



murchisonshire

Ancient land under brilliant skies

Audit Committee Meeting

25 May 2023

Attachments

5.1.1 - May 2023

Audit Committee Meeting

Shire of Murchison



Audit Closing report to the Audit Committee
for the year ended 30 June 2022



12 May 2023



12 May 2023

The Audit Committee
Shire of Murchison
PO Box 61
MULLEWA WA 6630

Dear Audit Committee (the "AC") members

Shire of Murchison 30 June 2022 Audit

We have substantially completed our audit of the Shire of Murchison (the "Shire") for the year ended 30 June 2022.

The audit has been conducted in accordance with Australian Auditing Standards and practices, to enable the:

- Formation of opinions by the Auditor General;
- Reporting of audit findings, significant control weaknesses and other relevant matters; and
- Auditor General to report on any matter which may affect the Auditor General's responsibilities under the *Auditor General Act 2006*.

Subject to the adequate resolution of the outstanding matters listed in our report, we confirm that we will recommend an unmodified audit opinion to the Auditor General.

This report is intended solely for the use of AC members, the Council and senior management, and should not be used for any other purpose nor given to any other party without prior written consent.

We would like to thank your staff for the assistance provided to us during the audit and the time involved.

I look forward to discussing with you any aspects of this report or any other issues arising from our work.

Should you have any questions or comments, please do not hesitate to contact me on 9322 2022.

Yours faithfully

PITCHER PARTNERS BA&A PTY LTD
Paul Mulligan
Executive Director

OFFICE OF THE AUDITOR GENERAL
Jay Teichert
Senior Director, Information Systems and Performance Audit

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1. Executive Summary

Executive Summary

Status of the audit	<p>We have substantially completed our audit of the financial report of the Shire for the year ended 30 June 2022. Following the completion of the audit matters below, we will recommend an unmodified audit opinion to the Auditor General.</p> <ul style="list-style-type: none"> • Resolution of the outstanding matters outlined in Appendix D of this report; • The Council's and AC's consideration of the matters in this report.
Audit differences	<p>No unadjusted audit differences noted.</p>
Areas of audit focus	<p>As part of our planning procedures, we identified a number of key areas of focus for our audit of the financial statements of the Shire. This report sets our perspective in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of audit focus" section of this report.</p> <p>We request that you review these and other matters set out in this report to ensure:</p> <ul style="list-style-type: none"> • There are no residual further considerations or matters that could impact these issues; • You concur with the resolution of the issue; and • There are no further significant issues you are aware of to be considered before the financial report is finalised. <p>There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Council and AC.</p>
On the horizon	<p>We have highlighted the key accounting and regulatory updates which will have an impact on the Shire in future periods.</p>
Written representations	<p>We have requested a letter of representation from management. A copy of this letter is available on request.</p>

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2. Areas of Audit Focus

Areas of Audit Focus

Areas of focus	Background	Conclusion reached
Revenue recognition for government grants and contributions, rates and fees and charges <i>Key Judgements:</i> <i>Timing of revenue recognition</i> <i>Relevant accounting standards:</i> <i>AASB 15 Revenue from contracts with customers ("AASB 15")</i> <i>AASB 1058 Income of Not-for-Profit Entities ("AASB 1058")</i>	<p>Included in the Statement of Comprehensive Income for the year ended 30 June 2022 is an amount for \$8.67 million (2021: \$11.62 million) relating to operating and non-operating grant, subsidies and contributions, an amount for \$0.54 million (2021: \$0.50 million) relating to rates revenue, and an amount for \$0.48 million (2021: \$0.32 million) for fees and charges and other revenue.</p> <p>Audit procedures performed to ensure compliance with accounting policies and Australian Accounting standards.</p> <p>We have performed the testing surrounding the control environment for the recognition of revenue to ensure that income relating to all key material revenue streams is being recognised in accordance with <i>Australian Accounting Standards</i> and the terms of the source of income.</p> <p>We have performed substantive tests of details utilising our sampling methodology as well as year end analytical review procedures to add to the level of assurance obtained.</p> <p>We have worked with management to assess the contractual nature of any new revenue streams identified in the year to assess and conclude on the appropriate revenue recognition.</p>	<p>Based on the audit procedures performed, we concur with management's conclusion that government grants, contributions, rates and fees and charges have been appropriately accounted for in accordance with AASB 1058 and AASB 15.</p>

Areas of Audit Focus

Areas of focus	Background	Conclusion reached
Property, plant and equipment and infrastructure assets <i>Key Judgements:</i> Valuation techniques used to determine the fair value of property, plant and equipment and infrastructure assets (excluding roads and footpaths) Useful lives of property, plant and equipment and infrastructure assets and depreciation rates <i>Relevant accounting standards:</i> AASB 116 Property, Plant and Equipment ('AASB 116') AASB 136 Impairment of Assets ('AASB 136') AASB 13 Fair Value Measurement ('AASB 13') <i>Relevant other regulations:</i> <i>Local Government (Financial Management) Regulations 17A(2) (the "LGR")</i>	<p>Included in the Statement of Financial Position for the year ended 30 June 2022 is an amount for \$12.77 million (2021: \$10.66 million) relating to property, plant and equipment and \$90.54 million (2021: \$72.24 million) relating to infrastructure assets.</p> <p>For the year ended 30 June 2022, the Shire is required to obtain a valuation of certain classes of assets, contracting APV Valuers and Asset Management and Greenfield Technical Services to assess the fair value of land, buildings, road infrastructure and other infrastructure. The Shire has applied different valuation methodologies to different classes of assets depending on the nature of the asset.</p> <p>Specific audit procedures that have been performed on property, plant and equipment and infrastructure assets are as follows:</p> <ul style="list-style-type: none"> • Key controls around property, plant and equipment and infrastructure assets balances were documented and accounting policies associated with fair value assessment were assessed to ensure compliance with <i>Australian Accounting Standards</i>. • The capitalisation threshold of \$5,000 required by <i>Local Government (Financial Management) Regulation 17A(5)</i> was reviewed and samples of additions and disposals were tested. • Management's assessment for impairment indicators of property, plant and equipment and infrastructure assets not included in the revaluation exercise for the year ended 30 June 2022 was reviewed and fair value disclosures was assessed to ensure compliance with <i>Australian Accounting Standards</i>. • Management's assessment for indicators of a significant movement in the fair value of property, plant and equipment and infrastructure assets not included in the revaluation exercise for the year ended 30 June 2022 was assessed and concluded as being reasonable. • The depreciation policy applied was documented and depreciation recalculations factoring in management's assessment of the useful life of property plant and equipment and infrastructure assets performed to ensure reasonableness. • Testing was performed in order to ensure that the land, buildings and infrastructure included in the revaluation exercise for the year ended 30 June 2022 were valued as per the conclusions in the the valuer's report, and in accordance with AASB 116 and AASB 13. An understanding of and rationale for placing reliance on the valuer's fair value assessment was also documented (see next page). 	<p>Based on the audit procedures performed, we concur with managements conclusion that property, plant and equipment and infrastructure assets have been accounted in accordance with AASB 116, AASB 136 and AASB 13.</p>

Areas of Audit Focus

Areas of focus	Background	Conclusion reached
<p>Property, plant and equipment and infrastructure assets</p> <p><i>Key Judgements:</i></p> <p>Valuation techniques used to determine the fair value of property, plant and equipment and infrastructure assets (excluding roads and footpaths)</p> <p>Useful lives of property, plant and equipment and infrastructure assets and depreciation rates</p> <p><i>Relevant accounting standards:</i></p> <p>AASB 116 Property, Plant and Equipment ('AASB 116')</p> <p>AASB 136 Impairment of Assets ('AASB 136')</p> <p>AASB 13 Fair Value Measurement ('AASB 13')</p> <p><i>Relevant other regulations:</i></p> <p><i>Local Government (Financial Management) Regulations 17A(2) (the "LGR")</i></p>	<p>Valuation of road infrastructure</p> <p>Included in the Statement of Financial Position is an amount for \$ 90,544,571 relating to roads and bridges infrastructure and an amount of \$13,902 for concrete pathway included in the buildings and improvement. These have been valued by Greenfield Technical Services (GTS) for the year ended 30 June 2022.</p> <p>Initial review of the valuation report provided by GTS noted that there was no explicit statement that the valuation had been performed in accordance with Australian Accounting Standards and for financial reporting purposes.</p> <p>Furthermore, GTS are not currently accredited for valuations of this nature.</p> <p>As a consequence of the above we have raised a management letter point to recommend that management ensures that instructions issued to valuers are clear as to the purpose. In addition management should ensure that an assessment of the appropriateness of the valuers qualifications and accreditations is performed.</p>	<p>Based on audit procedures performed, we have determined that experience and knowledge of GTS and the relevant valuation personnel appears reasonable to be able to carry out an update of the inputs into the valuation model for infrastructure Assets. After obtaining the valuation report from GTS and access to online website sources, we analysed the process and methodology undertaken by GTS and the Shire in order to determine the fair value of Infrastructure Assets as at 30 June 2022, as well as ensuring that the population of the Infrastructure Assets valued was complete and that subsequent valuation adjustments were appropriately recorded in the financial statements.</p> <p>Based on the above information, and a comprehensive understanding of the valuation report and the substantive testing performed on the valuation model, we have concluded that the valuation of the Infrastructure Assets by GTS and the Shire can be relied upon.</p>

Areas of Audit Focus

Areas of focus	Background	Conclusion reached		
Quality Delivery of Financial Reporting	Quality and timeliness of financial reporting is key for sound financial management, public accountability and effective decision making. Absence of an effective project plan for year end financial reporting can result in delays, errors, poor quality and increased costs.	Based on the audit procedures performed, we are satisfied that there is no significant deficiency in the quality delivery of financial reporting that would impact the issuance of the audit opinion.		
	Areas for management consideration		Relevant for Shire	Management response
	Assessment of the impact of COVID-19 on the way services are delivered and on the financial reporting		No	Management has assessed the impact of COVID-19 and it was concluded that other than an increase in the rental and accommodation of the caravan park due to the ease of travel restrictions in Western Australia, no significant current impact of COVID-19 exists.
	Assessing the impact of material, complex and one-off significant transactions		No	Management concluded no impact relating to complex transactions.
	Assessment of fair value of property, plant and equipment and infrastructure assets	Yes	Management has performed an impairment indicator analysis and noted no impairment indication. The Shire also obtained an external valuation of land, buildings and infrastructure assets for the period.	

