,605	1,000,000	0	4,896,605	3,896,605	0	0	3,896,605
(f) Reserves cash backed - Capital Income Reserve	4,301,554	363,934	0	4,665,488	4,270,399	342,367	(292,250)	4,320,516	4,104,921	384,633	(188,000)	4,301,554
(g) Reserves cash backed - Gravel Pit Rehabilitation Reserve	60,431	348	0	60,779	60,849	682	0	61,531	59,519	912	0	60,431
(h) Reserves cash backed - Plant Reserve	1,138,731	737,439	(62,908)	1,813,262	943,415	740,056	(585,694)	1,097,777	1,214,606	849,340	(925,215)	1,138,731
(i) Reserves cash backed - Unspent Grants Reserves	637,440	1,069,513	0	1,706,953	490,000	0	(490,000)	0	223,000	464,440	(50,000)	637,440
(j) Reserves cash backed - Telecommunications facility Bailup reserve (Reserve 11625)	8,830	11,387	0	20,217	10,000	10,112	0	20,112	0	8,830	0	8,830
(k) Reserves cash backed - Waste management reserve	1,455,200	9,348	0	1,464,548	1,455,200	49,309	0	1,504,509	0	1,455,200	0	1,455,200
(l) Reserves cash backed - Cash in lieu of Public Open Space	0	62,447	0	62,447	0	0	0	0	0	0	0	0
	25,203,015	4,962,015	(766,453)	29,398,577	24,689,684	4,444,535	(2,099,343)	27,034,876	22,026,683	4,892,203	(1,715,871)	25,203,015

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Reserves cash backed - Long Service Leave Reserve	Ongoing	To fund the Shire's Long Service Leave Liability.
(b) Reserves cash backed - Civic Facilities Reserve	Ongoing	To fund the construction and/or purchase of public buildings and facilities.
(c) Reserves cash backed - Information Technology Reserve	Ongoing	To fund the upgrade and replacement of the Shire's information technology.
(d) Reserves cash backed - Childrens Services Reserve	Ongoing	To provide funds for the purchase of capital items, preventative maintenance for Children Service's buildings and employee entitlements. Also allows cash surpluses to be quarantined to fund operations for future years.
(e) Reserves cash backed - Capital Investment Reserve	Ongoing	To fund the advancement of the Shire's Property Strategy.
(f) Reserves cash backed - Capital Income Reserve	Ongoing	To fund the development of Shire facilities and infrastructure.
(g) Reserves cash backed - Gravel Pit Rehabilitation Reserve	Ongoing	To fund the production of gravel and the rehabilitation of gravel pits.
(h) Reserves cash backed - Plant Reserve	Ongoing	To fund the replacement and purchase of works plant and light vehicles.
(i) Reserves cash backed - Unspent Grants Reserves	Ongoing	To quarantine any unspent grant funds at the end of each financial year.
(j) Reserves cash backed - Telecommunications facility Bailup reserve (Reserve 11625)	Ongoing	To maintain the grounds and facilities of the reserve. Where there are surplus reserve funds, to maintain the grounds and facilities of other reserves within the locality.
(k) Reserves cash backed - Waste management reserve	Ongoing	To fund capital costs and any operating deficits associated with the provision of the Shire's waste management services.
(l) Reserves cash backed - Cash in lieu of Public Open Space	Ongoing	Hold cash received in lieu of public open space.

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

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Financial assets at amortised cost

Term deposits - municipal funds

Term deposits - reserves

(b) Non-current assets

Financial assets at amortised cost

Financial assets at amortised cost

Units in Local Government House Trust

Other loans and receivables - Mahogany Creek Progress Association

Note	2021	2020
	\$	\$
	31,229,182	28,587,867
	31,229,182	28,587,867
	1,830,605	3,384,852
3	29,398,577	25,203,015
	31,229,182	28,587,867
	154,162	124,637
	154,162	124,637
	129,162	124,637
	25,000	0
	154,162	124,637

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 29.

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

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Waste charges	
LSL contributions - other local governments	

Non-current

Pensioner's rates and ESL deferred	
LSL contributions - other local governments	
POS Payments	

2021	2020
\$	\$
2,448,363	1,906,475
362,498	296,883
244,820	266,384
302,167	210,605
26,263	61,926
3,384,111	2,742,273
1,214,211	1,106,809
29,320	31,751
27,237	27,237
1,270,768	1,165,797

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 29.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

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

7. INVENTORIES

Current

Fuel and materials

2021	2020
\$	\$
72,323	92,674
72,323	92,674
92,674	96,367
(460,617)	(530,208)
440,266	526,515
72,323	92,674

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year

Additions to inventory

Balance at end of year

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

8. OTHER ASSETS

Other assets - current

Prepayments

2021	2020
\$	\$
210,183	18,669
210,183	18,669

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.

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

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land \$	Buildings - specialised \$	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Works in Progress \$	Total property, plant and equipment \$
Balance at 1 July 2019	25,954,702	40,321,133	66,275,835	210,858	7,286,328	2,050	73,775,071
Additions	0	256,317	256,317	94,714	1,407,235	489,061	2,247,327
(Disposals)	0	0	0	(4,514)	(527,426)	0	(531,940)
Revaluation increments / (decrements) transferred to revaluation surplus	(330,002)	8,231,387	7,901,385	0	0	0	7,901,385
Depreciation (expense)	0	(1,517,369)	(1,517,369)	(17,668)	(682,759)	0	(2,217,796)
Balance at 30 June 2020	25,624,700	47,291,468	72,916,168	283,390	7,483,378	491,111	81,174,047
Comprises:							
Gross balance amount at 30 June 2020	25,624,700	74,112,701	99,737,401	642,458	11,304,505	491,111	112,175,475
Accumulated depreciation at 30 June 2020	0	(26,821,233)	(26,821,233)	(359,068)	(3,821,127)	0	(31,001,428)
Balance at 30 June 2020	25,624,700	47,291,468	72,916,168	283,390	7,483,378	491,111	81,174,047
Additions	0	624,301	624,301	48,955	83,817	41,388	798,461
(Disposals)	0	0	0	0	(19,281)	0	(19,281)
Depreciation (expense)	0	(1,636,831)	(1,636,831)	(24,265)	(674,387)	0	(2,335,483)
Transfers	0	489,661	489,661	0	0	(489,661)	0
Balance at 30 June 2021	25,624,700	46,768,599	72,393,299	308,080	6,873,527	42,838	79,617,744
Comprises:							
Gross balance amount at 30 June 2021	25,624,700	75,226,663	100,851,363	691,413	11,359,280	42,838	112,944,894
Accumulated depreciation at 30 June 2021	0	(28,458,064)	(28,458,064)	(383,333)	(4,485,753)	0	(33,327,150)
Balance at 30 June 2021	25,624,700	46,768,599	72,393,299	308,080	6,873,527	42,838	79,617,744

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land - freehold land	Level 2	Market approach using recent observable data for similar properties in the area	Independent Registered Valuers	June 2020	Price per square metre
Land - freehold land	Level 3	Cost approach	Independent Registered Valuers	June 2020	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3) inputs
Buildings - specialised	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2020	Construction costs and current condition (Level 2) and remaining useful life assessments (Level 3) inputs
(ii) Cost					
Furniture and equipment	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2019	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment	Level 2	Market approach using recent observable data for similar plant	Independent Registered Valuers	June 2019	Price per item (Level 2)
Plant and equipment	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2019	Purchase 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.

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

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

10. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks and ovals	Works in progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	214,698,343	12,431,501	47,537,979	21,020,041	0	295,687,864
Additions	3,635,766	413,927	544,342	1,188,219	0	5,782,254
Recognition of rehabilitation costs for Mathieson Road Waste Transfer Station as at 30 June 2020	0	0	0	150,000	0	150,000
Depreciation (expense)	(3,220,207)	(249,558)	(707,365)	(851,132)	0	(5,028,262)
Balance at 30 June 2020	215,113,902	12,595,870	47,374,956	21,507,128	0	296,591,856
Comprises:						
Gross balance at 30 June 2020	274,036,387	16,237,035	70,448,045	29,022,015	0	389,743,482
Accumulated depreciation at 30 June 2020	(58,922,485)	(3,641,165)	(23,073,089)	(7,514,887)	0	(93,151,626)
Balance at 30 June 2020	215,113,902	12,595,870	47,374,956	21,507,128	0	296,591,856
Additions	4,961,339	265,036	267,393	711,570	139,133	6,344,471
Revaluation increments / (decrements) transferred to revaluation surplus	22,261,731	1,741,133	(1,875,796)	3,103,168	0	25,230,236
Depreciation (expense)	(3,297,687)	(253,351)	(712,809)	(894,373)	0	(5,158,220)
Balance at 30 June 2021	239,039,285	14,348,688	45,053,744	24,427,493	139,133	323,008,343
Comprises:						
Gross balance at 30 June 2021	295,563,139	18,671,710	70,827,092	30,099,213	139,133	415,300,287
Accumulated depreciation at 30 June 2021	(56,523,854)	(4,323,022)	(25,773,348)	(5,671,720)	0	(92,291,944)
Balance at 30 June 2021	239,039,285	14,348,688	45,053,744	24,427,493	139,133	323,008,343

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

10. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2021	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2021	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - drainage	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2021	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2021	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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

11. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Revaluation (Continued)

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

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

Land under roads from 1 July 2019

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

Vested improvements from 1 July 2019

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

Refer to Note 12 that details the significant accounting policies applying to leases (including right-of-use assets).

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

11. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	0	0	0	0	350,000	1,000,000	650,000	0	0	0	0	0
Furniture and equipment	0	0	0	0	0	0	0	0	4,514	0	0	(4,514)
Plant and equipment	19,281	20,909	1,628	0	154,167	139,989	0	(14,178)	527,426	420,020	1,200	(108,606)
	19,281	20,909	1,628	0	504,167	1,139,989	650,000	(14,178)	531,940	420,020	1,200	(113,120)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2020 Actual Loss
Plant and Equipment				
Transport	19,281	20,909	1,628	(108,606)
	19,281	20,909	1,628	(108,606)
Furniture and Equipment				
Recreation and culture	0	0	0	(4,514)
	0	0	0	(4,514)
	19,281	20,909	1,628	(113,120)

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

11. FIXED ASSETS

(b) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - specialised	1,636,831	1,514,882	1,517,369
Furniture and equipment	24,265	13,515	17,668
Plant and equipment	674,387	671,609	682,759
Infrastructure - roads	3,297,687	4,110,465	3,220,207
Infrastructure - footpaths	253,351	250,000	249,558
Infrastructure - drainage	712,809	708,000	707,365
Infrastructure - parks and ovals	894,373	852,000	851,132
Right of use assets - furniture and equipment	204,881	0	287,315
	7,698,584	8,120,471	7,533,373

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	
- Structure	30 to 75 years
- Fit out	18 to 45 years
- Mechanical	18 to 45 years
- Roof Cladding	24 to 60 years
Furniture and Equipment	3 to 12 years
Plant and Equipment	3 to 60 years
Sealed Roads and Streets	
- Formation	not depreciated
- Pavement	70 to 150 years
- Surface	15 to 45 years
- Kerb	60 to 70 years
Unsealed Roads	
- Formation	not depreciated
- Surface	15 years
Drainage	60 to 100 years
Bridges	40 to 100 years
Footpaths	15 to 100 years
Heritage Trails	
- Formation	not depreciated
- Pavement	60 years
- Point Items	15 to 100 years

Depreciation rates (continued)

Asset Class	Useful life
Waste Transfer Stations	15 to 100 years
Bus Shelters	20 to 50 years
Parks Hard Assets	5 to 80 years

Depreciation on revaluation

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

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

Amortisation

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

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

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

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

12. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Right of use assets -	
	furniture and equipment	Right-of-use assets Total
	\$	
Balance at 1 July 2019	567,397	567,397
Additions	5,613	5,613
Depreciation (expense)	(287,315)	(287,315)
Balance at 30 June 2020	285,695	285,695
Depreciation (expense)	(204,881)	(204,881)
Balance at 30 June 2021	80,814	80,814

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

	2021 Actual	2020 Actual
	\$	\$
Depreciation expense on lease liabilities	(204,881)	(287,315)
Interest expense on lease liabilities	(4,907)	(12,984)
Total amount recognised in the statement of comprehensive income	(209,788)	(300,299)
Total cash outflow from leases	(211,171)	(296,979)

The Shire has 6 leases relating to furniture and equipment. The lease terms range between 3 and 6 years.

