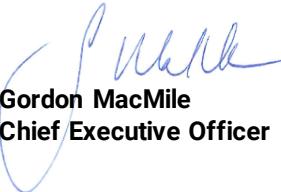




# Audit and Risk Committee

## NOTICE OF MEETING

A meeting of the Shire of Capel Audit and Risk Committee will be held in the Council Chambers, Forrest Road, Capel on Wednesday, 20 December 2023 commencing at 1.00pm.



Gordon MacMile  
Chief Executive Officer

# Agenda



# Acknowledgement of Country

We wish to acknowledge the traditional custodians of the land we are meeting on, the Wadandi people. We wish to acknowledge and respect their continuing connection to the land, waters and community.

We pay our respects to all members of the Aboriginal communities and their culture; and to Elders past and present, their descendants who are with us today, and those who will follow in their footsteps.

## Our Vision

*A Lifestyle of Choice; Connecting Community, Culture and Country.*

## Our Values



### H

#### Honesty

We are truthful, trustworthy and genuine in all that we say and do.



### E

#### Empathy

We are kind and show understanding of peoples circumstances, perspectives and differences.



### A

#### Accountability

We are transparent in all that we do, and stay true to our word by taking responsibility for our actions.



### R

#### Respect

We are respectful in all that we do, and all interactions we have, whilst being inclusive and mindful of differences.



### T

#### Teamwork

We are cooperative, collaborative and united while working towards common goals of our Shire.

## SHIRE OF CAPEL

# AGENDA

<b>1.</b>	<b>DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS</b>	<b>4</b>
<b>2.</b>	<b>RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE</b>	<b>5</b>
<b>3.</b>	<b>PUBLIC QUESTION TIME</b>	<b>5</b>
<b>4.</b>	<b>DISCLOSURE OF INTEREST</b>	<b>5</b>
<b>5.</b>	<b>CONFIRMATION OF PREVIOUS MINUTES</b>	<b>5</b>
5.1	Audit and Risk Committee Minutes – 28 June 2023	5
<b>6.</b>	<b>PETITIONS/DEPUTATIONS/PRESENTATIONS</b>	<b>5</b>
<b>7.</b>	<b>COMMUNITY AND CORPORATE REPORTS</b>	<b>6</b>
7.1	Audit and Risk Committee – Revised Terms of Reference .....	6
7.2	Appointment of Independent Member .....	12
7.3	Corporate Risk Register Quarterly Report .....	18
7.5	Quarterly Summary - Regulation 17 Internal Audit Progress Report .....	31
7.6	Final Financial Audit Results for the year ending 30 June 2023 .....	56
<b>8.</b>	<b>GENERAL BUSINESS</b>	<b>63</b>
<b>9.</b>	<b>MEETING CLOSURE</b>	<b>63</b>

## 1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

### Acknowledgement of Country

'We wish to acknowledge the traditional custodians of the land we are meeting on, the Wadandi people. We wish to acknowledge and respect their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their culture; and to Elders past and present, their descendants who are with us today, and those who will follow in their footsteps.'

### Election of chair

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- 5.12. Presiding members and deputies, election of (1) The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule –
- (a) to "office" were references to "office of presiding member"; and
  - (b) to "council" were references to "committee"; and
  - (c) to "councillors" were references to "committee members".

The *Local Government Act 1995* Schedule 2.3, Division 1, Section 4 indicates in part that:

1. The Council is to elect a Councillor to fill the office of President.
2. The election is to be conducted by the Chief Executive Officer in accordance with the procedures prescribed.
3. Nominations are to be given to the Chief Executive Officer in writing before the meeting or during the meeting before the close of nominations.
4. Nominations close at the meeting at a time announced by the Chief Executive Officer, which is sufficient time after the announcement by the Chief Executive Officer that nominations are about to close to allow for any nominations made to be dealt with.

Elected Committee Member to assume role of the Chair.

### Election of Deputy Chair

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- (2) The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2 as if the references in that Schedule –
- (a) to "office" were references to "office of deputy presiding member"; and
  - (b) to "council" were references to "committee"; and
  - (c) to "councillors" were references to "committee members"; and
  - (d) to "mayor or president" were references to "presiding member".