Areas of Audit Focus

Areas of focus	Background		Conclusion reached
Quality Delivery of Financial Reporting	Areas for management consideration	Relevant for the Shire	Management response
	<ul style="list-style-type: none"> Engagement with the AC early in the financial reporting process to review the project plan and impact on the financial statements of judgments and estimates such as: <ul style="list-style-type: none"> useful lives of assets; depreciation; expected credit loss (ECL); revenue recognition; compliance with contract terms; use of restricted funds; terms of lease agreements; and capitalisation of interest for qualifying assets. 	<p>Yes. Below is relevant for the Shire:</p> <ul style="list-style-type: none"> Useful lives of assets Depreciation Revenue recognition; and Use of restricted funds 	<p>The Shire has performed a review of the useful life of assets and calculated depreciation accordingly.</p> <p>Revenue recognition assessment has been performed for each material source of income.</p> <p>The Shire has monitored the use of the restricted funds in accordance with its approved budgets.</p>

Other Areas of Audit Focus

5/11/2023 May 2023

Audit Committee Meeting

Other Areas of focus included in the audit plan	Relevant to the Shire	PP Perspective
AASB 1059 <i>Accounting for Service Concession Arrangements – Grantors</i>	No	No agreements were noted during the course of the audit that would fall under the requirements of AASB 1059 <i>Accounting for Service Concession Arrangements – Grantors</i> . Based on the assessment performed, AASB 1059 has no impact on the financial statements.
Leases	No	No leases identified that met the criteria for AASB16 Leases.
Existence and completeness of expenditure	Yes	Walkthroughs and tests of key controls of the procurement process were performed to ensure key controls have been adhered to and purchasing policies have been followed. Substantive testing has been performed on representative samples. Based on the audit procedures performed, no significant control deficiencies were identified.
IT General control	Yes	The effectiveness of logical access and program change controls was assessed using Pitcher Partners' IT work programs. Based on the audit procedures performed, no deficiencies were noted.
Specific Local Government ("LG") General Purpose Financial Reporting requirements	Yes	The general purpose financial statements were reviewed as part of the audit procedures performed to ensure compliance with local government and Australian Accounting Standards requirements. Based on the audit procedures performed, no disclosure deficiencies were identified.
Existence of cash and cash equivalents	Yes	Cash balances were agreed to bank statements and confirmations and it was ensured that restricted funds are being appropriately accounted for by the Shire.
Related party transactions	Yes	Related party transactions and disclosures were tested and reviewed as part of audit procedures performed. Based on the audit procedures performed, no deficiencies were noted.
Employee expenses, superannuation contributions	Yes	Walkthroughs and tests of key controls of the payroll process were performed to ensure key controls have been adhered to. Substantive testing has been performed on representative samples. Based on the audit procedures performed, no significant control deficiencies were identified

Other Areas of Audit Focus

5/11/23 May 2023

Audit Committee Meeting

Other Areas of focus included in the audit plan	Relevant to the Shire	PP Perspective
COVID 19 impacts	No	Audit procedures performed did not identify any specific COVID 19 related impacts.
Others: <ul style="list-style-type: none"> Recognition and recoverability of receivables; Completeness and classification of borrowings; Completeness of creditors, accruals and provisions; and Treatment of associated borrowing costs including capitalisation to any qualifying assets. 	Yes Yes Yes Yes	Audit procedures performed did not identify any specific deficiency matters. Audit procedures performed did not identify any specific deficiency matters. Audit procedures performed to identify unrecorded liabilities did not identify any specific deficiency matters. Audit procedures performed did not identify any specific deficiency matters.

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Appendix A – Future financial reporting developments and more

Future financial reporting developments and more

Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates, applies to annual periods beginning on or after 1 January 2023 with early adoption permitted.

The standard amends AASB 7 Financial Instruments: Disclosures, AASB 101 Presentation of Financial Statements, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 *Making Materiality Judgements*.

Who is impacted

The standard will apply to for-profit and not-for-profit entities if relevant.

Application and impact

The main amendments relate to:

- AASB 7 – clarifies that information about measurement bases for financial instruments is expected to be material to an entity's financial statements.

Application and impact

- AASB 101 – requires entities to disclose their material accounting policy information rather than significant accounting policies
- AASB 108 – clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates
- AASB 134 – to identify material accounting policy information as a component of a complete set of financial statements
- AASB Practice Statement 2 – to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The replacement of 'significant' with 'material' accounting policy information may impact the accounting policy disclosure of entities. Determining whether accounting policies are material or not, applying the guidance set out in the Practice Statement, requires greater use of judgement.

In applying the Amendment entities should consider whether 'standardised' or 'boilerplate' disclosures is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance usefulness of the financial statements.

Early adoption

In order to apply this standard to periods commencing before 1 January 2023 it will need to be early adopted.

Future financial reporting developments and more

Classification of Liabilities as Current or Non-Current

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current, applies to annual periods beginning on or after 1 January 2023 with early adoption permitted.

The standard amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It requires a liability to be classified as current when entities do not have a substantive right to defer settlement at the end of the reporting period.

Who is impacted

The standard will apply to for-profit and not-for-profit entities.

Application and impact

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of the liability not impact its classification.

A company classified a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. This amendment has now clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

A company may need to reassess the classification of liabilities, as a result of the clarifications in this amendment.

Early adoption

In order to apply this standard to periods commencing before 1 January 2023 it will need to be early adopted.

Future financial reporting developments and more

Annual Improvements 2018-2020 and Other Amendments

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments, applies to annual periods beginning on or after 1 January 2022 with early adoption permitted.

The standard amends a number of standards including AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 3 *Business Combinations*, AASB 9 *Financial Instruments*, AASB 116 *Property, Plant and Equipment*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 141 *Agriculture*.

Who is impacted

The standard will apply to for-profit and not-for-profit entities.

Application and impact

AASB 3 – updates the references to the Conceptual Framework for Financial Reporting

AASB 9 – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability

AASB 116 – requires an entity to recognise the sale proceeds from selling items produced while preparing PP&E for its intended use and the related cost in the income statement instead of deducting the amounts received from the cost of the asset

AASB 137 – specifies the costs that an entity includes when assessing whether a contract will be loss making.

Early adoption

In order to apply this standard to periods commencing before 1 January 2022 it will need to be early adopted.

Future financial reporting developments and more

Other Standards Issued and Effective within the next 12 Months

New Pronouncement	Effective Date	Application
AASB 2021-7a Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022	All entities
AASB 2022-3 Illustrative Examples for Not-for-Profit Entities accompanying AASB 15	1 July 2022	NFP entities

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Future financial reporting developments and more

ASIC focus areas for 30 June 2022 financial reports

ASIC have outlined its focus areas for 30 June 2022 financial reports of listed entities and other entities of public interest [22-124MR].

ASIC note that many companies are facing changing market conditions and uncertainties resulting from a wide array of factors (for e.g. COVID-19, availability of staff, rising interest rates, Ukraine/Russia conflict, increase in oil prices, etc). Such uncertainties and risk could impact asset values, liabilities and assessments of solvency and going concern. They have highlighted a number of areas for attention as follows:

Asset values

- Impairment of non-financial assets considering those that must be tested annually and indicators of impairment for other assets.
- Values of property assets considering changes in office space requirements and the treatment of rental concessions.
- Appropriateness of key assumptions used in determining expected credit losses on loans and receivables
- Values of other assets such as inventories, investments and deferred tax assets.

Provisions

Consider the need for provisions in areas such as onerous contracts, financial guarantees given and restructuring.

Events occurring after balance date

These should be reviewed to determine if they affect balance date amounts or related to new conditions requiring disclosure.

Disclosures in the financial report Generally ASIC consider that disclosures should be specific to the entity and highlight changes from the previous period.

Disclosures in the financial report should focus on:

- Estimation uncertainties, changing key assumptions and sensitivities
- The appropriate classification of assets and liabilities between current and non-current categories.

Disclosures in the Operating and Financial Review (OFR)

Disclosures in the OFR should focus on:

- Telling the story of how businesses are impacted by COVID-19 pandemic and changing circumstances
- An explanation of the underlying drivers of the results and financial position, as well as risks, management strategies and future prospects.

Other matters

ASIC expects the appropriate accounting and disclosure of each type of support and assistance from government, lenders, landlords and others when material.

ASIC also highlighted the use of non-IFRS profit measures and reminds companies that they should not be presented in a potentially misleading manner.

In relation to half-year reports, additional disclosures need to consider significant developments and changes since 31 December 2021.

Other areas ASIC mentions are off-balance sheet exposures, aged care bed licences, disclosure of material penalties for non-compliance with sanctions imposed in Australia or elsewhere relating to Russia and ensuring the recognition of assets, liabilities, income and expenses in registered scheme balance sheets and income statements where individual scheme members have pooled interests in assets and returns with some or all other members in substance.

Future financial reporting developments and more

Reminders financial reporting developments and more

“Greenwashing” Financial Products/Services

ASIC has issued [INFO 271](#) on “How to avoid Greenwashing when offering or promoting sustainability related products”. In relation to investments, ‘greenwashing’ is the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable or ethical.

Consequently, any claims in relation to sustainability in particular should ensure that they comply with existing requirements such as the prohibitions against misleading and deceptive statements and conduct as well as disclosure requirements.

To avoid misleading or deceptive greenwashing practices, consider the following questions when preparing communications and disclosures about sustainability-related products.

- Is your product true to label?
- Have you used vague terminology?
- Are your headline claims potentially misleading?
- Have you explained how sustainability-related factors are incorporated into investment decisions and stewardship activities?
- Have you explained your investment screening criteria? Are any of the screening criteria subject to any exceptions or qualifications?

- Do you have any influence over the benchmark index for your sustainability-related product? If you do, is your level of influence accurately described?
- Have you explained how you use metrics related to sustainability?
- Do you have reasonable grounds for a stated sustainability target? Have you explained how this target will be measured and achieved?
- Is it easy for investors to locate and access relevant information?

Consistent with [RG 65](#), these questions are designed to facilitate:

- Truth in promotion: using clear labels and defining sustainability-related terminology
- Clarity in communication: providing clear explanations of how sustainability-related considerations are factored into investment strategies.

Those charged with governance i.e. directors and responsible entities should carefully consider whether their disclosures are complying with these requirements and guidelines

Cybersecurity & Data Privacy

The Government has recently announced there will be a Minister for Cyber Security for the first time. The federal government, state governments and regulators such as ASIC, APRA and AEMO are increasingly implementing new legislation and standards to ensure organisations pro-actively manage their cyber security risk. These new standards are enforced through [mandatory breach reporting](#), periodic regulatory reporting and audits and even legal action by the regulatory bodies, for example ASIC recently took enforcement action against a AFS license holder for not adequately managing their cyber security risk.