The Shire has not revalued the right of use assets relating to leased furniture and equipment as the difference between the fair value and carrying amount is immaterial.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

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

Right-of-use assets - valuation

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

Refer to Note 11 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

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

13. REVALUATION SURPLUS

	2021 Opening Balance \$	2021 Revaluation Increment \$	2021 Revaluation (Decrement) \$	Total Movement on Revaluation \$	2021 Closing Balance \$	2020 Opening Balance \$	2020 Change in Accounting Policy	2021 Transfer from Retained Surplus*	2020 Revaluation Increment \$	Total Movement on Revaluation \$	2020 Closing Balance \$
Revaluation surplus - Plant and equipment	1,627,873	0	0	0	1,627,873	1,627,873	0	0	0	0	1,627,873
Revaluation surplus - Land and buildings	48,419,386	0	0	0	48,419,386	41,318,001	(800,000)	0	7,901,385	7,901,385	48,419,386
Revaluation surplus - Infrastructure - roads	153,544,587	22,261,731	0	22,261,731	175,806,318	153,544,587	0	0	0	0	153,544,587
Revaluation surplus - Infrastructure - footpaths	6,315,940	1,741,133	0	1,741,133	8,057,073	6,315,940	0	0	0	0	6,315,940
Revaluation surplus - Infrastructure - drainage	30,852,091	0	(1,875,796)	(1,875,796)	28,976,295	30,852,091	0	0	0	0	30,852,091
Revaluation surplus - Infrastructure - parks and ovals	11,794,037	3,103,168	0	3,103,168	14,897,205	11,794,037	0	0	0	0	11,794,037
Revaluation surplus - EMRC Asset Valuations	5,156,119	0	(513,725)	(513,725)	4,642,394	0	0	5,030,948	125,171	125,171	5,156,119
	257,710,033	27,106,032	(2,389,521)	24,716,511	282,426,544	245,452,529	(800,000)	5,030,948	8,026,556	8,026,556	257,710,033

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

* Relates to the Shire's share in the other comprehensive income of the EMRC in previous years being incorrectly recognised as part of the Shire's net result rather than other comprehensive income.

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

14. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued salaries and wages
Bonds and deposits held
Creditor accruals
Cash in lieu of POS

2021	2020
\$	\$
1,493,819	1,038,072
1,472,741	1,341,033
423,201	359,062
2,155,086	2,277,532
511,789	396,895
626,182	0
6,682,818	5,412,594

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Prepaid rates

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

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

15. OTHER LIABILITIES

Current

Contract liabilities from contracts with customers
Contract liabilities from transfers for recognisable non financial assets

Non-current

Contract liabilities from transfers for recognisable non financial assets

2021	2020
\$	\$
56,604	64,440
1,206,848	100,000
1,263,452	164,440
440,000	440,000
440,000	440,000
1,703,452	604,440

Performance obligations from contracts are expected to be recognised as revenue in accordance with the following time bands:

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

Contract liabilities
\$
1,263,452
440,000
0
0
0
0
1,703,452

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

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

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

Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity
Grant liabilities represent the Shire's performance obligations to construct recognisable non-financial assets to identified specifications which are yet to be satisfied.

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

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

16. LEASE LIABILITIES

(a) Lease Liabilities

	2021	2020
	\$	\$
Current	66,701	206,263
Non-current	16,050	82,752
	82,751	289,015

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2020	30 June 2021 Actual New Leases	30 June 2021 Actual Lease Principal Repayments	30 June 2021 Actual Lease Principal Outstanding	30 June 2021 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2020	30 June 2021 Budget New Leases	30 June 2021 Budget Lease Principal Repayments	30 June 2021 Budget Lease Principal Outstanding	30 June 2021 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2019	30 June 2020 Actual New Leases	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance																			
Data Centres (servers) x 2	1	HP Financial Services (Australia) P/L	3.33%	60 months	100,389	0	(100,389)	0	(1,112)	145,000	0	(145,000)	0	(1,112)	268,099	0	(167,710)	100,389	(6,289)
Security Appliance & Software	2	HP Financial Services (Australia) P/L	2.99%	60 months	93,775	0	(39,401)	54,374	(2,239)	97,160	0	(41,640)	55,520	(2,239)	132,034	0	(38,259)	93,775	(3,361)
Telex Microphone Delegate System	4	HP Financial Services (Australia) P/L	3.05%	36 months	0	0	0	0	0	43,605	0	(30,780)	12,825	(874)	14,408	0	(14,408)	0	(244)
Photocopier / Printers	5	Konica Minolta Business Solutions Australia P/L	2.00%	60 months	42,634	0	(29,906)	12,728	(874)	79,200	0	(59,400)	19,800	(1,022)	71,657	0	(29,023)	42,634	(1,757)
Photocopier / Printers	6	Konica Minolta Business Solutions Australia P/L	1.80%	24 months	46,858	0	(35,027)	11,831	(613)	0	0	0	0	0	81,199	0	(34,341)	46,858	(1,299)
Recreation and culture																			
KSP Library Scanning / Electronics Equipment	3	HP Financial Services (Australia) P/L	4.11%	36 months	5,359	0	(1,841)	3,818	(59)	0	0	0	0	0	0	5,613	(254)	5,359	(14)
					289,015	0	(206,264)	82,751	(4,907)	364,965	0	(276,820)	88,145	(5,247)	567,397	5,613	(283,995)	289,015	(12,984)

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

17. INFORMATION ON BORROWINGS

(a) Borrowings

	2021	2020
	\$	\$
Current	700,169	666,777
Non-current	9,134,523	9,834,692
	9,834,692	10,501,469

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual Principal 1 July 2020	30 June 2021 Actual Principal repayments	30 June 2021 Actual Interest repayments	30 June 2021 Actual Principal outstanding	Budget Principal 1 July 2020	30 June 2021 Budget Principal repayments	30 June 2021 Budget Interest repayments	30 June 2021 Budget Principal outstanding	Actual Principal 1 July 2019	30 June 2020 Actual Principal repayments	30 June 2020 Actual Interest repayments	30 June 2020 Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance															
Civic Facility Redevelopment	170	WATC*	6.95%	3,115,262	(301,722)	(207,020)	2,813,540	3,115,252	(301,722)	(210,399)	2,813,530	3,396,782	(281,520)	(227,221)	3,115,262
Recreation and culture															
Community Building Projects	171	WATC*	3.17%	7,386,207	(365,055)	(228,869)	7,021,152	7,386,207	(365,055)	(228,869)	7,021,152	7,739,886	(353,679)	(240,245)	7,386,207
				10,501,469	(666,777)	(435,889)	9,834,692	10,501,459	(666,777)	(439,268)	9,834,682	11,136,668	(635,199)	(467,466)	10,501,469

* WA Treasury Corporation

All loan repayments were financed by general purpose revenue.

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

17. INFORMATION ON BORROWINGS (Continued)

	2021	2020
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	56,000	56,000
Credit card balance at balance date	(19,136)	(25,986)
Total amount of credit unused	536,864	530,014
Loan facilities		
Loan facilities - current	700,169	666,777
Loan facilities - non-current	9,134,523	9,834,692
Lease liabilities - current	66,701	206,263
Lease liabilities - non-current	16,050	82,752
Total facilities in use at balance date	9,917,443	10,790,484
Unused loan facilities at balance date	NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 29.

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

18. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	1,646,389	1,885,442	3,531,831
Non-current provisions	0	280,206	280,206
	1,646,389	2,165,648	3,812,037
Additional provision	1,187,163	320,921	1,508,084
Amounts used	(1,104,610)	(365,525)	(1,470,135)
Balance at 30 June 2021	1,728,942	2,121,044	3,849,986
Comprises			
Current	1,728,942	1,868,513	3,597,455
Non-current	0	252,531	252,531
	1,728,942	2,121,044	3,849,986
Amounts are expected to be settled on the following basis:	2021	2020	
	\$	\$	
Less than 12 months after the reporting date	1,527,003	1,541,220	
More than 12 months from reporting date	2,267,400	2,177,140	
Expected reimbursements from other WA local governments	55,583	93,677	
	3,849,986	3,812,037	

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

19. OTHER PROVISIONS

	Provision for remediation costs	Total
	\$	\$
Opening balance at 1 July 2020		
Non-current provisions	150,000	150,000
	150,000	150,000
Balance at 30 June 2021	150,000	150,000
Comprises		
Non-current	150,000	150,000
	150,000	150,000

Provision for remediation costs

Under the licence for the operation of the Mathieson Road Waste Transfer Station, the Shire has a legal obligation to restore the site upon the expiry of the licence.

A provision for remediation is recognised when:

- there is a present obligation as a result of waste activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be reliably measured.

The estimated future obligations include the costs of restoring the affected areas.

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

The payment of the non-current obligations is expected to be post 27 June 2035 i.e. upon the expiry of the licence.