The *Local Government Act 1995* Schedule 2.3, Division 2, Section 8 indicates in part that:

- The Council is to elect a Councillor (other than the Mayor or President) to fill the office of Deputy President
- The election is to be conducted in accordance with the procedures prescribed by the Mayor or President, of if he or she is not present, by the Chief Executive Officer.

- Nominations are to be given to the person conducting the election in writing before the meeting or during the meeting before the close of nominations.
- Nominations close at the meeting at a time announced by the person conducting the election, which is sufficient time after the announcement by that person that nominations are about to close to allow for any nominations made to be dealt with.
- If a Councillor is nominated by another Councillor, the person conducting the election is not to accept the nomination, unless the nominee has advised the person conducting the election, orally or in writing, that he or she is willing to be nominated for the office.

**2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE**

**3. PUBLIC QUESTION TIME**

**4. DISCLOSURE OF INTEREST**

**5. CONFIRMATION OF PREVIOUS MINUTES**

**5.1 Audit and Risk Committee Minutes – 28 June 2023**

**Voting Requirements**

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Simple Majority

<b>Officer's Recommendation – 5.1</b>
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**That the Minutes of the Audit Committee meeting held on 28 June 2023 be confirmed as a true and correct record.**

**6. PETITIONS/DEPUTATIONS/PRESENTATIONS**

## 7. COMMUNITY AND CORPORATE REPORTS

### 7.1 Audit and Risk Committee – Revised Terms of Reference

<b>Author</b>	Strategic Governance & Risk Coordinator, T Shipley
<b>Authorising Officer</b>	Director Community and Corporate Services, Samantha Chamberlain
<b>Nature of the Decision</b>	Review
<b>Attachments</b>	7.1.1 Draft Terms of Reference – Tracked Changes 7.1.2 Draft Terms of Reference - Clean
<b>Confidential Status</b>	<i>This item is not a confidential matter.</i>

#### Proposal

Endorse and recommend to Council adopting the updated Audit and Risk Committee Terms of Reference.

#### Recommendation

That the Audit and Risk Committee:

1. Supports the updated Audit and Risk Committee Terms of Reference as per Attachment 7.1.1; and
2. Recommends that the Council adopts the Audit and Risk Committee Terms of Reference.

#### Background

Changes to the *Local Government Act* 1995 (the Act) in 2005 required that local governments establish an Audit Committee, and the delegation of powers and duties to this Committee was agreed to by Council at the meeting of 28 September 2005 (OC0926).

At the same meeting, the Council sought to establish the roles and responsibilities of the Committee. It was considered this would be best achieved by adopting a Terms of Reference. The adopted Terms were based on an Operational Guideline produced by the then Department of Local Government & Regional Development (the Department).

An amendment to the *Local Government (Audit) Regulations* 1996 gazetted on 8 February 2013 extended the role of the Audit Committee to include a regular review of the effectiveness of local government systems concerning:

- Risk management;
- Internal controls; and
- Legislative compliance.

The Department produced a revised and updated Operational Guideline 09 – Audit in Local Government in December 2013 and at its meeting on 16 July 2014 (OC0715), the Council approved an updated version of the Terms of Reference reflecting the expanded role of the Committee.

Further amendments to the Act passed by State Parliament in August 2017 enable the Auditor General to audit local government finances and performance. As a result, local governments are no longer able to appoint a person to be their auditor, previously a role assigned to the Audit Committee.

The changes to the Act were supported by subsequent amendments to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit) Regulations 1996* gazetted on Tuesday, 26 June 2018.

The last review of the Terms of Reference was endorsed by the Council at the 23 February 2022 Ordinary Meeting (OC034/2022). This included the provision of an Independent Member to be included on the Committee.

## Decision Framework

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### Shire of Capel Strategic Community Plan 2023 – 2033

Direction 4 – ‘*Deliver good leadership, governance and decision-making*’.

Community Outcomes:

- 4.1 Effective and compliant governance.
- 4.2 Informed and transparent decision making.

### Corporate Business Plan 2023 – 2027

GOV 27 – Review Committee Framework.