The increased focus on these areas mean directors and those charged with governance should focus on:

- Identifying the relevant cyber security standards for their data and organisation
- The effective operation of policies not just the establishment of policies
- Third party contracts, are the contractual promises being met, is there substance to the providers promises.
- Firstly are you protecting your data and secondly can you demonstrate that fact.

ASIC Media release [22-104MR](#) provides details of the prosecution for failing to have adequate risk management systems to manage its cybersecurity risks.

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Appendix B – Other required communications

Appendix B

Other required communications

Disagreements with management	During our audit, we received full cooperation from management and had no unresolved disagreements over the application of accounting principles, the scope of our audit or disclosures to be included in the financial statements.
Compliance with laws and regulations	Other than as noted in the management letter, we have not identified any material instances of non-compliance with laws and regulations.
Fraud and illegal acts	<p>We have made enquiries of management regarding:</p> <ul style="list-style-type: none"> - Knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control; or others where fraud could have a material effect on the financial report. - Knowledge of any allegations of fraud, or suspected fraud, affecting the Shire's financial information. <p>We did not become aware of any fraud or illegal acts during our audit.</p>
Audit report	Subject to the satisfactory resolution of the Outstanding Matters detailed in this report, we will recommend an unmodified audit opinion to the Auditor General.
Review of Council and AC minutes	We have completed our review of the minutes of the Council meetings held during the period. Based on these procedures, we have not identified any financial matters that would result in a significant affect on the period results that has not already been reflected in the financial statements.
Independence	<p>We confirm that we have complied with all professional regulations relating to auditor independence, and in our professional judgement, the engagement team and Pitcher Partners are independent.</p> <p>We are not aware of any other relationships between Pitcher Partners or other firms that are Independent members of the global network of Baker Tilly firms and the Shire that, in our professional judgment, may reasonably be thought to bear on independence.</p>

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Appendix C – Independence

Appendix C

Independence

Independence is fundamental to our ongoing relationship with the Shire. We believe that we have complied with all professional regulations relating to auditor independence including those outlined in:

- APES 110 Code of Ethics for Professional Accountants (including independence standards); and

We are not aware of any other relationships between Pitcher Partners or other firms that are Independent members of the global network of Baker Tilly firms and the Shire that, in our professional judgment, may reasonably be thought to bear on independence.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that the AC consider the facts of which you are aware and come to a view.

Non-Audit Services

During the period ended 30 June 2022, Pitcher Partners did not provide non-audit services to the Shire.

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Appendix D – Outstanding Matters

Appendix D

Outstanding Matters

Item	Actions to resolve	Responsibility
Management representation letter	Receipt of the signed management representation letter	Management
Signing of financial statements	Receipt of signed financial statement	Management
Subsequent events review	Completion of subsequent event procedures to the date of signing the audit report	Pitcher Partners and Management

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SHIRE OF MURCHISON
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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

Working together to preserve the unique character of the Shire, supporting diverse and sustainable lifestyle and economic opportunities.

Principal place of business:
Murchison Settlement
Carnarvon - Mullewa Road
Western Australia

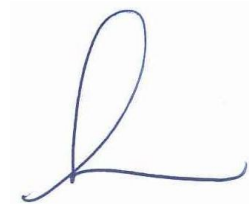


Audit Committee Meeting
SHIRE OF MURCHISON
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The attached financial report of the Shire of Murchison for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the Shire of Murchison at 30 June 2022 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

11th day of May



2023

Chief Executive Officer

William James Boehm

SHIRE OF MURCHISON

STATEMENT OF COMPREHENSIVE INCOME

BY NATURE OR TYPE

FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
Revenue				
Rates	28(a),2(a)	538,967	532,000	449,391
Operating grants, subsidies and contributions	2(a)	6,843,572	3,514,494	10,053,330
Fees and charges	27(c),2(a)	478,569	701,530	315,350
Interest earnings	2(a)	10,134	60,500	55,981
Other revenue	2(a)	272,938	500	56,390
		8,144,180	4,809,024	10,930,442
Expenses				
Employee costs		(1,411,298)	(1,458,351)	(1,433,390)
Materials and contracts		(1,791,490)	(2,399,276)	(10,739,810)
Depreciation	10(a)	(3,653,752)	(3,680,437)	(3,360,980)
Finance costs	2(b)	(27,790)	(11,740)	(567)
Insurance		(180,109)	(161,408)	(150,817)
Other expenditure	2(b)	(121,519)	(208,900)	(192,333)
		(7,185,958)	(7,920,112)	(15,877,897)
		958,222	(3,111,088)	(4,947,455)
Capital grants, subsidies and contributions	2(a)	1,829,863	1,587,350	1,563,591
Loss on asset disposals	10(d)	(11,568)	(11,828)	-
Fair value adjustments to financial assets at fair value through profit or loss		999	-	647
Loss on revaluation of Infrastructure - bridges	9(a)	(1,925,144)	-	-
		(105,850)	1,575,522	1,564,238
Net result for the period	27(b)	852,372	(1,535,566)	(3,383,217)
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	15	22,180,187	-	-
Total other comprehensive income for the period	15	22,180,187	-	-
Total comprehensive income for the period		23,032,559	(1,535,566)	(3,383,217)

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



SHIRE OF MURCHISON
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	NOTE	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	3	9,109,699	8,156,910
Trade and other receivables	5	127,164	738,111
Other financial assets	4(a)	3,422,952	-
Inventories	6	139,174	143,889
Other assets	7	182,020	-
TOTAL CURRENT ASSETS		12,981,009	9,038,910
NON-CURRENT ASSETS			
Other financial assets	4(a)	19,451	18,452
Property, plant and equipment	8	12,770,481	10,656,425
Infrastructure	9	90,544,571	72,236,720
TOTAL NON-CURRENT ASSETS		103,334,503	82,911,597
TOTAL ASSETS		116,315,512	91,950,507
CURRENT LIABILITIES			
Trade and other payables	11	880,062	1,619,201
Other liabilities	12	377,174	308,322
Borrowings	13	193,898	1,176
Employee related provisions	14	187,775	134,483
TOTAL CURRENT LIABILITIES		1,638,909	2,063,182
NON-CURRENT LIABILITIES			
Borrowings	13	1,736,657	15,002
Employee related provisions	14	92,425	57,361
TOTAL NON-CURRENT LIABILITIES		1,829,082	72,363
TOTAL LIABILITIES		3,467,991	2,135,545
NET ASSETS		112,847,521	89,814,962
EQUITY			
Retained surplus		23,116,002	25,451,098
Reserve accounts	31	10,316,451	7,128,983
Revaluation surplus	15	79,415,068	57,234,881
TOTAL EQUITY		112,847,521	89,814,962

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



5.2.1 - May 2023

SHIRE OF MURCHISON STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

Audit Committee Meeting

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2020		28,973,378	6,989,920	57,234,881	93,198,179
Comprehensive income for the period					
Net result for the period		(3,383,217)	-	-	(3,383,217)
Total comprehensive income for the period		(3,383,217)	-	-	(3,383,217)
Transfers from reserves	31	428,000	(428,000)	-	-
Transfers to reserves	31	(567,063)	567,063	-	-
Balance as at 30 June 2021		25,451,098	7,128,983	57,234,881	89,814,962
Comprehensive income for the period					
Net result for the period		852,372	-	-	852,372
Other comprehensive income for the period	15	-	-	22,180,187	22,180,187
Total comprehensive income for the period		852,372	-	22,180,187	23,032,559
Transfers from reserves	31	-	-	-	-
Transfers to reserves	31	(3,187,468)	3,187,468	-	-
Balance as at 30 June 2022		23,116,002	10,316,451	79,415,068	112,847,521

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



PM 11/05/2023

SHIRE OF MURCHISON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,026,508	532,000	93,189
Operating grants, subsidies and contributions		6,905,551	3,206,172	10,399,102
Fees and charges		472,645	701,530	337,767
Interest received		10,134	60,500	55,981
Goods and services tax received		70,899	239,928	1,095,775
Other revenue		272,938	500	56,390
		8,758,675	4,740,630	12,038,204
Payments				
Employee costs		(1,314,582)	(1,458,351)	(1,381,193)
Materials and contracts		(2,537,822)	(2,399,276)	(10,251,054)
Finance costs		(27,790)	(11,740)	(567)
Insurance paid		(180,109)	(161,408)	(150,817)
Goods and services tax paid		-	(239,928)	(1,226,261)
Other expenditure		(121,519)	(208,900)	(192,333)
		(4,181,822)	(4,479,603)	(13,202,225)
Net cash provided by (used in) operating activities	16(b)	4,576,853	261,027	(1,164,021)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(528,372)	(1,142,639)	(1,124,074)
Payments for construction of infrastructure	9(a)	(3,309,267)	(3,987,926)	(2,621,373)
Non-operating grants, subsidies and contributions		1,716,695	1,587,350	1,563,591
Proceeds from financial assets at amortised cost		-	-	6,645,418
Net payments for financial assets at amortised cost		(3,422,952)	-	-
Proceeds from sale of property, plant & equipment	10(d)	5,455	47,000	-
Net cash provided by (used in) investing activities		(5,538,441)	(3,496,215)	4,463,562
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	30(a)	(85,623)	(139,382)	(1,137)
Proceeds from new borrowings	30(a)	2,000,000	2,750,000	-
Net cash provided by (used in) financing activities		1,914,377	2,610,618	(1,137)
Net increase (decrease) in cash held		952,789	(624,570)	3,298,404
Cash at beginning of year		8,156,910	7,949,651	4,858,506
Cash and cash equivalents at the end of the year	16(a)	9,109,699	7,325,081	8,156,910

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



5.2.1 - May 2023

Audit Committee Meeting

SHIRE OF MURCHISON RATE SETTING STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
NET CURRENT ASSETS - At start of financial year - surplus/(deficit)	29(b)	(17,596)	4,820	3,843,908
OPERATING ACTIVITIES				
Revenue from operating activities (excluding general rate)				
Operating grants, subsidies and contributions		6,843,572	3,514,494	10,053,330
Fees and charges		478,569	701,530	315,350
Interest earnings		10,134	60,500	55,981
Other revenue		272,938	500	56,390
Fair value adjustments to financial assets at fair value through profit or loss		999	-	647
		7,606,212	4,277,024	10,481,698
Expenditure from operating activities				
Employee costs		(1,411,298)	(1,458,351)	(1,433,390)
Materials and contracts		(1,791,490)	(2,399,276)	(10,739,810)
Depreciation		(3,653,752)	(3,680,437)	(3,360,980)
Finance costs		(27,790)	(11,740)	(567)
Insurance		(180,109)	(161,408)	(150,817)
Other expenditure		(121,519)	(208,900)	(192,333)
Loss on asset disposals	10(d)	(11,568)	(11,828)	-
Loss on revaluation of non-current assets		(1,925,144)	-	-
		(9,122,670)	(7,931,940)	(15,877,897)
Non-cash amounts excluded from operating activities	29(a)	5,673,805	3,692,265	3,407,360
Amount attributable to operating activities		4,157,347	37,349	(1,988,839)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,829,863	1,587,350	1,563,591
Proceeds from disposal of assets	10(d)	5,455	47,000	-
Purchase of property, plant and equipment	8(a)	(528,372)	(1,142,639)	(1,124,074)
Purchase and construction of infrastructure	9(a)	(3,309,267)	(3,987,926)	(2,621,373)
Amount attributable to investing activities		(2,002,321)	(3,496,215)	(2,181,856)
FINANCING ACTIVITIES				
Repayment of borrowings	30(a)	(85,623)	(139,382)	(1,137)
Proceeds from borrowings	30(a)	2,000,000	2,750,000	-
Transfers to reserves (restricted assets)	31	(3,187,468)	(1,653,800)	(567,063)
Transfers from reserves (restricted assets)	31	-	2,006,188	428,000
Amount attributable to financing activities		(1,273,091)	2,963,006	(140,200)
Surplus/(deficit) before imposition of general rates		864,339	(491,040)	(466,987)
Total amount raised from general rates	28(a)	538,967	532,000	449,391
Surplus/(deficit) after imposition of general rates	29(b)	1,403,306	40,960	(17,596)

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



SHIRE OF MURCHISON

INDEX OF NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

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

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

The local government reporting entity

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 23 of the financial report.