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

20. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Cash and cash equivalents	10,251,439	7,766,551	9,256,541
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	2,771,623	1,390,508	2,553,965
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(4,525)	0	(2,017)
Depreciation on non-current assets	7,698,584	8,120,471	7,533,373
(Profit)/loss on sale of asset	(1,628)	(635,822)	111,920
Movement in equity of associates	(296,990)	0	1,041,469
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(746,809)	0	(683,893)
(Increase)/decrease in other assets	(191,514)	0	(3,632)
(Increase)/decrease in inventories	20,351	0	3,693
Increase/(decrease) in payables	1,270,224	0	(31,454)
Increase/(decrease) in employee provisions	37,949	0	256,771
Increase/(decrease) in other liabilities	1,099,012	0	464,440
Non-operating grants, subsidies and contributions	(3,566,137)	(5,938,534)	(1,912,854)
Net cash from operating activities	8,090,140	2,936,623	9,331,781

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

21. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	9,669,052	9,784,215
General purpose funding	45,143,194	40,859,714
Law, order, public safety	3,849,946	4,114,169
Health	558,146	586,080
Education and welfare	2,749,131	2,856,391
Community amenities	21,659,890	21,354,609
Recreation and culture	61,625,568	59,564,298
Transport	302,124,838	278,929,326
Economic services	47,957	51,219
Other property and services	21,039,107	21,344,530
	468,466,829	439,444,551

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

22. ELECTED MEMBERS REMUNERATION

	2021 Actual \$	2020 Actual \$
Councillor John Daw		
President's annual allowance	53,759	53,759
Meeting attendance fees	27,892	27,892
ICT expenses - mobile phone	350	350
Annual allowance for ICT expenses	3,500	3,500
Travel expenses	3,741	4,387
	<u>89,242</u>	<u>89,888</u>
Councillor Jason Russell		
Deputy President's annual allowance	13,440	9,321
Meeting attendance fees	21,557	21,557
Annual allowance for ICT expenses	3,500	3,500
	<u>38,497</u>	<u>34,378</u>
Councillor Toni Burbidge		
Meeting attendance fees	21,557	21,557
Annual allowance for ICT expenses	3,500	3,500
	<u>25,057</u>	<u>25,057</u>
Councillor Amy Collins		
Meeting attendance fees	21,557	15,067
Child care expenses	1,012	1,088
Annual allowance for ICT expenses	3,500	2,446
Travel expenses	838	0
	<u>26,907</u>	<u>18,601</u>
Councillor Matthew Corica		
Meeting attendance fees	21,557	15,067
Annual allowance for ICT expenses	3,500	2,446
Travel expenses	605	447
	<u>25,662</u>	<u>17,960</u>
Councillor Simon Cuthbert		
Meeting attendance fees	21,557	15,067
Annual allowance for ICT expenses	3,500	2,446
	<u>25,057</u>	<u>17,513</u>
Councillor Kate Driver		
Meeting attendance fees	21,557	21,557
Annual allowance for ICT expenses	3,500	3,500
Travel expenses	1,113	881
	<u>26,170</u>	<u>25,938</u>
Councillor Ian Green		
Meeting attendance fees	21,557	21,557
Annual allowance for ICT expenses	3,500	3,500
Travel expenses	0	1,323
	<u>25,057</u>	<u>26,380</u>
Councillor Doug Jeans		
Meeting attendance fees	21,557	21,557
Annual allowance for ICT expenses	3,500	3,500
	<u>25,057</u>	<u>25,057</u>

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

22. ELECTED MEMBERS REMUNERATION (Continued)

	2021 Actual	2020 Actual	
Councillor Darrell Jones			
Meeting attendance fees	21,557	21,557	
Annual allowance for ICT expenses	3,500	3,500	
Travel expenses	745	1,944	
	25,802	27,001	
Councillor David Lavell			
Meeting attendance fees	21,557	21,557	
Annual allowance for ICT expenses	3,500	3,500	
Travel expenses	475	2,044	
	25,532	27,101	
Councillor James Martin			
Meeting attendance fees	21,557	21,557	
Annual allowance for ICT expenses	3,500	3,500	
	25,057	25,057	
	383,097	387,898	
	2021 Actual	2021 Budget	2020 Actual
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	53,759	53,759	53,759
Deputy President's allowance	13,440	13,440	13,440
Meeting attendance fees	265,019	265,024	265,019
Child care expenses	1,012	1,500	1,088
ICT expenses - mobile phone	350	1,000	350
Annual allowance for ICT expenses	42,000	42,000	42,000
Travel expenses	7,517	12,000	12,242
	383,097	388,723	387,898

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

23. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	1,079,532	1,058,310
Post-employment benefits	94,485	93,006
Other long-term benefits	25,225	24,448
	<u>1,199,242</u>	<u>1,175,764</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

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

23. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

KMP, other than elected members, are entitled to and do utilise the free use of the Shire's Aquatic Centres.

Elected members are provided with food and refreshments before all Council meetings.

The following transactions occurred with related parties:

	2021 Actual \$	2020 Actual \$
Associate entity:		
Purchase of goods and services	3,391,517	3,127,528
Distributions received	0	1,988,516

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

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

24. INVESTMENT IN ASSOCIATES

The Shire of Mundaring has a share in the net assets of the Eastern Metropolitan Regional Council (EMRC) as a member council. The EMRC provides services in waste management, resource recovery, environmental management and regional development.

The accounting share applicable to the Shire of Mundaring as at 30 June 2021 as disclosed in the financial statements of the EMRC is \$19,187,760. This represents the Shire's 10.33% share of the total equity of the EMRC.

	2021	2020
	\$	\$
EMRC Financial Information		
Statement of Comprehensive Income		
Revenue	45,090,716	44,441,898
Expenses	(34,794,345)	(51,693,459)
Net result	10,296,371	(7,251,561)
Other comprehensive income	(4,009,286)	1,189,840
Total comprehensive income	6,287,085	(6,061,721)
Statement of Financial Position		
Current Assets	91,484,741	89,551,063
Non Current Assets	115,414,742	110,359,239
Total assets	206,899,483	199,910,302
Current liabilities	14,439,344	8,026,410
Non Current Liabilities	6,707,161	7,432,011
Total liabilities	21,146,505	15,458,421
Net Assets	185,752,978	184,451,881

The Shire's share in the assets and liabilities based on the audited results of the EMRC is as follows:

	2021	2020
	\$	\$
Current Assets	9,450,116	9,420,848
Non Current Assets	11,922,018	11,609,886
	21,372,134	21,030,734
Current liabilities	1,491,544	844,385
Non Current Liabilities	692,830	781,854
Total liabilities	2,184,374	1,626,239
Net Assets	19,187,760	19,404,495
Net increase/(decrease) in share of the EMRC's net assets	(216,735)	(1,449,614)
Share of EMRC'S profit/(loss) from ordinary activities	296,990	(1,041,469)
Share of EMRC'S other comprehensive income	(513,725)	125,171
Share of EMRC's total comprehensive income	(216,735)	(916,298)
Distributions received from EMRC	0	(533,316)
Net increase/(decrease) in share of EMRC's net assets	(216,735)	(1,449,614)
Carrying amount at 1 July	19,404,495	20,854,109
Share of EMRC's total comprehensive income	(216,735)	(916,298)
Distributions received from EMRC	0	(533,316)
Carrying amount at 30 June	19,187,760	19,404,495

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

24. INVESTMENT IN ASSOCIATES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

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

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

25. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2020/2021 financial year.

26. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2020/2021 financial year.

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

27. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21 Actual Rateable Value	2020/21 Actual Rate Revenue	2020/21 Actual Interim Rates	2020/21 Actual Back Rates	2020/21 Actual Total Revenue	2020/21 Budget Rate Revenue	2020/21 Budget Interim Rate	2020/21 Budget Back Rate	2020/21 Budget Total Revenue	2019/20 Actual Total Revenue
Differential general rate / general rate	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations												
GRV - Residential	0.0890172	11,316	206,850,887	18,413,287	109,978	0	18,523,265	18,413,287	144,737	0	18,558,024	18,752,156
GRV - Commercial	0.0890172	280	24,804,510	2,208,028	12,421	0	2,220,449	2,208,028	0	0	2,208,028	2,075,715
GRV - Light Industrial	0.0890172	288	15,901,728	1,415,527	0	0	1,415,527	1,415,527	0	0	1,415,527	1,377,660
GRV - Rural Residential	0.0890172	3,082	62,910,302	5,600,099	(7,685)	0	5,592,414	5,600,099	0	0	5,600,099	5,572,996
Unimproved valuations												
UV - Rural	0.0060805	243	140,502,000	854,323	19,629	0	873,952	854,322	0	0	854,322	854,359
Sub-Total		15,209	450,969,427	28,491,264	134,343	0	28,625,607	28,491,263	144,737	0	28,636,000	28,632,886
Minimum payment	Minimum \$											
Gross rental valuations												
GRV - Residential	864	449	338,914	387,936	0	0	387,936	387,936	0	0	387,936	391,392
GRV - Commercial	864	3	21,860	2,592	0	0	2,592	2,592	0	0	2,592	2,592
GRV - Light Industrial	864	1	8,148	864	0	0	864	864	0	0	864	864
GRV - Rural Residential	864	70	584,496	60,480	0	0	60,480	60,480	0	0	60,480	63,936
Unimproved valuations												
UV - Mining	1,091	4	50,239	4,364	0	0	4,364	4,364	0	0	4,364	4,364
Sub-Total		527	1,003,657	456,236	0	0	456,236	456,236	0	0	456,236	463,148
Total amount raised from general rate		15,736	451,973,084	28,947,500	134,343	0	29,081,843	28,947,499	144,737	0	29,092,236	29,096,034
							29,081,843				29,092,236	29,096,034

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

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

27. RATING INFORMATION (Continued)

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

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2021 Actual \$	2021 Budget \$	2020 Actual \$
Rates	Write-Off	0.00%	0	6,490	200,000	1,290
Penalty Interest	Write-Off	0.00%	0	175	5,000	342
Hire fees for sporting and community facilities	Waiver	25.00%	0	86,643	74,535	0
				93,308	279,535	1,632
Total discounts/concessions/write-offs				93,308	279,535	1,632

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Hire fees for sporting and community facilities	A discount of 25% was provided to small business, community groups, sporting clubs and Not for Profits for the hire Shire facilities.	Assist and support community groups as part of Council's Covid-19 Community Recovery initiatives.	Council consider support of these community groups necessary for the overall benefit of the community.

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

27. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	31/08/2020	0.00	0.00%	8.00%
Option Two				
First instalment	31/08/2020	0.00	0.00%	8.00%
Second instalment	3/11/2020	0.00	0.00%	8.00%
Third instalment	11/01/2021	0.00	0.00%	8.00%
Fourth instalment	15/03/2021	0.00	0.00%	8.00%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	167,271	105,000	199,822
Charges on instalment plan	0	0	154,003
	167,271	105,000	353,825

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

28. RATE SETTING STATEMENT INFORMATION

		2020/21 (30 June 2021 Carried Forward)	2020/21 Budget (30 June 2021 Carried Forward)	2020/21 (1 July 2020 Brought Forward)	2019/20 (30 June 2020 Carried Forward)
Note		\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities					
	The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
	Adjustments to operating activities				
	Less: Profit on asset disposals				
	Less: Fair value adjustments to financial assets at fair value through profit and loss				
	Less: Share of net profit of associates and joint ventures accounted for using the equity method				
	Movement in pensioner deferred rates (non-current)				
	Movement in employee benefit provisions (non-current)				
	Grants and contributions received accounted for as non-current contract liabilities				
	Add: Loss on disposal of assets				
	Add: Depreciation on non-current assets				
11(a)		(1,628)	(650,000)	(1,200)	(1,200)
		(4,525)	0	0	0
		(296,990)	0	0	0
		(107,402)	0	(115,827)	(115,827)
		(25,244)	0	(59,304)	(59,304)
		0	0	400,000	400,000
11(a)		0	14,178	113,120	113,120
11(b)		7,698,584	8,120,471	7,533,373	7,533,373
	Non cash amounts excluded from operating activities	7,262,795	7,484,649	7,870,162	7,870,162
(b) Surplus/(deficit) after imposition of general rates					
	The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
	Adjustments to net current assets				
	Less: Reserves - cash/financial asset backed				
	Add: Current liabilities not expected to be cleared at end of year				
	- Current portion of borrowings				
	- Current portion of lease liabilities				
4		(29,398,577)	(29,532,470)	(25,203,015)	(25,203,015)
17(a)		700,169	700,169	666,777	666,777
16(a)		66,701	0	206,263	206,263
	Total adjustments to net current assets	(28,631,707)	(28,832,301)	(24,329,975)	(24,329,975)
Net current assets used in the Rate Setting Statement					
	Total current assets	45,147,238	38,623,386	40,698,024	40,698,024
	Less: Total current liabilities	(12,310,595)	(8,245,834)	(9,981,905)	(9,981,905)
	Less: Total adjustments to net current assets	(28,631,707)	(28,832,301)	(24,329,975)	(24,329,975)
	Net current assets used in the Rate Setting Statement	4,204,936	1,545,251	6,386,144	6,386,144