Judgements and estimates

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

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

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

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Rates	General rates.	Over time.	Payment dates adopted by Council during the year.	None.	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.	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared.
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government.	Over time.	Fixed terms transfer of funds based on agreed milestones and reporting.	Contract obligation if project not complete.	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared.
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment.	No obligations.	Not applicable.	Not applicable.	When assets are controlled.
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.	On payment and issue of the licence, registration or approval.
Other inspections	Regulatory Food, Health and Safety.	Single point in time.	Full payment prior to inspection.	None.	Revenue recognised after inspection event occurs.
Property hire and entry	Use of halls and facilities.	Single point in time.	In full in advance.	Refund if event cancelled within 7 days.	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.	Output method based on provision of service or completion of works.
Sale of stock	Roadhouse fuel & kiosk sales.	Single point in time.	In full in advance, on 15 day credit.	Refund for faulty goods.	Output method based on goods.
Commissions	Commissions on licencing and ticket sales.	Over time.	Payment in full on sale.	None.	When assets are controlled.
Reimbursements	Insurance claims.	Single point in time.	Payment in arrears for claimable event.	None.	When claim is agreed.

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

Revenue Recognition

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

For the year ended 30 June 2022

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	-	-	538,967	-	538,967
Operating grants, subsidies and contributions	6,843,572	-	-	-	6,843,572
Fees and charges	478,569	-	-	-	478,569
Interest earnings	-	-	5,481	4,653	10,134
Other revenue	272,938	-	-	-	272,938
Capital grants, subsidies and contributions	-	1,829,863	-	-	1,829,863
Total	7,595,079	1,829,863	544,448	4,653	9,974,043

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue Recognition (Continued)

For the year ended 30 June 2021

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	-	-	449,391	-	449,391
Operating grants, subsidies and contributions	10,053,330	-	-	-	10,053,330
Fees and charges	315,350	-	-	-	315,350
Interest earnings	-	-	13,201	42,780	55,981
Other revenue	56,390	-	-	-	56,390
Capital grants, subsidies and contributions	-	1,563,591	-	-	1,563,591
Total	10,425,070	1,563,591	462,592	42,780	12,494,033

Note	2022 Actual	2022 Budget	2021 Actual
Interest earnings			
Interest on reserve funds	4,563	39,500	30,006
Rates instalment and penalty interest (refer Note 28(f))	5,481	8,000	13,201
Other interest earnings	90	13,000	12,774
	10,134	60,500	55,981
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report	43,989	73,200	35,700
- Other services	6,500	-	-
	50,489	73,200	35,700
Finance costs			
Borrowings	25,441	11,740	567
Other	2,349	-	-
	27,790	11,740	567
Other expenditure			
Impairment losses on rates receivables	-	50,000	22,417
Sundry expenses	121,519	158,900	169,916
	121,519	208,900	192,333

3. CASH AND CASH EQUIVALENTS

Cash at bank and on hand
Term deposits
Total cash and cash equivalents

Held as
- Unrestricted cash and cash equivalents
- Restricted cash and cash equivalents

Note	2022	2021
	\$	\$
	9,109,699	4,737,612
	-	3,419,298
16(a)	9,109,699	8,156,910
	2,216,200	1,027,927
16(a)	6,893,499	7,128,983
	9,109,699	8,156,910

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

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

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

Restricted financial assets

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

Details of restrictions on financial assets can be found at Note 16.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Term deposits

Held as

- Restricted other financial assets at amortised cost

(a) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2022	2021
	\$	\$
	3,422,952	-
	3,422,952	-
	3,422,952	-
	3,422,952	-
16(a)	3,422,952	-
	3,422,952	-
	19,451	18,452
	19,451	18,452
	19,451	18,452
	19,451	18,452

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 26 (i)) due to the observable market rates.

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

Financial assets at fair value through profit 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 21.

5. TRADE AND OTHER RECEIVABLES

Current

	Note	2022 \$	2021 \$
Rates receivable		78,537	562,530
Trade and other receivables		1,517	67,512
GST receivable		59,587	130,486
Receivables for employee related provisions	14	4,016	-
Allowance for credit losses of trade and other receivables	21(b)	-	-
Allowance for credit losses of rates receivables	21(b)	(16,493)	(22,417)
		127,164	738,111

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 grants, contributions, reimbursements, and goods sold and services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

Impairment and risk exposure

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

	2022 \$	2021 \$
Fuel and materials	139,174	143,889
	139,174	143,889

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year	143,889	72,987
Additions to inventory	(970,678)	(487,206)
Balance at end of year	965,963	558,108
	139,174	143,889

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.

7. OTHER ASSETS

Other assets - current

Contract assets

2022	2021
\$	\$
182,020	-
182,020	-

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.

Contract assets

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

Impairment of assets associated with contracts with customers are detailed at note 2 (b).

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Note	Buildings and improvements	Furniture and equipment	Plant and equipment	Work in progress	Total property, plant and equipment
		\$	\$	\$	\$	\$
Balance at 1 July 2020		7,096,906	26,595	3,206,857	6,535	10,336,893
Additions		783,680	14,626	325,768	-	1,124,074
Prior year assets expensed					(6,535)	(6,535)
Depreciation	10(a)	(349,673)	(2,949)	(445,385)	-	(798,007)
Balance at 30 June 2021		7,530,913	38,272	3,087,240	-	10,656,425
Comprises:						
Gross balance amount at 30 June 2021		8,808,253	44,120	4,199,254	-	13,051,627
Accumulated depreciation at 30 June 2021		(1,277,340)	(5,848)	(1,112,014)	-	(2,395,202)
Balance at 30 June 2021		7,530,913	38,272	3,087,240	-	10,656,425
Additions		251,616	8,849	267,907	-	528,372
Disposals		-	-	(17,023)	-	(17,023)
Revaluation increments / (decrements) transferred to revaluation surplus		2,464,567	-	-	-	2,464,567
Depreciation	10(a)	(396,261)	(6,245)	(459,354)	-	(861,860)
Balance at 30 June 2022		9,850,835	40,876	2,878,770	-	12,770,481
Comprises:						
Gross balance amount at 30 June 2022		13,393,789	52,969	4,445,160	-	17,891,918
Accumulated depreciation at 30 June 2022		(3,542,954)	(12,093)	(1,566,390)	-	(5,121,437)
Balance at 30 June 2022		9,850,835	40,876	2,878,770	-	12,770,481

* Asset additions included additions received at substantially less than fair value:

During the year ended 30 June 2021	-	-	-	-	-	-
During the year ended 30 June 2022	-	-	-	-	-	-

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

5.2.1 - May 2023

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Buildings and improvements	3	Cost approach using depreciated replacement cost	Independent valuer	June 2022	Improvements to land using residual values and remaining useful life assessments inputs.
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.					
(ii) Cost					
Furniture and equipment		Cost	Cost		Purchase cost
Plant and equipment		Cost	Cost		Purchase cost

Audit Committee Meeting

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Note	Infrastructure - roads	Infrastructure - bridges	Total Infrastructure
		\$	\$	\$
Balance at 1 July 2020		68,286,794	3,891,526	72,178,320
Additions		2,621,373	-	2,621,373
Depreciation	10(a)	(2,511,768)	(51,205)	(2,562,973)
Balance at 30 June 2021		68,396,399	3,840,321	72,236,720
Comprises:				
Gross balance at 30 June 2021		93,799,385	4,096,342	97,895,727
Accumulated depreciation at 30 June 2021		(25,402,986)	(256,021)	(25,659,007)
Balance at 30 June 2021		68,396,399	3,840,321	72,236,720
Additions		3,309,267	-	3,309,267
Revaluation increments / (decrements) transferred to revaluation surplus		19,774,835	(59,215)	19,715,620
Revaluation (loss) / reversals transferred to profit or loss		-	(1,925,144)	(1,925,144)
Depreciation	10(a)	(2,740,689)	(51,203)	(2,791,892)
Balance at 30 June 2022		88,739,812	1,804,759	90,544,571
Comprises:				
Gross balance at 30 June 2022		129,306,253	4,658,230	133,964,483
Accumulated depreciation at 30 June 2022		(40,566,441)	(2,853,471)	(43,419,912)
Balance at 30 June 2022		88,739,812	1,804,759	90,544,571

* Asset additions included additions received at substantially less than fair value:

During the year ended 30 June 2021	-	-	-
During the year ended 30 June 2022	-	-	-

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5.2.1 - May 2023

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - roads		3	Cost approach using depreciated replacement cost	Management valuation	June 2022	Construction costs and current condition residual values and remaining useful life assessments.
Infrastructure - bridges		3	Cost approach using depreciated replacement cost	Management valuation	June 2022	Construction costs and current condition residual values and remaining useful life assessments.

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

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

Audit Committee Meeting

10. FIXED ASSETS

(a) Depreciation

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Buildings and improvements	8(a)	396,261	278,824	349,673
Furniture and equipment	8(a)	6,245	3,644	2,949
Plant and equipment	8(a)	459,354	559,438	445,385
Infrastructure - roads	9(a)	2,740,689	2,787,327	2,511,768
Infrastructure - bridges	9(a)	51,203	51,204	51,205
		3,653,752	3,680,437	3,360,980

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 & Improvements	7 to 90 years
Furniture and equipment	3 to 25 years
Plant and equipment	5 to 20 years
Sealed roads and streets	
formation	not depreciated
pavement	12 years
seal	10 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	45 years
Footpaths	10 years
Culverts	60 years
Signs	20 years
Stock Grids	80 years
Floodways	21 years
Water supply piping and drainage systems	75 years
Bridges	80 years

(b) Temporarily Idle or retired from use assets

The Shire did not hold any temporarily idle or retired assets not classified as for sale at balance date.

(c) Fully Depreciated Assets in Use

	2022 \$	2021 \$
The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown in the table below.		
Plant and equipment	78,000	-
	78,000	-

10. FIXED ASSETS (Continued)

(d) Disposals of assets

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss	2022 Budget Net Book Value	2022 Budget Sale Proceeds	2022 Budget Profit	2022 Budget Loss	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	17,023	5,455	-	(11,568)	58,828	47,000	-	(11,828)	-	-	-	-
	17,023	5,455	-	(11,568)	58,828	47,000	-	(11,828)	-	-	-	-

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
Plant and Equipment				
Recreation and culture				
Kubota Tractor Mower	17,023	5,455	-	(11,568)

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES**Fixed assets**

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

Initial recognition and measurement for assets held at cost

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

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

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

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

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

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

Revaluation

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

At the end of each period the carrying amount for each asset class is reviewed and where appropriate the fair value is updated to reflect current market conditions. 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.

Revaluation (continued)

For property, plant and equipment and infrastructure, 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. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

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

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

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

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

Depreciation on revaluation

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

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

Amortisation

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

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

11. TRADE AND OTHER PAYABLES**Current**

Sundry creditors
Prepaid rates
Accrued payroll liabilities
ATO liabilities
Bonds and deposits held
Accrued expenses

2022	2021
\$	\$
306,064	313,910
3,548	-
41,429	36,092
59,938	56,915
423,879	423,182
45,204	789,102
880,062	1,619,201

SIGNIFICANT ACCOUNTING POLICIES**Financial liabilities**

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

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

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

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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

12. OTHER LIABILITIES

Current

Capital grant/contributions liabilities

Reconciliation of changes in capital grant/contribution liabilities

Opening balance

Additions

Revenue from capital grant/contributions held as a liability at the start of the period

Expected satisfaction of capital grant/contribution liabilities

Less than 1 year

	2022	2021
	\$	\$
Capital grant/contributions liabilities	377,174	308,322
	377,174	308,322
Opening balance	308,322	-
Additions	377,174	308,322
Revenue from capital grant/contributions held as a liability at the start of the period	(308,322)	-
	377,174	308,322
Expected satisfaction of capital grant/contribution liabilities		
Less than 1 year	377,174	308,322
	377,174	308,322

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

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

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

Capital grant/contribution liabilities

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

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 26(i)) due to the unobservable inputs, including own credit risk.

13. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Bank loans		193,898	1,736,658	1,930,556	1,176	15,002	16,178
Total secured borrowings	30(a)	193,898	1,736,657	1,930,555	1,176	15,002	16,178

Secured liabilities and assets pledged as security

Bank loans are secured by a floating charge over the assets of the Shire of Murchison.

The Shire of Murchison has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 years.

SIGNIFICANT ACCOUNTING POLICIES**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.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature. Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 26(i)) due to the unobservable inputs, including own credit risk.

Risk

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

Details of individual borrowings required by regulations are provided at Note 30(a).

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

Annual Leave

Long Service Leave

Non-current provisions

Long Service Leave

	2022	2021
	\$	\$
Annual Leave	162,037	116,351
Long Service Leave	25,738	18,132
	187,775	134,483
Long Service Leave	92,425	57,361
	92,425	57,361
	280,200	191,844

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

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

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Note	2022	2021
	\$	\$
Less than 12 months after the reporting date	187,775	49,217
More than 12 months from reporting date	92,425	142,627
	280,200	191,844

Expected reimbursements of employee related provisions from other WA local governments included within other receivables

5

(4,016)

-

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

SHIRE OF MURCHISON
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15. REVALUATION SURPLUS

5.2.1 - May 2023

	2022 Opening Balance	2022 Revaluation Increment	2022 Revaluation (Decrement)	Total Movement on Revaluation	2022 Closing Balance	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance
Revaluation surplus - Buildings and improvements	\$ 5,397,026	\$ 2,464,567	\$ -	\$ 2,464,567	\$ 7,861,593	\$ 5,397,026	\$ -	\$ -	\$ -	\$ 5,397,026
Revaluation surplus - Infrastructure - roads	51,778,640	19,774,835	-	19,774,835	71,553,475	51,778,640	-	-	-	51,778,640
Revaluation surplus - Infrastructure - bridges	59,215	-	(59,215)	(59,215)	-	59,215	-	-	-	59,215
	57,234,881	22,239,402	(59,215)	22,180,187	79,415,068	57,234,881	-	-	-	57,234,881

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.

Audit Committee Meeting

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	9,109,699	7,325,081	8,156,910
Restrictions				
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:				
- Cash and cash equivalents	3	6,893,499	6,776,595	7,128,983
- Financial assets at amortised cost	4	3,422,952	-	-
		10,316,451	6,776,595	7,128,983
The restricted financial assets are a result of the following specific purposes to which the assets may be used:				
Restricted reserve accounts	31	10,316,451	6,776,595	7,128,983
Total restricted financial assets		10,316,451	6,776,595	7,128,983

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

Net result		852,372	(1,535,566)	(3,383,217)
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit and loss		(999)	-	(647)
Depreciation/amortisation		3,653,752	3,680,437	3,360,980
(Profit)/loss on sale of asset		11,568	11,828	-
Loss on revaluation of fixed assets		1,925,144	-	-
Prior year work in progress expensed		-	-	6,535
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		610,947	-	(426,821)
(Increase)/decrease in other assets		(182,020)	-	-
(Increase)/decrease in inventories		4,715	-	(70,902)
Increase/(decrease) in trade and other payables		(739,139)	-	564,828
Increase/(decrease) in employee related provisions		88,356	-	40,492
Increase/(decrease) in other liabilities		68,852	(308,322)	308,322
Non-operating grants, subsidies and contributions		(1,716,695)	(1,587,350)	(1,563,591)
Net cash provided by/(used in) operating activities		4,576,853	261,027	(1,164,021)

(c) Undrawn Borrowing Facilities Credit Standby Arrangements

Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	-	-
Credit card limit	5,000	5,000
Credit card balance at balance date	(1,566)	(1,303)
Total amount of credit unused	1,003,434	1,003,697

Loan facilities

Loan facilities - current	193,898	1,176
Loan facilities - non-current	1,736,657	15,002
Total facilities in use at balance date	1,930,555	16,178

Unused loan facilities at balance date

NIL

NIL

17. CONTINGENT LIABILITIES

The Shire of Murchison was in compliance with the *Contaminated Sites Act 2003* section 11 listed sites to be possible sources of contamination

- Murchison settlement tip; and
- Murchison works depot

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and degree with the Department of Water and Environmental Regulation (DWER), the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potential contaminated sites.

The Shire is continuing to monitor the sites and will progressively undertake site investigations and remediation on a risk based approach.

18. CAPITAL COMMITMENTS

	2022	2021
	\$	\$
Contracted for:		
- capital expenditure projects	201,780	105,461
- plant & equipment purchases	59,666	38,485
	261,446	143,946
Payable:		
- not later than one year	261,446	143,946

19. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cr. Roscco Foulkes-Taylor			
President's annual allowance	12,032	13,000	12,032
Meeting attendance fees	13,824	10,000	9,870
Other expenses	-	1,667	385
Annual allowance for ICT expenses	1,165	1,084	874
Travel and accommodation expenses	4,920	5,500	2,110
	31,941	31,251	25,271
Cr. Andrew Whitmarsh			
Deputy President's annual allowance	5,015	5,500	5,015
Meeting attendance fees	9,504	10,000	9,870
Other expenses	-	1,667	385
Annual allowance for ICT expenses	1,165	1,083	1,165
Travel and accommodation expenses	2,222	5,500	1,616
	17,906	23,750	18,051
Cr. Emma Foulkes-Taylor			
Meeting attendance fees	9,504	10,000	9,870
Other expenses	-	1,667	385
Annual allowance for ICT expenses	1,165	1,083	1,165
Travel and accommodation expenses	5,939	4,750	4,033
	16,608	17,500	15,453
Cr. Quentin Fowler			
Meeting attendance fees	9,504	10,000	9,870
Other expenses	-	1,667	385
Annual allowance for ICT expenses	1,165	1,083	1,165
Travel and accommodation expenses	762	4,750	2,131
	11,431	17,500	13,551
Cr. Greydon Mead			
Meeting attendance fees	7,920	10,000	9,870
Other expenses	-	1,666	385
Annual allowance for ICT expenses	1,165	1,083	1,165
Travel and accommodation expenses	2,085	4,750	2,085
	11,170	17,499	13,505
Cr. Paul Squires			
Meeting attendance fees	2,376	10,000	9,870
Other expenses	-	1,666	385
Annual allowance for ICT expenses	291	1,084	874
Travel and accommodation expenses	374	4,750	499
	3,041	17,500	11,628
Cr. Michelle Fowler			
Meeting attendance fees	7,128	-	-
Annual allowance for ICT expenses	874	-	-
Travel and accommodation expenses	291	-	-
	8,293	-	-
	100,390	125,000	97,459
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
	2022 Actual \$	2022 Budget \$	2021 Actual \$
President's annual allowance	12,032	13,000	12,032
Deputy President's annual allowance	5,015	5,500	5,015
Meeting attendance fees	59,760	60,000	59,220
Other expenses	-	10,000	2,310
Annual allowance for ICT expenses	6,990	6,500	6,408
Travel and accommodation expenses	16,593	30,000	12,474
19(b)	100,390	125,000	97,459

19. RELATED PARTY TRANSACTIONS**(b) Key Management Personnel (KMP) Compensation**

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

	2022 Actual	2021 Actual
	\$	\$
Short-term employee benefits	409,473	368,245
Post-employment benefits	45,065	48,956
Employee - other long-term benefits	11,339	2,590
Council member costs	100,390	97,459
19(a)	566,267	517,250

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Council member costs

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

(c) Transactions with related parties

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

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

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

	2022 Actual	2021 Actual
	\$	\$
Purchase of goods and services	759,373	4,631,635
Amounts payable to related parties:		
Trade and other payables	52,223	9,914
- Elected members	80	24,714

(d) Related Parties**The Shire's main related parties are as follows:***i. Key management personnel*

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

ii. Other Related Parties

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

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

iii. 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.