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

29. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2021					
Cash and cash equivalents	0.05%	10,251,439	0	10,245,839	5,600
Financial assets at amortised cost - term deposits	0.47%	1,830,605	1,830,605	0	0
2020					
Cash and cash equivalents	0.25%	9,256,541	0	9,250,941	5,600
Financial assets at amortised cost	1.16%	3,384,852	3,384,852	0	0

Sensitivity

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

	2021 \$	2020 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	414,806	378,444

* Holding all other variables constant

Borrowings

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

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for rates receivable. No expected credit loss was forecast on 30 June 2020 or 30 June 2021 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss	0%	0%	0%	0%	
Gross carrying amount	2,028,814	105,010	106,752	207,787	2,448,363
Loss allowance	0	0	0	0	0
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	1,515,848	102,160	100,422	188,045	1,906,475
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables. No expected credit loss was forecast on 30 June 2021 or 30 June 2020 for trades receivables as historical data indicates that any expected credit loss would be immaterial.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss	0%	0%	0%	0%	
Gross carrying amount	522,001	20,667	35,446	86,551	664,665
Loss allowance	0	0	0	0	0
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	383,135	13,237	11,100	100,016	507,488
Loss allowance	0	0	0	0	0

| 52

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2021					
Payables	6,682,818	0	0	6,682,818	6,682,818
Borrowings	1,103,182	4,412,729	6,858,773	12,374,684	9,834,692
Contract liabilities	1,263,452	440,000	0	1,703,452	1,703,452
Lease liabilities	66,701	16,050	0	82,751	82,751
	9,116,153	4,868,779	6,858,773	20,843,705	18,303,713
2020					
Payables	5,412,594	0	0	5,412,594	5,412,594
Borrowings	1,103,182	4,412,729	7,961,955	13,477,866	10,501,469
Contract liabilities	164,440	440,000	0	604,440	604,440
Lease liabilities	211,170	84,115	0	295,285	289,015
	6,891,386	4,936,844	7,961,955	19,790,185	16,807,518

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

30. TRUST FUNDS

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

	1 July 2020	Amounts Received	Amounts Paid	Transferred to Restricted Cash	Transferred to Reserves	30 June 2021
	\$	\$	\$			\$
Public Open Space Contributions	3,368,354	68,552	(62,245)	(563,735)	(62,447)	2,748,479
	3,368,354	68,552	(62,245)	(563,735)	(62,447)	2,748,479

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

31. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

32. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of resources.	Includes the activities of members of council and the administrative support required for the Council and Shire services.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer community.	Supervision and enforcement of legislation and various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH To provide an operational framework for environmental and community health.	Prevention of human illnesses, including inspection of premises/food control.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Operating and maintaining child minding centres and playgroup centres. Provision of services and programs for the youth and seniors of the Shire.
COMMUNITY AMENITIES To provide essential services required by the community.	Rubbish collection services, operation of waste disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social well being of the community.	Maintenance of public halls, civic centres, aquatic centres, lake, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of libraries and other cultural facilities.
TRANSPORT To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, pathways, depots, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
ECONOMIC SERVICES To help promote the shire and its economic wellbeing.	Tourism and area promotion. Provision of standpipes. Approval of building construction and implementation of statutory building controls.
OTHER PROPERTY AND SERVICES To monitor and control the Shire's overheads operating accounts.	Public works overheads, plant and equipment operations and activities not reported in the above programs.

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

33. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	1.70	1.83	2.35
Asset consumption ratio	0.73	0.72	0.73
Asset renewal funding ratio	1.13	1.13	1.11
Asset sustainability ratio	0.82	0.76	0.56
Debt service cover ratio	5.59	7.59	8.39
Operating surplus ratio	(0.02)	0.02	0.01
Own source revenue coverage ratio	0.84	0.87	0.85

The above ratios are calculated as follows:

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

34. SUBSEQUENT EVENTS

There have been no material events after the end of the reporting period that would require an adjustment or disclosure in the financial report.

35. CONTINGENT LIABILITIES

As at the end of the reporting period the Shire had no contingent liabilities that could result in a future financial obligation.



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Shire of Mundaring

To the Councillors of the Shire of Mundaring

Report on the audit of the annual financial report

Opinion

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

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

In my opinion the financial report of the Shire of Mundaring:

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

Basis for opinion

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

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

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

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

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

Auditor's responsibility for the audit of the financial report

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

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

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

Report on other legal and regulatory requirements

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

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

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

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

Matters relating to the electronic publication of the audited financial report

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

Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
10 December 2021

Shire of Mundaring
Annual Financial Report 2020/21

Variance Report for 2020/21

Statement of Comprehensive Income	2021 BUDGET	2021 ACTUAL	2020 ACTUAL	Notes	Difference between 2021 Actual and 2021 Budget	Notes	Difference between 2021 Actual and 2020 Actual
	\$	\$	\$		\$		\$
Revenues from Ordinary Activities	46,677,089	48,508,786	50,148,914	1	1,831,697	8	(1,640,128)
Expenses from Ordinary Activities	(51,860,937)	(49,606,443)	(48,356,431)	2	2,254,494	9	(1,250,012)
Sub Total	(5,183,848)	(1,097,657)	1,792,483		4,086,191		(2,890,140)
Grants/Contributions for the development of Assets	5,938,534	3,566,137	1,912,854	3	(2,372,397)		1,653,283
Profit (Loss) on Disposal of Assets	635,822	1,628	(111,920)	4	(634,194)	10	113,548
Change in Equity - Joint Venture	-	296,990	(1,041,469)	5	296,990	11	1,338,459
Fair Value adjustments to financial assets at fair value through profit and loss	-	4,525	2,017		4,525		2,508
Changes on revaluation of non-current assets	-	25,230,236	7,901,385	6	25,230,236	12	17,328,851
Share of comprehensive income of associate	-	(513,725)	125,171	7	(513,725)	13	(638,896)
TOTAL COMPREHENSIVE INCOME	1,390,508	27,488,134	10,455,350		26,606,826		17,544,001

Shire of Mundaring
Annual Financial Report 2020/21

Variance Report for 2020/21

Difference between 2021 Actual and 2021 Budget				
Note	Difference Amount \$	Detail	Variance Amount \$	Explanation of variances
<u>Revenues from Ordinary Activities</u>				
1	1,831,697	WA Grants Commission - General Purpose Grant	673,869	Impact of prepayment of 50% of the Shire's grants allocation for 2021/22 in June 2021.
		WA Grants Commission - Local Roads	561,187	Impact of prepayment of 50% of the Shire's grants allocation for 2021/22 in June 2021.
		DFES Grant funding for Bushfire mitigation activities	277,833	Grant funding for bushfire mitigation activities that wasn't anticipated in the budget.
		Fees and Charges revenue from Planning and Building Applications	210,475	Actual revenue greater than budgeted revenue of \$290,000 due to higher than anticipated development activity.
		Fees and Charges revenue from Midvale Childcare Centre	149,717	Actual revenue greater than budgeted revenue of \$1,750,000.
<u>Expenses from Ordinary Activities</u>				
2	2,254,494	Depreciation - Roads	812,778	Annual depreciation for roads in 20/21 was over estimated in the budget. This is due to the adjustment to depreciation as a result of revised useful lives being applied to road components.
		Covid-19 Rates Relief - Write Offs	200,000	A provision of \$200,000 towards potential rates relief was included in the budget for commercial and industrial businesses that can demonstrate they are experiencing financial hardship as result of COVID-19. No businesses applied for such relief.
		Maintenance and operating costs of Shire Administration Building	136,304	Primarily due to planned maintenance of air-conditioning being postponed until 2021/22 - impact \$134,743.
		Maintenance and operating costs of Mundaring Arena	116,001	Primarily due to savings in cleaning and electricity costs. The budget for cleaning costs was increased significantly due to Covid-19, however the anticipated additional cleaning was not required.
		Maintenance of Gravel Roads	108,069	Budgeted maintenance costs of \$236,000 compared to an actual of \$127,931.
		Maintenance and operating costs of Boya Community Hub	98,888	Primarily due to savings in cleaning costs. The budget for cleaning costs was increased significantly due to Covid-19, however the anticipated additional cleaning was not required.
		Maintenance of Sealed Roads	75,119	Budgeted maintenance costs of \$335,000 compared to an actual of \$259,881.
		Landscaping Lake Leschenaultia	73,893	Budgeted costs of \$277,422 compared to an actual of \$203,529.
		Green Waste Recycling	70,947	Due to reduced volumes and rates. Actual of \$153,345 vs Budget of \$224,292.
		Maintenance of Footpaths	63,277	Budgeted maintenance costs of \$266,100 compared to an actual of \$202,823.
		Maintenance of Road Kerbing	63,123	Budgeted maintenance costs of \$91,545 compared to an actual of \$28,422.
		Plant operation and maintenance costs	62,368	Savings in plant operation and maintenance costs in. Actual of \$1,282,432 vs Budget of \$1,344,800.
		Mathieson Road Waste Transfer Station operating costs	59,108	Budgeted operating costs of \$728,586 compared to an actual of \$669,478.
		Building Maintenance Costs Mt. Helena Aquatic Centre	48,768	Primarily due to delays in plumbing works postponed until 2021/22.
		Maintenance and operating costs of Brown Park Community Centre	47,677	Primarily due to savings in cleaning costs. The budget for cleaning costs was increased significantly due to Covid-19, however the anticipated additional cleaning was not required.
		Maintenance and operating costs of Swan View Youth Centre	45,371	Primarily due to savings in cleaning costs. The budget for cleaning costs was increased significantly due to Covid-19, however the anticipated additional cleaning was not required.
		Maintenance and operating costs of Hub of the Hills	39,978	Primarily due to savings in cleaning costs. The budget for cleaning costs was increased significantly due to Covid-19, however the anticipated additional cleaning was not required.
<u>Grants/Contributions for the development of Assets</u>				
3	(2,372,397)	Delays in Capital funding for projects and acquisitions	800,000	Funding for the replacements of Bushfire Brigade Vehicles delayed until 2022/23.
		Delays in Capital funding for projects and acquisitions	600,000	Funding for Scott Street Bridge Works delayed until 2022/23.
		Delays in Capital funding for projects and acquisitions	420,000	Funding for Blackspot Projects delayed until 2021/22.
<u>Profit (Loss) on Disposal of Assets</u>				
4	(634,194)	Profit (Loss) on Disposal of Assets	(634,194)	Budgeted land sales of Balfour Rd and Scott St did not occur.
<u>Change in Equity - Joint Venture</u>				
5	296,990	Change in Equity - Joint Venture	296,990	Non-Cash item - Increase in equity of EMRC investment accounted for. Can't reliably budget for this change.
<u>Changes on revaluation of non-current assets</u>				
6	25,230,236	Changes on revaluation of Infrastructure Assets	25,230,236	Non-Cash item. Increase in fair value of all Infrastructure assets due to assessment of fair value as at 30 June 2021. Can't reliably budget for this change.
<u>Share of comprehensive income of associate</u>				
7	(513,725)	Change in Revaluation Reserves - EMRC		Non-Cash item - Decrease in revaluation reserves of EMRC accounted for. Can't reliably budget for this change.