20. JOINT ARRANGEMENTS

Share of joint operations

The Shire of Murchison has participated in a joint arrangement with the Department of Housing for the construction of eight units in the Murchison Settlement. The provision of housing aims to provide accommodation for Shire employees. The Shire of Murchison has a 15.69% interest in one unit and 0% in the remaining seven units. All revenue and expenses as well as liabilities of the joint arrangement are recognised in the relevant financial statements of council.

Statement of Financial Position

	2022 Actual	2021 Actual
	\$	\$
Buildings	96,273	59,787
Less: Accumulated depreciation	(22,049)	(13,896)
Total assets	74,224	45,891
Total equity	74,224	45,891

SIGNIFICANT ACCOUNTING POLICIES

Joint operations

A joint operation is a joint arrangement where the Shire has joint control with another party to the joint arrangement. All parties to joint arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

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

21. FINANCIAL RISK MANAGEMENT

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

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

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

Financial risk management is carried out by the finance 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, term deposits, and Treasury bonds held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2022					
Cash and cash equivalents	0.02%	9,109,699	-	9,109,199	500
Financial assets at amortised cost - term deposits	0.07%	3,422,952	3,422,952	-	-
2021					
Cash and cash equivalents	0.03%	8,156,910	3,419,298	4,737,112	500

Sensitivity

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

	2022	2021
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	91,092	47,371

* 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 30(a).

21. 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. The Shire is able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

The Shire 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 2021 or 1 July 2022 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.

The loss allowance as at 30 June 2022 and 30 June 2021 for rates receivable was determined as follows:

	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total	Note
30 June 2022						
Rates receivable						
Expected credit loss	0.07%	23.12%	23.33%	15.19%		
Gross carrying amount	780	47,599	11,121	19,037	78,537	
Loss allowance	1	11,005	2,595	2,892	16,493	5
30 June 2021						
Rates receivable						
Expected credit loss	0.00%	18.76%	4.91%	0.00%		
Gross carrying amount	433,954	117,396	7,939	3,241	562,530	
Loss allowance	-	22,027	390	-	22,417	5

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Less than 1 year past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total	
30 June 2022						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	220	400	0	897	1,517	
Loss allowance	-	-	-	-	-	5
30 June 2021						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	64,138	-	100	3,274	67,512	
Loss allowance	-	-	-	-	-	5

21. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

	Rates receivable		Trade and other receivables		Contract Assets	
	2022 Actual	2021 Actual	2022 Actual	2021 Actual	2022 Actual	2021 Actual
Opening loss allowance as at 1 July	\$ 22,417	\$ -	\$ -	\$ -	\$ -	\$ -
Increase in loss allowance recognised in profit or loss during the year	-	22,417	-	-	-	-
Unused amount reversed	(5,924)	-	-	-	-	-
Closing loss allowance at 30 June	16,493	22,417	-	-	-	-

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

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

Contract Assets

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

21. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 16(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2022</u>					
Trade and other payables	880,062	-	-	880,062	880,062
Borrowings	222,460	1,108,040	777,333	2,107,833	1,930,555
Contract liabilities	377,174	-	-	377,174	377,174
	1,479,696	1,108,040	777,333	3,365,069	3,187,791
<u>2021</u>					
Trade and other payables	1,619,201	-	-	1,619,201	1,619,201
Borrowings	1,705	8,524	9,376	19,605	16,178
Contract liabilities	308,322	-	-	308,322	308,322
	1,929,228	8,524	9,376	1,947,128	1,943,701

22. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Shire.

23. TRUST FUNDS

The Shire did not have any funds held at balance date over which it has no control.

24. MAJOR LAND TRANSACTIONS

The Shire did not have any major land transactions during the financial year.

25. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire was not involved in any trading undertakings or major trading undertakings during the financial year.

26. 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) Interest earnings

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

In accordance with Australian Accounting Standards the Shire's 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 regularity 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.

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

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
- AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

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

27. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

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

Objective

Description

Governance

To provide the decision-making framework to facilitate allocation of limited resources.

Administration and operation of facilities and services to members of Council. Other costs that relate to the task of assisting elected members and electors on matters which do not concern specific Council 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 and environmentally conscious community.

Supervision of various by-laws, fire prevention and animal control.

Health

To provide an operational framework for environmental and community health.

Monitor health control standards within the community, provide support and assistance with airstrips to enable all residents access to the Royal Flying Doctor for regular and emergency health services.

Education and welfare

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

Support of education facilities within the Shire and of any external resources necessary to assist with education programmes for all residents.

Housing

To provide and maintain staff housing.

Provision and maintenance of staff housing.

Community amenities

To provide services required by the community.

Maintain a refuse site for the settlement.

Recreation and culture

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

Provide a library and museum and operation thereof. Maintain recreation centre, sports field, parks, gardens and other recreational facilities.

Transport

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

Construction and maintenance of roads, drainage works and traffic signs. Maintenance of the settlement airstrip.

Economic services

To help promote the Shire and its economic wellbeing.

Building control, provision of power and water supplies. Supply and maintenance of television re-broadcasting installation. Provision of radio communication. Maintenance of caravan park. Vermin control and area promotion.

Other property and services

To monitor and control Shires overheads operating account.

Private works operations, plant repairs and operation costs.

27. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2022 Actual \$	2022 Budget \$	2021 Actual \$
Income excluding grants, subsidies and contributions			
Governance	25,954	7,000	13,375
General purpose funding	550,774	593,000	505,371
Law, order, public safety	-	500	50
Community amenities	85	-	270
Recreation and culture	6,139	2,150	7,561
Transport	863	-	62
Economic services	684,816	691,880	341,889
Other property and services	32,976	-	9,181
	1,301,607	1,294,530	877,759
Grants, subsidies and contributions			
Governance	4,444	5,000	-
General purpose funding	5,165,980	1,970,000	3,757,609
Law, order, public safety	12,793	21,500	27,638
Education and welfare	2,500	-	-
Community amenities	-	300	-
Recreation and culture	22,240	5,460	-
Transport	3,229,214	2,999,284	7,728,509
Economic services	90,449	300	-
Other property and services	145,815	100,000	103,165
	8,673,435	5,101,844	11,616,921
Total Income	9,975,042	6,396,374	12,494,680
Expenses			
Governance	(678,186)	(715,413)	(564,439)
General purpose funding	(35,928)	(89,319)	(54,704)
Law, order, public safety	(110,124)	(95,057)	(108,119)
Health	(44,085)	(56,962)	(43,314)
Education and welfare	(2,064)	(1,200)	(1,000)
Housing	(101,448)	(84,329)	-
Community amenities	(134,943)	(149,805)	(150,654)
Recreation and culture	(273,053)	(312,067)	(270,893)
Transport	(5,878,176)	(5,033,343)	(13,708,686)
Economic services	(1,670,372)	(1,377,082)	(967,554)
Other property and services	(194,291)	(17,363)	(8,534)
Total expenses	(9,122,670)	(7,931,940)	(15,877,897)
Net result for the period	852,372	(1,535,566)	(3,383,217)

27. FUNCTION AND ACTIVITY (Continued)

(c) Fees and Charges

General purpose funding
 Governance
 Law, order, public safety
 Community amenities
 Recreation and culture
 Economic services

2022 Actual	2022 Budget	2021 Actual
\$	\$	\$
1,345	-	-
13,295	7,000	9,506
-	500	50
85	-	270
370	2,150	3,361
463,474	691,880	302,163
478,569	701,530	315,350

(d) Total Assets

Governance
 General purpose funding
 Law, order, public safety
 Health
 Housing
 Community amenities
 Recreation and culture
 Transport
 Economic services
 Other property and services
 Unallocated

2022	2021
\$	\$
1,818,024	1,585,295
5,665,736	1,698,526
100,518	87,216
39,750	8,193
1,999,970	2,012,623
109,685	67,026
1,580,034	1,006,186
102,077,609	80,465,341
2,787,556	1,940,300
136,630	3,079,155
-	646
116,315,512	91,950,507

28. RATING INFORMATION (Continued)

(c) Specified Area Rate

The Shire did not raise any specified area rates for the year ended 30th June 2022.

(d) Service Charges

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

The Shire did not grant any discounts or incentives, concessions or write-offs for the year ended 30th June 2022.

(f) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	15/10/2021	-	0.00%	7.00%
Option Two				
First instalment				
Second instalment				
Option Three				
First instalment	15/10/2021	-	0.00%	7.00%
Second instalment	17/12/2021	11.0	0.00%	7.00%
Third instalment	18/02/2022	11.0	0.00%	7.00%
Fourth instalment	18/04/2022	11.0	0.00%	7.00%

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Interest on unpaid rates	5,481	8,000	13,201
Charges on instalment plan	-	500	-
	5,481	8,500	13,201

29. RATE SETTING STATEMENT INFORMATION

		2021/22 Budget	2021/22 Brought Forward	2020/21 Carried Forward
	2021/22 (30 June 2022 Carried Forward)	(30 June 2022 Carried Forward)	(1 July 2021 Brought Forward)	(30 June 2021 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: Movement in liabilities associated with restricted cash	53,292	-	49,217	49,217
Less: Movement in receivables for employee related provisions	(4,016)			
Less: Fair value adjustments to financial assets at fair value through profit and loss	(999)	-	(647)	(647)
Add: Loss on disposal of assets	11,568	11,828	-	-
Add: Loss on revaluation of fixed assets	9(a) 1,925,144	-	-	-
Add: Prior year work in progress expensed	-	-	6,535	6,535
Add: Depreciation	10(a) 3,653,752	3,680,437	3,360,980	3,360,980
Non-cash movements in non-current assets and liabilities:				
Employee benefit provisions	35,064	-	(8,725)	(8,725)
Non-cash amounts excluded from operating activities	5,673,805	3,692,265	3,407,360	3,407,360
(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: Reserve accounts	31 (10,316,451)	(6,776,595)	(7,128,983)	(7,128,983)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	13 193,898	2,613,009	1,176	1,176
- Employee benefit provisions	183,759	134,483	134,483	134,483
Total adjustments to net current assets	(9,938,794)	(4,029,103)	(6,993,324)	(6,993,324)
Net current assets used in the Rate Setting Statement				
Total current assets	12,981,009	8,231,266	9,038,910	9,038,910
Less: Total current liabilities	(1,638,909)	(4,161,203)	(2,063,182)	(2,063,182)
Less: Total adjustments to net current assets	(9,938,794)	(4,029,103)	(6,993,324)	(6,993,324)
Net current assets used in the Rate Setting Statement	1,403,306	40,960	(17,596)	(17,596)