Difference between 2021 Actual and 2020 Actual				
Note	Difference Amount	Detail	Variance Amount	Explanation of variances
<u>Revenues from Ordinary Activities</u>				
8	(1,640,128)	EMRC Funding for FOGO	(1,455,200)	Funds received from EMRC for roll out of FOGO in 19/20.
		Interest earned on Investments	(415,173)	Reflects decrease in term deposit interest rates from 19/20 to 20/21.
<u>Expenses from Ordinary Activities</u>				
9	(1,250,012)	Operating costs for Coppin Road	411,081	\$1,208,347 in 20/21 compared \$795,266 in 19/20. Due to higher volumes of waste and increases in disposal rates.
		Waste Transfer Station	248,536	As per adopted 2020/21 budget.
		Covid Community Recovery Grant Funding Programs	198,059	Clean-up and recovery costs associated with the fire. Costs recovered from State Government.
		Expenses associated with Wooroloo Bushfire	195,511	Costs associated with grant funding received from DFES.
		Expenses associated with Bushfire mitigation activities	171,309	Cost of grant funded landscaping project at Lake Leschenaultia
		Landscaping Lake Leschenaultia		
<u>Profit (Loss) on Disposal of Assets</u>				
10	113,548	Profit (Loss) on Disposal of Assets	113,458	Only one item of plant replaced during 2020/21
<u>Change in Equity - Joint Venture</u>				
11	1,338,459	Change in Equity - Joint Venture	1,338,459	Non-Cash Item - The difference between the Shire's share of the decrease in the EMRC's equity in 19/20 and the increase in the EMRC's equity in 20/21.
<u>Changes on revaluation of non-current assets</u>				
12	17,328,851	Changes on revaluation of Infrastructure Assets	17,328,851	Difference between the increase in fair value of land and building assets in 19/20 and the increase in fair value of infrastructure in 20/21.
<u>Share of comprehensive income of associate</u>				
13	(638,896)	Change in Revaluation Reserves - EMRC	(638,896)	Non-Cash Item - The difference between the Shire's share of the increase in the EMRC's revaluation reserves in 19/20 and the decrease in the EMRC's revaluation reserves in 20/21.

8.2 Internal Audit Report - Infringements

File Code	GV.AUD 4
Author	Stan Kocian, Manager Finance and Governance
Senior Employee	Garry Bird, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	1. Internal Audit Report - Infringements ↓

SUMMARY

In November 2020 Paxon Group were engaged by the Shire to undertake an independent audit to test, assess and evaluate whether Shire of Mundaring has adequate controls and strategies in place to manage its infringements and Court imposed fines, including referral processes to Fines Enforcement Registry.

The findings of the Paxon audit report, issued in October 2021, together with agreed management actions (**Attachment 1**), are presented to the Audit and Risk Committee.

The Audit and Risk Committee will be provided with quarterly updates on the progress of the agreed management actions.

BACKGROUND

The Shire of Mundaring issues infringements and/or fines for –

1. Bushfire offences;
2. Dog offences;
3. Parking offences (occasionally);
4. Health offences;
5. Pool offences; and
6. Planning offences.

The issue, monitoring and waiving of infringements is decentralised and is the responsibility of each service area. Processes vary between service areas. The Shire's Finance Service monitors and processes all receipts relating to infringements.

This internal audit covered the period from 1 July 2019 to 30 November 2020, with a broader date range applied where required.

The objective of the "Infringements Audit" was to test, assess and evaluate whether Shire of Mundaring has adequate controls and strategies in place to manage its infringements and Court imposed fines (issue and receipt, including referral to Fines Enforcement Registry).

The specific objectives of this audit were:

1. To review and assess the controls over existing processes for the issuing, reviewing, monitoring and waiving of infringements and Court imposed fines;

2. To perform testing on a sample basis to ensure adequacy and effectiveness of key processes;
3. To assess whether policies, procedures and relevant legislation are complied with and adhered to; and
4. To assess the effectiveness of the Shire's processes for referrals to the Fines Enforcement Registry.

Governance objectives, where relevant, were considered and an assessment was undertaken of whether governance processes are in place, including:

1. Defined roles and responsibilities;
2. Segregation of duties;
3. Appropriate levels of delegated authority;
4. Transparency and consistency of decision making; and
5. Records management and documented audit trails.

STATUTORY / LEGAL IMPLICATIONS

The Shire has the power issue infringements and fines under a multitude of Acts, Regulations and Local Laws.

POLICY IMPLICATIONS

Compliance Policy PS-10 was adopted by Council in December 2018. This policy sets out the principles that guide the Shire's approach to compliance and enforcement of legislation.

FINANCIAL IMPLICATIONS

The initial timeframes assigned to undertake the agreed management actions take into account that existing staff resources will be utilised to implement and/or investigate these actions. The 2021/22 budget does not include any allocation of additional resources towards implementing recommendations resulting from internal audits. There is also no provision within the 2021/22 budget, or the Long Term Financial Plan, to fund any enhancements to existing software or purchase new software modules.

STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.3 – Risks are well managed

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: The Shire does not have effective procedures, processes and systems in place to manage the issue and tracking of infringements.
--

Likelihood	Consequence	Rating
-------------------	--------------------	---------------

Possible	Moderate	Moderate
Action / Strategy		
The agreed management actions are implemented and progress status reports are presented to the Audit and Risk Committee.		

EXTERNAL CONSULTATION

Paxon Group was engaged to undertake the independent internal Infringements audit following a public request for quotation process.

COMMENT

The findings of the Infringements audit, its recommendations and agreed management actions are summarised below. Further details can be found in the report (**Attachment 1**).

Findings	Recommendations	Agreed Management Actions
1. Operational Procedures for Infringements		
1. The Shire's Rangers Manual focuses on the different types of infringements of the <i>Dog Act 1976</i> and not specifically the operational procedures to follow once an infringement has occurred. (Risk : High)	Paxon appreciates the Shire enforces a diverse suite of legislation which all have different stipulations regarding infringements. Consequently, unique criteria may exist across different legislative instruments as to the identification of infringements. However, the management of infringements once issued should be independent from such legislative instruments. Consequently, a standard operational process should be followed for identified infringements irrespective of the legislation from which it originated. As a result, it is recommended the Shire compiles, approves and implements an exclusive procedure manual for infringements which addresses this operational process (Procedure Manual).	An Infringements Procedures Manual will be created and maintained focused on the three stages of the process: <ul style="list-style-type: none"> • Issue of infringements, including authorised employees; • Maintenance and management of infringements; and • Referral to FER. This Manual will be available to all sections of Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools). Due date: 31 December 2022. To be implemented by: Director Statutory Services supported by Coordinator Community Safety and Emergency Management. In relation to Paxon's comments under finding number 5, the Shire does not agree with the statement
2. The Rangers Manual does not address bush fire management and parking management. The Shire does not have dedicated procedure manuals which address the operational procedures to follow once a bush fire or parking infringement has occurred. (Risk : High)		
3. The Shire refers to the organisational practice entitled: "Enforcement and Prosecution" (known as 'OP-15') to manage infringements issued regarding contraventions of health legislation. OP -15 lists infringements as an enforcement option. However, it provides no		

details as to the operational activities attached to infringements of legislation which the Shire is responsible to enforce. (Risk : High)		<p><i>“section 6 of the Building Act 2011 read together with section 69 of the Building Regulation 2012 make it compulsory for the Shire to issue infringements for prescribed offences listed in Schedule 6 to the Building Regulations 2012.”</i></p> <p>Regulation 69 (1) of the <i>Building Regulations 2012</i> states <i>“The offences specified in Schedule 6 are offences for which an infringement notice <u>may</u> be issued under the Criminal Procedure Act 2004 Part 2.”</i></p> <p>The use of the word “may” indicates that discretion can be used as whether or not an infringement is issued. The Shire’s preferred approach in the first instance is seek an outcome informally rather than issue and infringement or undertake legal proceedings.</p>
4. The Shire refers to the Building Commission (WA)’s “Private Swimming and Spa Pool – Inspector Guidelines” (Inspector Guidelines). The Inspector Guidelines includes a section entitled: “Infringement notices” which focuses exclusively on the provisions of the <i>Building Regulations 2012</i> . (Risk : High)		
<p>5. Paxon was informed: “The Shire’s Planning Service does not issue ‘infringements’ under the Planning and Development Act 2005. Where a compliance matter cannot be resolved outside of formal channels, Planning Service will seek prosecution proceedings. The Shires Compliance Policy (PS-10) and Enforcement and Prosecution Organisational Practice (OP-15) are used in determining whether or not to commence prosecution/s.”</p> <p>Paxon believes section 6 of the <i>Building Act 2011</i> read together with section 69 of the <i>Building Regulation 2012</i> make it compulsory for the Shire to issue infringements for prescribed offences listed in Schedule 6 to the Building Regulations 2012.</p>		
2. Compliance Policy		
1. The Shire has a policy entitled: “ <i>Compliance</i> ”, dated	The Shire’s “ <i>Compliance</i> ” policy should include the	An update to the legislation section of the policy

<p>11/12/2018. The purpose of this policy is stated as being:</p> <p><i>“To set out the principles that guide the Shire’s approach to compliance and enforcement of legislation.”</i></p> <p>The issue of infringements is an enforcement instrument specifically provided for in legislation administered by the Shire. Paxon notes the Shire issued a total of 91 infringements during the 2019-2020 financial year in terms of such legislation.</p> <p>Therefore, it is considered appropriate the Shire’s “<i>Compliance</i>” policy appropriately refers to relevant legislation. However, the Shire’s “<i>Compliance</i>” policy does not include within the “<i>Relevant Legislation</i>” section the:</p> <ul style="list-style-type: none"> • Fines, Penalties and Infringement Notices Enforcement Act 1994; and • Fines, Penalties and Infringement Notices Enforcement Regulations 1994. (Risk : Low) 	<p>afore-mentioned legislation in the “<i>Relevant Legislation</i>” section.</p>	<p>document will be actioned.</p> <p>Due date: 31 December 2022.</p> <p>To be implemented by: Director Statutory Services</p>
<p>3. Infringements Registers</p>		
<p>1. Community Safety and Emergency Management (CSEM) maintains a register in which it separately records infringement notices issued for contraventions of the:</p> <ul style="list-style-type: none"> o <i>Dog Act 1976</i>; and o <i>Bush Fires Act 1954</i>. <p>(CSEM Register). (Risk : Low)</p>	<p>The Shire should implement and maintain a centralised register for all infringement notices issued for contraventions of legislation the Shire is responsible to enforce (Infringements Register),</p>	<p>1. A Compliance Register, which will show a more comprehensive picture of the Shire’s compliance and enforcement actions, compared to an Infringements Register will be implemented across Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).</p> <p>This will take the form of a centralised spreadsheet with tabs for each service, which will be maintained by a responsible employee from</p>
<p>2. CSEM is also responsible for infringements issued in terms of the Shire’s “<i>Parking Local Law 2009</i>”. However, such infringements are infrequent, and no specific</p>		

record therefor was included in the CSEM register examined. (Risk : Low)		each service. It is proposed that this spreadsheet is used as an interim measure pending implementation of point 2 below; and
3. The dog infringement record is very basic and does not record details of payments received, final demands issued or registration of unpaid infringements with the Fines Enforcement Registry (FER). (Risk : Low)		2. Improvements to the infringement's module in Authority (the Shire's accounting software) will be investigated.
4. The bush fire infringement record is more comprehensive and includes details of the: <ul style="list-style-type: none"> o Issue of final demands for payment; and o Registration of unpaid infringements with the FER. However, it still does not record details of payments received. Consequently, it is not possible to use this record to determine further action required to obtain payment for infringements issued. Recording details of payments received will enable management to determine whether: <ul style="list-style-type: none"> o Final demands for payment should be issued to offenders; and o Unpaid infringements should be registered with FER. (Risk : Low) 		Due date: 31 December 2022. To be implemented by: Director Statutory Services.
5. Based on information provided by responsible employees, no registers are maintained in respect of infringement notices issued for contraventions of the: <ul style="list-style-type: none"> o Health legislation; and o <i>Building Act 2011</i> and the <i>Building Regulations 2012</i> (swimming pools). However, based on information provided the scale of infringement notices issued across these areas is 		

limited. Consequently, the maintenance of registers may appear not to be justified. However, the lack of registers makes management control challenging. (Risk : Low)		
6. Paxon was informed: o The Shire maintains a “ <i>centralised register</i> ” in Civica Authority (financial software); and o This centralised register’s reporting functionality can be improved. (Risk : Low)		
7. Paxon examined a sample of infringements and found detailed information was recorded independently for each individual infringement in Authority (detailed information was not available in a summary – for example in an Excel spreadsheet). Paxon examined a trial balance disclosing outstanding amounts across infringements issued in terms of different legislative instruments. This trial balance provides very limited information regarding individual infringements issued. (Risk : Low)		
4. Infringements Reports		
1. Reporting within CSEM for infringement notices issued regarding contraventions of relevant legislation is verbal. (Risk : High)	1. The Shire should implement and maintain an Infringements Register. Maintenance of this register will facilitate the introduction of regular reporting regarding infringements.	Statutory Services staff will liaise with IT and explore whether improvements can be made to the existing reporting facility in Authority. Due date: 31 December 2022. To be implemented by: IT and Director Statutory Services supported by Coordinator Community Safety and Emergency
2. No internal reporting is done for infringement notices issued regarding contraventions of health legislation. (Risk : High)	2. The Shire should centralise formal reporting for infringements notices issued regarding contraventions of legislation the Shire is responsible to	
3. No specific reporting is done for infringements		

<p>notices issued regarding contravention of the <i>Building Act 2011</i> and the <i>Building Regulations 2012</i> (swimming pools). (Risk : High)</p>	<p>enforce. This reporting should include:</p> <ul style="list-style-type: none"> o Infringements notices issued and paid; o Final demand notices issued for unpaid fines; o Unpaid fines referred to the FER; and o Court imposed fines referred to the FER by lawyers. <p>3. Reports should be provided to the Director Statutory Services and the CEO.</p>	<p>Management.</p>
<p>4. Paxton was informed: “The Shire’s Planning Service does not issue ‘infringements’ under the <i>Planning and Development Act 2005</i>. Where a compliance matter cannot be resolved outside of formal channels, Planning Service will seek prosecution proceedings. The Shires Compliance Policy (PS-10) and Enforcement and Prosecution Organisational Practice (OP-15) are used in determining whether or not to commence prosecution/s.” (Risk : High)</p>		
<p>5. Sampled Infringements</p>		
<p>1. Paxton found two sampled Notices were not issued within 28 days after the alleged offence, as stipulated in section 9.16(1) of the <i>Local Government Act 1995</i>:</p> <ul style="list-style-type: none"> o Notice 151421 – 29 days later; and o Notice 151475 – 33 days later. (Risk : Medium) 	<p>1. The Shire should issue infringement notices within 28 days after the alleged offence, as stipulated in section 9.16(1) of the <i>Local Government Act 1995</i>;</p> <p>2. The Shire should implement and maintain an Infringements Register; and</p> <p>3. The Shire should produce an age analysis of outstanding infringements on a monthly basis. This age analysis should be used together with the Infringements Register to monitor and assess the collection of issued infringements.</p>	<p>The timeframe for issuing infringement notices depends on the legislation under which the infringement notice is issued. Few if any notices are issued under the <i>Local Government Act 1995</i>. Most are issued under the <i>Dog Act 1976</i>, <i>Bush Fires Act 1954</i>, <i>Building Act 2011</i>, <i>Planning and Development Act 2005</i> etc. The various timeframes will form part of the Register that will be implemented Age analysis reporting will be considered when exploring improvements to Authority.</p> <p>Due date: as per previous Agreed Management Actions.</p> <p>To be implemented by: Director Statutory Services.</p>
<p>2. Paxton found three sampled Notices issued for contraventions of the <i>Dog Act 1976</i> were issued by Community Safety Rangers and not by the Director Statutory Services. The Director Statutory Services was appointed as an “<i>authorised person</i>” in terms of section 9.10(2) of the <i>Local Government Act 1995</i> to administer the functions and powers of the</p>		

<p>Shire of Mundaring's "Dogs Local Law 2017 (<i>Instrument of Appointment</i>", signed by the CEO on 18/12/2018). The three sampled Notices are:</p> <ul style="list-style-type: none"> o Notice 1515475; o Notice 151488; and o Notice 151508. (Risk : Medium) 		<p>Paxon's comments under finding number 2 are incorrect. Infringements are issued under the <i>Shire's Dog's Local Law 2017</i>. All Rangers have been appointed as an authorised person for the purposes of the Local Law. The letters of authorisation clearly list "<i>the Shire of Mundaring Dogs Local Law – all functions to be exercised by an authorised person.</i>" Under the Local Law an authorised person is able to issue any infringements prescribed under the Local Law.</p>
<p>3. Paxon found two thirds of the infringement notices issued were not paid within 28 days. Details are as follows:</p> <ul style="list-style-type: none"> o Notice 151339 - infringement amount plus FER costs were paid off over approximately 2 years and 5 months; o Notice 151421- infringement amount was paid approximately 1 year and ten months after the date of the infringement notice. A balance of \$46.50 FER costs is still outstanding; o Notice 151475 - infringement amount plus FER costs were paid approximately 9 months after the date of the infringement notice; o Notice 151508 - infringement amount has been outstanding for approximately 9 months; o Notice 151269 - infringement amount was paid approximately 5 months after the date of the infringement notice. A balance of \$292 of FER costs is still outstanding; and o Notice 151279 - infringement amount plus FER costs were paid approximately 8 months after the date of the infringement notice. (Risk : 		

Medium)		
<p>4. The Shire produces a “Trial Balance by Infringement Type” (Trial Balance) on a monthly basis. However, the Trial Balance only discloses limited information regarding individual infringements which includes:</p> <ul style="list-style-type: none"> o Original penalty amount; o Additional costs levied; o Total costs outstanding; o Penalty amounts outstanding; and o Total amount outstanding. (Risk : Medium) 		
<p>The Trial Balance does not:</p> <ul style="list-style-type: none"> o Record the date the infringement notice was issued; and o Provide an age analysis of the total amount outstanding. (Risk : Medium) 		

At 4:45 pm, Cr Martin left the meeting.

At 4:46 pm, Cr Martin returned to the meeting.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION RECOMMENDATION		ARC3.01.22	
Moved by	Cr McNeil	Seconded by	Cr Martin

That the Committee:

1. Receives the Paxon Infringements Report 2021 (**Attachment 1**);
2. Notes management comments, actions and associated timeframes relating to each of the findings and recommendations of the audit report; and
3. Notes that reports on the progress towards the agreed management actions will be presented to the committee at the first quarterly update post February 2022

CARRIED 8/0

For: Cr Daw, Mr Wilkinson, Cr Cuthbert, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Beale

Against: Nil

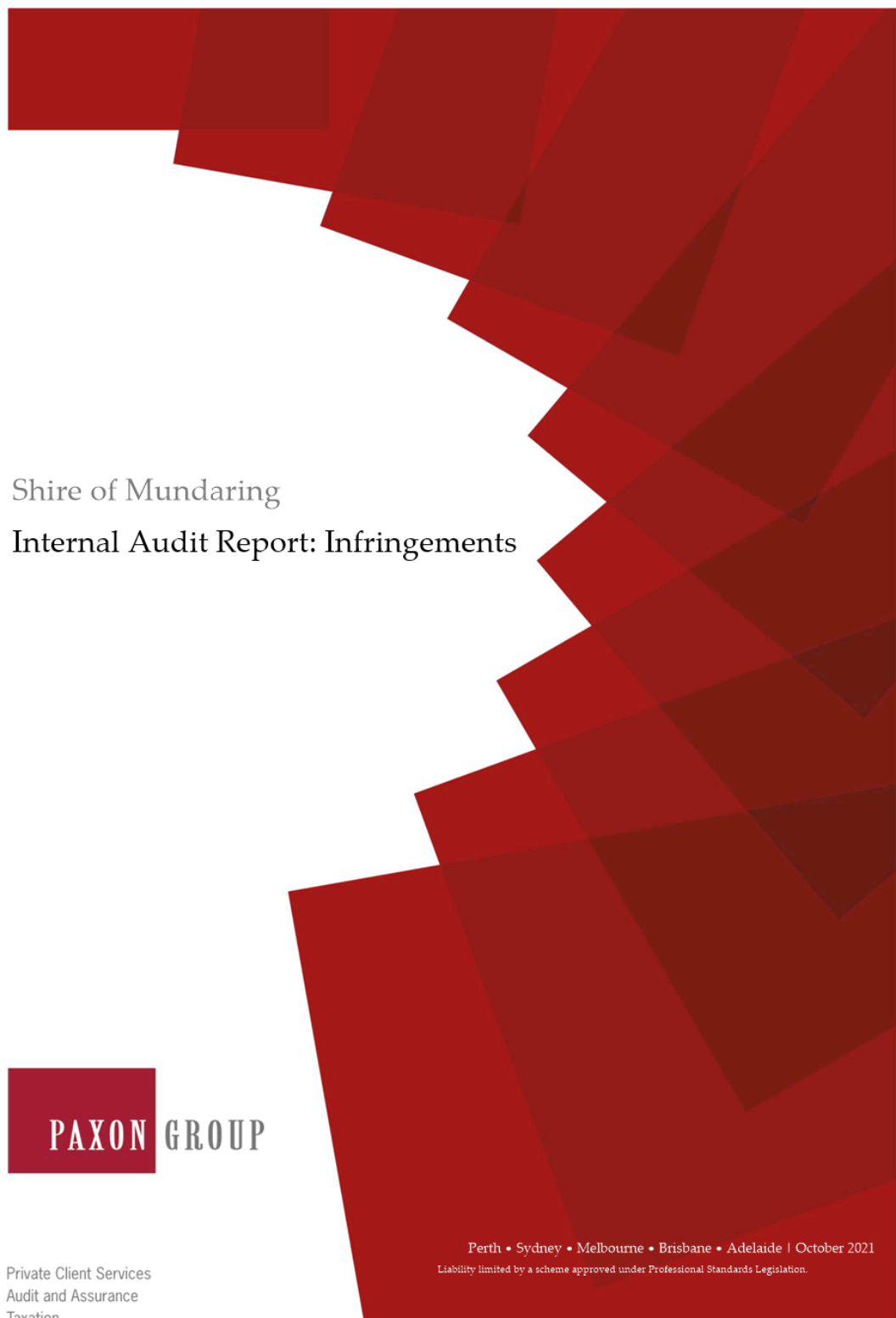


Table of Contents

Executive Summary	3
1 Introduction	4
1.1 Background	4
1.2 Internal Audit Objective	4
2 Scope	5
3 Methodology	6
4 Inherent Limitations	7
5 Detailed Audit Findings	8
5.1 Operational Procedures for Infringements	9
5.2 Compliance Policy	11
5.3 Infringements Registers	12
5.4 Infringements Reports	14
5.5 Sampled Infringements	15
Appendix A – Risk Rating Schedule	17

Executive Summary

Paxon completed an internal audit of infringements for the Shire of Mundaring (Shire).