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

30. BORROWING

(a) Borrowings

Purpose	Note	Loan Number	Institution*	Interest Rate	Principal at 1 July 2020		New Loans During 2020-21	Principal Repayments During 2020-21		Actual Interest Expense During 2020-21		Principal at 30 June 2021		Actual Interest Repayments During 2020-21		Principal at 30 June 2022	
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant		1	WATC	3.30%	17,315	-	-	(1,137)	-	567	-	16,178	-	(567)	-	15,611	-
Roadworks in 2020-21		2	WATC	1.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
MicroGrid power		3	WATC	1.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Borrowings					17,315	-	-	(1,137)	-	567	-	16,178	-	(567)	-	15,611	-
* WA Treasury Corporation																	

(b) New Borrowings - 2021/22

Particulars/Purpose	Institution*	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		2022 Budget		Actual Interest & Charges	
					\$	\$	\$	\$	\$	\$	\$	\$
Roadworks in 2020-21	WATC	Semi Annual Compounding	10	1.00%	2,000,000	2,000,000	(2,000,000)	(2,000,000)	(2,000,000)	(750,000)	199,033	-
MicroGrid power	WATC				-	-	-	-	-	-	-	-
Total					2,000,000	2,000,000	(2,000,000)	(2,000,000)	(2,000,000)	(750,000)	199,033	-

(c) Unspent Borrowings

Particulars	Institution	Date Borrowed	Unspent Balance		Expended During Year		Unspent Balance 30 June 2022	
			\$	\$	\$	\$	\$	\$
Roadworks in 2020-21	WATC	28/10/2021	-	-	2,000,000	(2,000,000)	-	-

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

31. RESERVE ACCOUNTS

	2022 Actual		2022 Actual		2022 Actual		2022 Budget		2022 Budget		2022 Budget		2021 Actual		2021 Actual		2021 Actual	
	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Restricted council																		
(a) Leave reserve	139,088	59	-	139,147	139,088	25,700	-	164,788	138,380	708	-	139,088	138,380	708	-	139,088	138,380	
(b) Plant replacement reserve	1,372,757	1	-	1,372,758	1,372,757	300,000	(478,000)	1,194,757	1,433,553	51,204	(112,000)	1,372,757	1,433,553	51,204	(112,000)	1,372,757	1,433,553	
(c) Building reserve	499,422	213	-	499,635	499,422	2,700	(11,000)	491,122	512,797	2,625	(16,000)	499,422	512,797	2,625	(16,000)	499,422	512,797	
(d) Beringarra-Cue road reserve	3,454,306	3,618	-	3,457,924	3,454,306	24,000	(767,188)	2,711,118	3,430,426	23,880	-	3,454,306	3,430,426	23,880	-	3,454,306	3,430,426	
(e) CSIRO Beringarra-Pindar road reserve	175,949	75	-	176,024	175,949	900	-	176,849	175,053	896	-	175,949	175,053	896	-	175,949	175,053	
(f) Flood damage repairs reserve	105,969	-	-	105,969	105,969	500	-	106,469	255,503	466	(150,000)	105,969	255,503	466	(150,000)	105,969	255,503	
(g) Settlement buildings and facilities reserve	522,634	223	-	522,857	522,634	1,300,000	(350,000)	1,472,634	669,208	3,426	(150,000)	522,634	669,208	3,426	(150,000)	522,634	669,208	
(h) Asset rehabilitation reserve	858,858	54	-	858,912	858,858	-	(400,000)	458,858	375,000	483,858	-	858,858	375,000	483,858	-	858,858	375,000	
(i) Grants Commission reserve	-	3,183,225	-	3,183,225	-	-	-	-	-	-	-	-	-	-	-	-	-	
	7,128,983	3,187,468	-	10,316,451	7,128,983	1,653,800	(2,006,188)	6,776,595	6,989,920	567,063	(428,000)	7,128,983	6,989,920	567,063	(428,000)	7,128,983	6,989,920	

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:

Anticipated date of use		Purpose of the reserve	
(a) Leave reserve	Ongoing	To be used to fund annual and long service leave requirements.	
(b) Plant replacement reserve	Ongoing	To be used for the purchase of plant.	
(c) Building reserve	Ongoing	To be used for the construction / renovation of administration centre and Works Depot.	
(d) Beringarra-Cue road reserve	Ongoing	To be used to maintain the road in a post Jack Hills mine closure environment by converting the road from bitumen to gravel and performing other associated works as required.	
(e) CSIRO Berrigarra-Pindar road reserve	Ongoing	To be used to fund additional maintenance work required due to CSIRO traffic.	
(f) Flood damage repairs reserve	Ongoing	To be used towards the 'trigger point' for Western Australia Natural Disaster Relief funded flood damage works.	
(g) Settlement buildings and facilities reserve	Ongoing	To be used to fund improvements to and maintenance of settlement buildings and facilities as well as new facilities.	
(h) Asset rehabilitation reserve	Ongoing	To be used to fund works associated with rehabilitating Council's Infrastructure Assets	
(i) Grants Commission reserve	Ongoing	To ensure that any Grants Commission funds received are only applied to income and expenses in the financial year in which they apply.	



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Shire of Murchison

To the Councillors of the Shire of Murchison

Opinion

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

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, and 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.

In my opinion, the financial report:

- is based on proper accounts and records
- is presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period
- is 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 for the audit of the financial report section below.

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

Other information

The Chief Executive Officer (CEO) is responsible for the preparing and the Council for overseeing, the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

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

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

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

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

The Chief Executive Officer of the Shire is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Murchison for the year ended 30 June 2022 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.



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

**murchisonshire**

PO Box 61, Mullewa WA 6630
T | (08) 9963 7999 F | (08) 9963 7966
E | admin@murchison.wa.gov.au
ABN 63 002 218 762
murchison.wa.gov.au

11 May 2023

Our Ref: 2.1

Your Ref:

Paul Mulligan
Executive Director
Pitcher Partners BA&A Pty Ltd
Level 11
12-14 The Esplanade
PERTH WA 6000

Dear Paul,

REPRESENTATION LETTER IN RESPECT OF THE SHIRE OF MURCHISON'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

This representation letter is provided in connection with your audit of the Shire of Murchison's (the "Shire") annual financial report for the year ended 30 June 2022 (the "financial report") for the purpose of expressing an opinion as to whether the financial report is fairly presented in accordance with the *Local Government Act 1995* (the "Act"), the *Local Government (Financial Management) Regulations 1996* (the "Regulations") and, to the extent that they are not inconsistent with the Act and the Regulations, *Australian Accounting Standards*.

We submit the following representations for the year ended 30 June 2022 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

1. GENERAL

- (a) We have fulfilled our responsibilities for the preparation and fair presentation of the financial report in accordance with the Act, the Regulations and, to the extent that they are not inconsistent with the Act and the Regulations, *Australian Accounting Standards*.
- (b) We have advised you of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report.
- (d) The prior period comparative information in the financial report has not been restated.
- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.

- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- (g) We have provided you with:
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - (ii) Additional information that you have requested for the purpose of the audit.
 - (iii) Unrestricted access to staff and councillors of the Shire from whom you determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your attention and made available to them.
- (j) We have advised you of all known instances of non-compliance or suspected non-compliance with laws and regulations, and all known data or security breaches whose effects should be considered when preparing the financial report.
- (k) We have provided to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the Shire involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Othershave occurred to the knowledge of management of the Shire.
- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire's financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with *Australian Accounting Standards*.

2. FAIR VALUE MEASUREMENTS AND DISCLOSURES

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

3. GOING CONCERN

We confirm that the going concern basis of accounting is appropriate for the financial report.

4. CONTINGENT LIABILITIES

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.

6. FINANCIAL LIABILITY FOR CONTAMINATED SITES

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Shire that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

7. RELATED ENTITIES

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to the Auditor General if any of the Shire's functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided you with details of all related entities in existence at 30 June 2022.

8. RELATED PARTIES

We have disclosed to you the identity of the Shire's related parties, as defined in *Australian Accounting Standards*, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Shire's key

management personnel (“KMP”) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of *Australian Accounting Standards*.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

We confirm the Shire’s KMP have not received any other money, consideration or benefit (except amounts being reimbursements for out of pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

10. SUBSEQUENT EVENTS

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the Shire.

11. INTERNAL CONTROL

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

12. INSURANCE

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

13. RISK MANAGEMENT

We confirm that we have established and maintained a risk management framework that is appropriate to the Shire.

14. ACCOUNTING MISSTATEMENTS

There were no uncorrected misstatements.

15. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR’S REPORT

- (a) We acknowledge that we are responsible for the electronic presentation of the financial report.
- (b) We will ensure that the electronic version of the audited financial report and the auditor’s report presented on the Shire’s website is the same as the final signed versions of the audited financial report and the auditor’s report.
- (c) We have clearly differentiated between audited and unaudited information in the construction of Shire’s website and understand the risk of potential misrepresentation in the absence of appropriate controls.

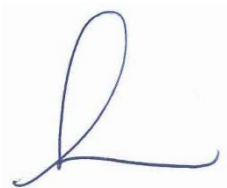
- (d) We have assessed the security controls over the audited financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the financial report is provided on the website, the financial report is also provided in full.

16. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.

17. INFRASTRUCTURE AND LAND AND BUILDING VALUATION STANDARDS APPLIED

We confirm that we have taken appropriate steps to ensure that the valuations performed by APV Valuers and Asset Management and Greenfield Technical Services on infrastructure and land and buildings were in accordance with Australian Accounting Standards and undertaken for financial reporting purposes.



Chief Executive Officer

NAME: Bill Boehm

11 May 2023
Date

SHIRE OF MURCHISON

PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Matters identified during the current year			
1. Cash at Bank – Bank Reconciliations for the Municipal bank account were not produced.		✓	
2. Revaluation of Infrastructure assets and Concrete Pathways	✓		
Matters outstanding from prior year			
3. Credit card – Lack of segregation of duties between approval and review.		✓	
4. Fixed assets – Monthly fixed asset reconciliations are not performed.		✓	
5. Lack of appropriate handover processes leading to high payables		✓	
6. Fees and charges – Incorrect fuel price recorded for two items sampled		✓	
7. Inventory – Lack of reconciliation performed		✓	

KEY TO RATINGS

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

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

SHIRE OF MURCHISON**PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****MATTERS NEWLY IDENTIFIED IN THE CURRENT YEAR AUDIT**

- 1. Cash at Bank – Bank Reconciliations for the Municipal bank account were not produced.**

Finding:

We note from our review of cash management controls that the bank reconciliations for the Municipal bank account were not duly reconciled and therefore not produced to us during the time of our audit visit.