The objective of the internal audit of infringements was to test, assess and evaluate whether the Shire has adequate controls and strategies in place to manage its infringements and Court imposed fines (issue and receipt, including referral to Fines Enforcement Registry).

Weaknesses

As detailed within this report Paxon identified the following weaknesses:

- Shire employees are not provided with adequate guidance regarding operational procedures for issued infringements of several legislative instruments;
- The Shire's "Compliance" policy does not provide a holistic perspective of the relevant legislation for infringements;
- Registers which record details of the different types of infringements issued are either incomplete or non-existent and consequently obstructs management control;
- No formal reporting regarding infringements takes place; and
- The late issue of the sampled infringement notices may suggest those notices are not enforceable.

As per Appendix A of this report, Paxon assesses the overall performance of Infringements as:

Rating	Excellent	Very Good	Satisfactory	Needing Improvement	Not Satisfactory
				☆☆	

1 Introduction

1.1 Background

The Fines, Penalties and Infringement Notices Enforcement Amendment Act 2020 (WA) (FPINE Amendment Act) introduces and amends actions to enforce the outstanding payment of fines and infringements. All provisions of the FPINE Amendment Act were in effect from 29 September 2020.

Several sets of regulations, issued in terms of WA Acts, were amended as a result of the FPINE Amendment Act, which includes:

- Health Regulations Amendment (Infringement Notices) Regulations 2020 (cover regulations issued in terms of several Acts);
- Environment Regulations Amendment (Infringement Notices) Regulations 2020 (covers regulations issued in terms of several Acts);
- Local Government Regulations Amendment (Infringement Notices) Regulations 2020 (cover regulations issued in terms of Acts including the Dog Act 1976 and the Cat Act 2011); and
- Transport Regulations Amendment (Infringement Notices) Regulations 2020 (cover regulations issued in terms of several Acts).

The Shire appointed Paxon to test, assess and evaluate whether the Shire has adequate controls and strategies in place to manage its infringements and Court imposed fines (issue and receipt, including referral to Fines Enforcement Registry).

1.2 Internal Audit Objective

The overall objective for the Infringements internal audit was to provide assurance effective and efficient controls are in place for Infringements and are being complied with.

2 Scope

The following process was covered in the internal audit:

Process	Key Risks
Infringements	<ul style="list-style-type: none">• Controls over existing processes for the issuing, reviewing, monitoring and waiving of infringements and Court imposed fines are inadequate;• Policies, procedures and relevant legislation are not complied with and adhered to;• Shire's processes for referrals to the Fines Enforcement Registry are ineffective; and• Governance processes for infringements are inadequate.

The internal audit covered the period from 1 July 2019 to 30 November 2020.

3 Methodology

Our methodology for the internal audit comprised:

- Conducting an initial meeting with management to obtain an understanding of processes and potential issues;
- Developing overview documentation of the processes including key controls by discussion with staff and review of the processes;
- Evaluating the adequacy of the controls to cover the identified risks and testing the compliance with the key controls;
- Researching the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes including compliance with key controls;
- Developing appropriate recommendations for improvement for discussion with management;
- Drafting a report of findings and recommendations and obtaining formal responses from management; and
- Finalising the report and issuing it to the Director Corporate Services for distribution to the Audit Committee and relevant management.

4 Inherent Limitations

Due to the inherent limitations in any internal control structure, it is possible errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that have been reviewed operate, has not been reviewed in its entirety and therefore no opinion is expressed as to the effectiveness of the greater internal control structure.

It should also be noted our internal audit was not designed to detect all weaknesses in control procedures as it was not performed continuously throughout the period subject to review.

The internal audit conclusion and any opinion expressed in this report have been formed on the above basis.

5 Detailed Audit Findings

Each finding detailed in this Section is rated based on the following scale:

Rating	Definition
High	Major contravention of policies, procedures or laws, unacceptable internal controls, high risk for fraud, waste or abuse, major opportunity to improve effectiveness and efficiency, major risk identified. Immediate corrective action is required. A short-term fix may be needed prior to it being resolved properly.
Medium	Significant contravention of policies, procedures or laws, poor internal controls, significant opportunity to improve effectiveness and efficiency, significant risk identified. Corrective action is required. Need to be resolved as soon as resources can be made available, but within six months.
Low	Minor contravention of policies and procedures, weak internal controls, opportunity to improve effectiveness and efficiency, moderate risk identified. Corrective action is required. Need to be resolved within twelve months.

5.1 Operational Procedures for Infringements

5.1.1 Findings

- The Shire's Rangers Manual focuses on the different types of infringements of the Dog Act 1976 and not specifically the operational procedures to follow once an infringement has occurred;
- The Rangers Manual does not address bush fire management and parking management. The Shire does not have dedicated procedure manuals which address the operational procedures to follow once a bush fire or parking infringement has occurred;
- The Shire refers to the organisational practice entitled: "Enforcement and Prosecution" (known as 'OP-15') to manage infringements issued regarding contraventions of health legislation. OP -15 lists infringements as an enforcement option. However, it provides no details as to the operational activities attached to infringements of legislation which the Shire is responsible to enforce;
- The Shire refers to the Building Commission (WA)'s "Private Swimming and Spa Pool – Inspector Guidelines" (Inspector Guidelines). The Inspector Guidelines includes a section entitled: "Infringement notices" which focuses exclusively on the provisions of the Building Regulations 2012; and
- Paxon was informed:
"The Shire's Planning Service does not issue 'infringements' under the Planning and Development Act 2005. Where a compliance matter cannot be resolved outside of formal channels, Planning Service will seek prosecution proceedings. The Shires Compliance Policy (PS-10) and Enforcement and Prosecution Organisational Practice (OP-15) are used in determining whether or not to commence prosecution/s."
 Paxon believes section 6 of the Building Act 2011 read together with section 69 of the Building Regulation 2012 make it compulsory for the Shire to issue infringements for prescribed offences listed in Schedule 6 to the Building Regulations 2012.

Paxon determined the Risk Rating for these findings as High.

5.1.2 Implications

- Shire employees are not provided with adequate guidance regarding operational procedures for infringements of:
 - Dog legislation;
 - Environmental legislation;
 - Shire's Parking Local Law;
 - Health legislation; and
 - Building legislation.
- This lack of guidance may result in inconsistent treatment of infringements of applicable legislation by different:
 - Employees within the same business unit; and
 - Business units.

5.1.3 Recommendations

Paxon appreciates the Shire enforces a diverse suite of legislation which all have different stipulations regarding infringements. Consequently, unique criteria may exist across different legislative instruments as to the identification of infringements. However, the management of infringements once issued should be independent from such legislative instruments. Consequently, a standard operational process should be followed for identified infringements irrespective of the legislation from which it originated. As a result, it is recommended the Shire compile, approves and implements an exclusive procedure manual for infringements which addresses this operational process (Procedure Manual). This Procedure Manual should:

- o Identify the operational activities subsequent to identification of infringements;
- o Allocate responsibility for such operational activities to specific employees – to help establish accountability;
- o Stipulate records management procedures – to help establish an audit trail; and
- o Compliance with legislation in general terms – to help ensure the legality and collection of infringements issued.

Implementation of such a dedicated Procedure Manual will result in a standard methodology being followed (for identified infringements) within the same business unit and across all business units within the Shire (resulting in consistency and transparency);

- The Procedure Manual should address operational activities subsequent to identification of infringements, being:
 - o Issue of infringement notices (including updating of templates currently used therefore);
 - o Review of infringement notices;
 - o Monitoring of remedial action demanded;
 - o Issue of final demand notices for infringements not paid within 28 days from the date of the notice;
 - o Waiving of fines;
 - o Registration of unpaid fines with the Fines Enforcement Registry;
 - o Referrals of unpaid fines to lawyers for prosecution; and
 - o Monitoring, receipt and recording of monies received for infringements issued.
- The Procedure Manual should allocate responsibility for specific infringement activities to particular employees (Responsible Employees).
- The Responsible Employees should be duly authorised to represent the Shire in dealings with external persons and organisations – to help establish legality and validity. The stipulations of relevant legislation should be complied with in the delegation of authority to Shire employees. “*Instrument(s) of Appointment*” by the CEO may be used for this purpose;
- The Procedure Manual should clearly establish an audit trail from the issue of an infringement notice to the subsequent payment of the infringement or court allocated costs; and
- The Procedure Manual should allocate oversight for the operational activities subsequent to infringement identification to a specific Shire employee.

5.1.4 Agreed Management Action

An Infringements Procedures Manual will be created and maintained focused on the three stages of the process:

- Issue of infringements, including authorised employees;
- Maintenance and management of infringements; and
- Referral to FER.

This Manual will be available to all sections of Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).

Due date: 31 December 2022.

To be implemented by: Director Statutory Services supported by Coordinator Community Safety and Emergency Management.

5.2 Compliance Policy

5.2.1 Findings

The Shire has a policy entitled: “Compliance”, dated 11/12/2018. The purpose of this policy is stated as being:

“To set out the principles that guide the Shire’s approach to compliance and enforcement of legislation.”

The issue of infringements is an enforcement instrument specifically provided for in legislation administered by the Shire. Paxon notes the Shire issued a total of 91 infringements during the 2019-2020 financial year in terms of such legislation. Therefore, it is considered appropriate the Shire’s “Compliance” policy appropriately refers to relevant legislation.

However, the Shire’s “Compliance” policy does not include within the “Relevant Legislation” section the:

- Fines, Penalties and Infringement Notices Enforcement Act 1994; and
- Fines, Penalties and Infringement Notices Enforcement Regulations 1994.

Paxon determined the Risk Rating for these findings as Low.

5.2.2 Implications

Readers of the Shire’s “Compliance” policy, particularly Shire employees responsible for managing infringement activities are not provided with a holistic perspective regarding the relevant legislation for infringements.

5.2.3 Recommendations

The Shire’s “Compliance” policy should include the above-mentioned legislation in the “Relevant Legislation” section.

5.2.4 Agreed Management Action

An update to the legislation section of the policy document will be actioned.

Due date: 31 December 2022.

To be implemented by: Director Statutory Services

5.3 Infringements Registers

5.3.1 Findings

- Community Safety and Emergency Management (CSEM) maintains a register in which it separately records infringement notices issued for contraventions of the:
 - o Dog Act 1976; and
 - o Bush Fires Act 1954.
 (CSEM Register);
- CSEM is also responsible for infringements issued in terms of the Shire's *"Parking Local Law 2009"*. However, such infringements are infrequent, and no specific record therefor was included in the CSEM register examined;
- The dog infringement record is very basic and does not record details of payments received, final demands issued or registration of unpaid infringements with the Fines Enforcement Registry (FER);
- The bush fire infringement record is more comprehensive and includes details of the:
 - o Issue of final demands for payment; and
 - o Registration of unpaid infringements with the FER.