Rating: Moderate**Implications:**

There is a risk of misstatement of cash and undetected misappropriation of cash. The incorrect performance of bank reconciliations presents increased uncertainty as to the reliability of accounting records.

Recommendation:

The performance of bank reconciliations is a core control in every business that helps ensure all completeness of accuracy off all transactions within the business. We recommend bank reconciliations to be performed weekly and reviewed, at a minimum, monthly by an appropriate person.

Management Comment

It is acknowledged that this was an issue for FY22. This was an issue with turnover of staff. Bank reconciliations have been brought up to date and are now prepared and reviewed monthly.

Responsible Person:

Financial Accountant

Completion Date:

March 2023

SHIRE OF MURCHISON**PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****2. Revaluation of infrastructure assets****Finding in 2022:**

The Shire engaged Greenfield Technical Services (Greenfield) to, among other things, fair value the Shire's infrastructure assets (roads & bridges) as well as the concrete pathway (part of the buildings and improvements). Greenfield provided their Update to the Shire's Fair Value Workbook as of June 2022 to the Shire in December 2022, which included their road asset valuation. In summary, the depreciated replacement cost of the Shire's infrastructure assets included within the Financial Statements for the year ended 30 June 2022 are \$90,544,571 and concrete pathway of \$13,902.

However, the Greenfield's valuation report does not state that it has been prepared:

- For the purposes of the Shire's statutory financial reporting requirements; and
- In accordance with Australian Accounting Standards.

However, there is documented evidence to show that the Shire has reviewed the report and associated values to determine if it is fit for the purpose and as such advised that they are comfortable with the value of the land, building and infrastructure assets as at 30 June 2022.

Rating: Significant**Implication:**

Risk of non-compliance with Section 17A (4) of the Local Government (Financial Management) Regulations 1996. Without a more robust assessment of fair value of the City's infrastructure assets there is a risk that the fair value of land, building and infrastructure assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*

Recommendation:

The Shire should:

- Engage the services of an Independent Valuer to prepare valuations of the Road, Bridges and Footpath assets;
- Ensure that instructions provided to valuers include a condition that the valuation must be appropriate for the Shire's statutory financial reporting requirements and in accordance with Australian Accounting Standards;
- Document its review of the valuation report to help ensure that it is fit for the purpose and that the inputs and values attributable to the respective road assets are fair and reasonable.

Management Comment

It is noted s documented evidence to show that the Shire has reviewed the report and associated values to determine if it is fit for the purpose and as such advised that they are comfortable with the value of the land, building and infrastructure assets as at 30 June 2022.

It is also to be noted that the 2022 Road Asset Management Summary Report was presented to Council at the November 2022 Council Meeting. In noting report Council was advised of the extensive amount of analysis work that underpinned the reports contents and that this was being utilised to inform Council's own local knowledge as part of a long-term asset management and financial plan.

SHIRE OF MURCHISON**PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

Amongst other things noted within the findings and rating that there has been a distortion of the perceive risk placed on Asset Valuation Work undertaken with respect to the quality and independence. Put simply a Significant Risk Rating cannot be supported by the evidence.

The following points are of note

- 1 The work done by Greenfields is not just independent of Council but as previously advised undertaken from a firm that is extremely and well-practiced and well respected by a large array of local governments and organisations such as Main Roads WA and with significant experience with respect to local and regional conditions and costs.*
- 2 The work undertaken is entirely robust and very detailed with extensive photographic evidence taken at around 30m intervals that was separately obtained to suit DFES Flood Damage requirements which are well above a normal Financial Asset Valuation brief.*
- 3 The CEO as a qualified Civil Engineer and Municipal Engineer with extensive years of experience has also separately reviewed all of the rates, quantities and assumptions and applied local cost analysis which indicates that the values derived are reasonable if a bit conservative and can be relied upon.*

It is acknowledged in the recommendation should ensure that instructions provided to valuers include a condition that the valuation must be appropriate for the Shire's statutory financial reporting requirements and in accordance with Australian Accounting Standards.

Whilst this instruction can be altered in the future there is nothing of any material nature with the work undertaken in the roads footpaths and bridges valuation report that would support the conclusion that the inputs and values attributable to the respective road assets are in anyway not fair and reasonable. This outcome has been achieved

Responsible Person:

Chief Executive Officer

Completion Date:

To be included in the next formal valuation update at which time further updated and reviewed data will have been provided.

SHIRE OF MURCHISON**PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****MATTERS UNRESOLVED FROM THE PRIOR YEAR AUDIT****3. Credit card – Lack of segregation of duties between approval and review****Update FY 2022**

As per discussions with management, the Shire still does not have appropriate staff members who are sufficiently ranked to review the CEO's expenditure. We have been informed that some discussions are ongoing with RSM in order to establish a process that can be put in place for this matter.

Finding FY 2021

Audit procedures noted that the Shire's CEO is the sole holder of the Shire's credit card and the current process includes the CEO reviewing and authorising any credit card expenditure, with no dual authorisation control in place.

Rating: Moderate**Implication:**

Although no instances of inappropriate expenditure were noted as a result of audit procedures performed, the lack of segregation of duties for review and approval of credit card expenditure may lead to instances where inappropriate expenditure may not be identified.

Recommendation

The Shire should introduce a process for an appropriate person other than the CEO to review and approve credit card expenditure.

Management Comment

Council Policy 4.1 Finance Operations updated on 23 September 2021 amongst other things requires "payments made with the CEO Credit Card. Credit Card payments are to be accompanied by supporting source documentation, including Tax Invoices. Details are to be revealed in the monthly payment list to Council and the Finance Manager is to sign off on the reconciliation each month."

The current process is that the CEO does review and authorising the credit card expenditure, having had the preparator work and also review work undertaken by other staff. The Shire's Financial Accountant (external services provider) has been delegated the task of a final oversight. Details of credit card transactions also form part of the Accounts Payables that are presented to Council each month.

Responsible Person:

Financial Accountant

Completion Date:

May 2023

SHIRE OF MURCHISON**PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****4. Fixed assets – Monthly fixed asset reconciliations are not performed****Update FY 2022**

As per discussions with management, we have noted that fixed assets reconciliation are still being prepared annually. Management should ensure that appropriate fixed asset reconciliations are performed on a timely basis with all variances addressed and that the fixed asset reconciliations are reviewed and approved by an appropriate person.

Finding FY 2021

Audit procedures noted that fixed asset reconciliations have not been prepared on a monthly basis throughout the year. The fixed asset reconciliations were only prepared once annually when the Acting Finance Manager was hired.

Furthermore, when the fixed asset reconciliations were prepared, there was no evidence as to who prepared the reconciliations and no evidence of independent review.

Rating: Moderate**Implication:**

A lack of regular preparation of fixed asset reconciliations increases the risk of variances not being appropriately addressed on a timely basis resulting in potential misstatements to the management accounts or financial statements.

Recommendation

Management should ensure that appropriate fixed asset reconciliations are performed on a timely basis with all variances addressed and that the fixed asset reconciliations are reviewed and approved by an appropriate person.

Management Comment

From 1 July 2023, fixed asset reconciliations are prepared and reviewed monthly by the Shire's external accounting services provider.

Responsible Person:

Financial Accountant

Completion Date:

May 2023

SHIRE OF MURCHISON**PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****5. Lack of appropriate handover processes leading to high payables****Update FY 2022**

This matter was brought forward in the FY2021 audit and we have noted that this still seems to be an issue during our visit to the Shire for the FY2022 audit.

Finding FY 2021

Audit procedures noted that the former Deputy Chief Executive Officer (DCEO), who left the role during April 2021, was the only person with access to the MyGov system. Consequently, after April 2021, the Shire no longer had access to the MyGov system and was unable to pay their employees superannuation resulting in a high superannuation payable balance as at the year end.

Rating: Moderate**Implication:**

The superannuation payable balance outstanding at the year end represents nearly 7 months of superannuation unremitted to the relevant funds. Not only does this result in the Shire not meeting its legal obligations but has an impact of lost income for the employee as the unremitted super is not earning interest/gains in the individual fund.

Recommendation

Management should contact MyGov as soon as possible to enable access by another staff member to settle the outstanding superannuation payable.

Furthermore, management should implement a formal handover process to ensure that key processes can continue to operate effectively when an employee leaves the Shire.

Management Comment

This matter has been resolved in the 2023 financial year.

Responsible Person:

Chief Executive Officer

Completion Date:

May 2023

SHIRE OF MURCHISON**PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****6. Fees and charges – Incorrect fuel price recorded for two items sampled.****Update FY 2022**

As per testing performed in the FY 2022, there are still some issues with the fuel items being marked up at the wrong percentage. As well as a timing issue within the process of receiving the fuel and the changing the prices within the system. Management is trying to establish a better documentation process in order to show the lagging and timing issue.

Finding FY 2021

Audit procedures noted that for roadhouse fuel items, in accordance with the fees and charges schedule, fuel is obtained and sold at a markup of 15% on the highest purchase price.

For 2 samples out of the 22 tested an incorrect markup was applied. The fuel price was manually updated in Compact and a markup of 5% was applied for one item and 17% for another.

Rating: Moderate**Implication:**

Incorrect application of markup to fuel prices may result in reduced revenue from fuel operations.

Recommendation

Management should implement a process to review the mark up inputted into the Compact system to minimise human error and to ensure that fuel is priced in line with the approved Shire budget.

Management Comment

Markups to fuel pricing are adjusted when new fuel purchase invoices are received. It is acknowledged that there is sometime a lag in updating prices where staff are absent. The fees and charges schedule will be revised, and a formal procedure instituted, to reflect the practical limitations of implementing the policy with the Shire's remote location and limited resources.

Responsible Person:

Chief Executive Officer

Completion Date:

August 2023

SHIRE OF MURCHISON**PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****7. Inventory – Lack of reconciliation performed****Update FY 2022**

We have noted that although this issue was raised and addressed in the PY audit (FY2021), there seems to be months that reconciliations have been done incorrectly which may be as a result of the correction being made later in the financial year.

Finding FY 2021

Audit procedures noted that inventory levels are maintained manually using manual excel reports and that inventory reconciliations are not being performed monthly.

Rating: Moderate**Implication:**

A lack of regular preparation and review of inventory reconciliations increases the risk of variances not being appropriately addressed on a timely basis resulting in potential misstatements to the financial statements.

Recommendation

Management should ensure that appropriate inventory reconciliations are performed on a timely basis with all variances addressed and that the inventory reconciliations are reviewed and approved by an appropriate person.

Management Comment

The fuel reconciliation process has been revised. From 1 July 2022, fuel reconciliations are reviewed by the Shire's external accounting services provider on a monthly basis.

Responsible Person:

Financial Accountant

Completion Date:

July 2022