However, it still does not record details of payments received. Consequently, it is not possible to use this record to determine further action required to obtain payment for infringements issued. Recording details of payments received will enable management to determine whether:

- o Final demands for payment should be issued to offenders; and
- o Unpaid infringements should be registered with FER.
- Based on information provided by responsible employees, no registers are maintained in respect of infringement notices issued for contraventions of the:
 - o Health legislation; and
 - o Building Act 2011 and the Building Regulations 2012 (swimming pools).
 However, based on information provided the scale of infringement notices issued across these areas is limited. Consequently, the maintenance of registers may appear not to be justified. However, the lack of registers makes management control challenging;
- Paxon was informed:
 - o The Shire maintains a *"centralised register"* in Civica Authority (financial software); and
 - o This centralised register's reporting functionality can be improved.
- Paxon examined a sample of infringements and found detailed information was recorded independently for each individual infringement in Authority (detailed information was not available in a summary – for example in an Excel spreadsheet). Paxon examined a trial balance disclosing outstanding amounts across infringements issued in terms of different legislative instruments. This trial balance provides very limited information regarding individual infringements issued.

Paxon determined the Risk Rating for these findings as Low.

5.3.2 Implication

Current limited centralised reporting for infringements issued in terms of different legislative instruments makes management oversight thereof challenging.

5.3.3 Recommendations

- The Shire should implement and maintain a centralised register for all infringement notices issued for contraventions of legislation the Shire is responsible to enforce (Infringements Register);
- The Infringements Register should provide details of all infringements issued, including:
 - Infringement notice number;
 - Date of alleged offence;
 - Legislation and relevant section(s) contravened;
 - Last day for issue of infringement notice (as legislated);
 - Date the infringement notice was issued;
 - Alleged offender's full name;
 - Issuing officer;
 - Amount of (modified) penalty;
 - Date of payment (if applicable);
 - Amount paid (if applicable);
 - Due date for final demand notice (if applicable);
 - Date the final demand notice was issued (if applicable);
 - Due date for registration with FER (if applicable); and
 - Date registered with FER (if applicable).
- Recording of the above-mentioned dates will enable management to determine the timely issue of infringement notices and final demand notices, and the timely registration of unpaid infringements with the FER;
- If applicable, the Infringements Register should also include:
 - Details of fines waived; and
 - Date of alleged offender's choice to have the matter heard in the Magistrate's Court instead of paying the fine.
- Implementation of an Infringements Register will:
 - Provide evidence infringements are being pro-actively managed; and
 - Make regular reporting regarding infringement notices issued basically effortless.

5.3.4 Agreed Management Action

1. A Compliance Register, which will show a more comprehensive picture of the Shire's compliance and enforcement actions, compared to an Infringements Register will be implemented across Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).

This will take the form of a centralised spreadsheet with tabs for each service, which will be maintained by a responsible employee from each service. It is proposed that this spreadsheets are used as an interim measure pending implementation of point 2 below; and

2. Improvements to the infringement's module in Authority (the Shire's accounting software) will be investigated.

Due date: 31 December 2021.

To be implemented by: Director Statutory Services.

5.4 Infringements Reports

5.4.1 Findings

- Reporting within CSEM for infringement notices issued regarding contraventions of relevant legislation is verbal;
- No internal reporting is done for infringement notices issued regarding contraventions of health legislation;
- No specific reporting is done for infringements notices issued regarding contravention of the Building Act 2011 and the Building Regulations 2012 (swimming pools); and
- Paxon was informed:

"The Shire's Planning Service does not issue 'infringements' under the Planning and Development Act 2005. Where a compliance matter cannot be resolved outside of formal channels, Planning Service will seek prosecution proceedings. The Shires Compliance Policy (PS-10) and Enforcement and Prosecution Organisational Practice (OP-15) are used in determining whether or not to commence prosecution/s."

Paxon determined the Risk Rating for these findings as High.

5.4.2 Implication

The lack of formal reporting regarding infringements makes management oversight challenging.

5.4.3 Recommendations

- The shire should implement and maintain an Infringements Register as recommended above. Maintenance of this register will facilitate the introduction of regular reporting regarding infringements;
- The Shire should centralise formal reporting for infringements notices issued regarding contraventions of legislation the Shire is responsible to enforce. This reporting should include:
 - o Infringements notices issued and paid;
 - o Final demand notices issued for unpaid fines;
 - o Unpaid fines referred to the FER; and
 - o Court imposed fines referred to the FER by lawyers.
- Reports should be provided to the Director Statutory Services and the CEO.

5.4.4 Agreed Management Action

Statutory Services staff will liaise with IT and explore whether improvements can be made to the existing reporting facility in Authority.

Due date: 31 December 2022.

To be implemented by: IT and Director Statutory Services supported by Coordinator Community Safety and Emergency Management.

5.5 Sampled Infringements

5.5.1 Findings

- Paxon examined a sample of infringement notices (Notices) issued by the Shire;
- Paxon found two sampled Notices were not issued within 28 days after the alleged offence, as stipulated in section 9.16(1) of the Local Government Act 1995:
 - Notice 151421 – 29 days later; and
 - Notice 151475 – 33 days later.
- Paxon found three sampled Notices issued for contraventions of the Dog Act 1976 were issued by Community Safety Rangers and not by the Director Statutory Services. The Director Statutory Services was appointed as an “*authorised person*” in terms of section 9.10(2) of the Local Government Act 1995 to administer the functions and powers of the Shire of Mundaring’s “*Dogs Local Law 2017*” (“*Instrument of Appointment*”, signed by the CEO on 18/12/2018). The three sampled Notices are:
 - Notice 1515475;
 - Notice 151488; and
 - Notice 151508.
- Paxon found two thirds of the infringement notices issued were not paid within 28 days. Details are as follows:
 - Notice 151339 - infringement amount plus FER costs were paid off over approximately 2 years and 5 months;
 - Notice 151421 - infringement amount was paid approximately 1 year and ten months after the date of the infringement notice. A balance of \$46.50 FER costs is still outstanding;
 - Notice 151475 - infringement amount plus FER costs were paid approximately 9 months after the date of the infringement notice;
 - Notice 151508 - infringement amount has been outstanding for approximately 9 months;
 - Notice 151269 - infringement amount was paid approximately 5 months after the date of the infringement notice. A balance of \$292 of FER costs is still outstanding; and
 - Notice 151279 - infringement amount plus FER costs were paid approximately 8 months after the date of the infringement notice.
- The Shire produces a “*Trial Balance by Infringement Type*” (Trial Balance) on a monthly basis. However, the Trial Balance only discloses limited information regarding individual infringements which includes:
 - Original penalty amount;
 - Additional costs levied;
 - Total costs outstanding;
 - Penalty amounts outstanding; and
 - Total amount outstanding.
- The Trial Balance does not:
 - Record the date the infringement notice was issued; and

- Provide an age analysis of the total amount outstanding.

For sampling purposes, Paxon was provided with Excel worksheets per individual infringement issued which discloses all transaction for the infringement (penalty levied, further costs added, and payments received). Paxon notes the Trial Balance records a total amount of \$123,516.49 as being outstanding across all infringement types as at 28/02/2021.

Paxon determined the Risk Rating for these findings as Medium.

5.5.2 Implications

- The late issue of the sampled Notices may suggest those notices are not enforceable;
- The Shire's "*Instrument(s) of Appointment*" do not include the Shire employees who actually issued sampled Notices for contraventions of legislation regarding dogs; and
- Current record keeping practices do not provide management with a standard age analysis which provides a holistic perspective as to the collection of unpaid infringement debts.

5.5.3 Recommendations

- The Shire should issue infringement notices within 28 days after the alleged offence, as stipulated in section 9.16(1) of the Local Government Act 1995;
- The Shire should implement and maintain an Infringements Register as recommended above. Maintenance of this register will provide management with detailed information regarding the consequential steps in the infringement process. Consequently, management will be able to assess pro-active follow-up of outstanding infringements not yet recorded in the Fines Enforcement Registry; and
- The Shire should produce an age analysis of outstanding infringements on a monthly basis. This age analysis should be used together with the Infringements Register to monitor and assess the collection of issued infringements.

5.5.4 Agreed Management Action

The timeframe for issuing infringement notices depends on the legislation under which the infringement notice is issued. Few if any notices are issued under the *Local Government Act 1995*. Most are issued under the *Dog Act 1976*, *Bush Fires Act 1954*, *Building Act 2011*, *Planning and Development Act 2005* etc. The various timeframes will form part of the Register that will be implemented.

Age analysis reporting will be considered when exploring improvements to Authority.

Due date: as per previous Agreed Management Actions.

To be implemented by: Director Statutory Services.

Appendix A – Risk Rating Schedule

Level	Rank	Stars	Financial Loss	Non-Financial Considerations
1	Not Satisfactory	☆	>\$1m	<ul style="list-style-type: none"> Several medium rated observations or one or more high rated observations, significant risk for non-compliance with policies and regulations, serious violations of law, significant opportunities for improvement, substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile and third-party actions.
2	Needs Improvement	☆☆	>\$100k<\$1m	<ul style="list-style-type: none"> Several medium rated observations and high rated observations, control weak in one or more areas, non-compliance with policies and regulations, violation of law (not serious), substantial opportunities for improvement, substantiated, public embarrassment, high impact, high news profile and third-party actions.
3	Satisfactory	☆☆☆	>\$50k<\$100k	<ul style="list-style-type: none"> Many low rated observations and/or few medium rated observations, several low rated violations of policy, minor violations of regulations, no violations of law, moderate opportunities for improvement, substantiated, public embarrassment, moderate impact and moderate news profile.
4	Very Good	☆☆☆☆	>\$10k<\$50k	<ul style="list-style-type: none"> Several low rated observations and/or one or two medium rated observations, minor contraventions of policies and procedures, no violations of law, minor opportunities for improvement, substantiated, low impact and low news profile.
5	Excellent	☆☆☆☆☆	<10k	<ul style="list-style-type: none"> Few low rated observations, no internal control weaknesses noted, good adherence to laws, regulations and policies, excellent control environment, unsubstantiated, low impact, low profile or no news item.

Perth

Level 5, 160 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9476 3144

Sydney

Level 15, 56 Pitt Street
Sydney NSW 2000
Telephone: +61 2 8379 6144

Melbourne

Level 27, 101 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9111 0046

Adelaide

Level 30, 91 King William Street
Adelaide SA 5000
Telephone: +61 8 8113 5739

Darwin

Level 16, 19 Smith Street, The Mall
Darwin NT 0800
Telephone: +61 8 6270 7108

Brisbane

Level 19, 10 Eagle Street
Brisbane QLD 4000

www.paxongroup.com.au

providingvalue

9.0 URGENT BUSINESS (LATE REPORTS)

Nil

10.0 CLOSING PROCEDURES

10.1 Date, Time and Place of the Next Meeting

The next Audit and Risk Committee meeting will be held at 4.00 pm on Tuesday, 22 February 2022 in the Council Chamber, 7000 Great Eastern Highway, Mundaring.

10.2 Closure of the Meeting

The Presiding Person declared the meeting closed at 5.22pm.