## Statutory Framework

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### State Framework

*Local Government Act 1995.*

#### 7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

#### 7.1B. Delegation of some powers and duties to audit committees

- (1) Despite section 5.16, the only powers, and duties that a local government may delegate\* to its audit committee are any of its powers and duties under this Part other than this power of delegation.

\* Absolute majority required.



## 16. Functions of audit committee

An audit committee has the following functions –

- (a) to guide and assist the local government in carrying out –
  - (i) its functions under Part 6 of the Act; and
  - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –
  - (i) report to the council the results of that review; and
  - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –
  - (i) regulation 17(1); and
  - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government –
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law

- 5.12. Presiding members and deputies, election of (1) The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule –
- (a) to "office" were references to "office of presiding member"; and
  - (b) to "council" were references to "committee"; and
  - (c) to "councillors" were references to "committee members".

The *Local Government Act 1995* Schedule 2.3, Division 1, Section 4 indicates in part that:

- 5. The Council is to elect a Councillor to fill the office of President.
- 6. The election is to be conducted by the Chief Executive Officer in accordance with the procedures prescribed.
- 7. Nominations are to be given to the Chief Executive Officer in writing before the meeting or during the meeting before the close of nominations.



8. Nominations close at the meeting at a time announced by the Chief Executive Officer, which is sufficient time after the announcement by the Chief Executive Officer that nominations are about to close to allow for any nominations made to be dealt with.

## Policy Framework

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Policy - Risk Management Framework.

## Implications

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### Risk Implications

Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Legislative Compliance  <b>Rating: Medium</b>	Possible	Moderate	Review of Terms of Reference.
<b>Risk Description:</b> Failure to keep the Audit and Risk Committee Terms of Reference up to date and legislatively compliant.			
<b>Opportunity:</b> To ensure legislative compliance and provide for an appropriately resourced and efficient committee.			

### Financial Implications

#### Budget

There are no financial implications relevant to this proposal.

#### Long Term

As no assets/infrastructure are being created, there are no long term financial implications relevant to this proposal.

#### Whole of life

There is no whole of life financial implications relevant to this proposal.

An effective Audit and Risk Committee supported by a robust Terms of Reference, provides scrutiny of the Shire's internal controls, management of risk and financial performance. This is essential for the sustainability and transparency of the Shire's fiscal position and its' assets.

## Consultation / Engagement

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### Internal Consultation

Consultation has been undertaken between the Strategic Governance and Risk Coordinator, Director Community and Corporate and the Chief Executive Officer.

### Officer's Comment

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The proposed Terms of Reference establishes the Committee's specific authority and delegated area of responsibility.

In accordance with specific legislative requirements, the Terms of Reference clearly details the Committee's:

1. Purpose.
2. Responsibility.
3. Membership.
4. Role of the Shire staff.
5. Committee member acknowledgement and acceptance of the agreed terms.

The benefit of having such a detailed Terms of Reference is to provide members with a key understanding of the scope, objectives, and operational processes of the committee in relation to the legislative requirements under the *Local Government Act 1995* and *Financial Management Act 1996*.

The revised Terms of Reference for the Audit and Risk Committee is simplified, concise and provides guidelines for matters that may need clarification outside of Local Government legislation.

Further changes have been recommended to remove the appointment of an Independent Member to be appointed as the Chair of the Committee. The recent changes to the *Local Government Act 1995* now require the Chair and Deputy Chair of a Committee to be appointed through an Election held by the Chief Executive Officer.

## Summary

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The proposed Terms of Reference provide the Audit and Risk Committee and the Council with a framework which is compliant with all legislative requirements and contemporary in its scope and sequence.

The Terms of Reference have been revised to improve accountability and transparency measures, whilst building confidence in the committee's ability to competently execute its duties in accordance with the statutory requirements.

## Voting Requirements

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Absolute majority.

<b>Officer's Recommendation – 7.1</b>
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**That the Audit and Risk Committee:**

- 1. Supports the updated Audit and Risk Committee Terms of Reference as per Attachment 7.1.1; and**
- 2. Recommends that the Council adopts the Audit and Risk Committee Terms of Reference.**

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## 7.2 Appointment of Independent Member

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<b>Author</b>	Strategic Governance & Risk Coordinator, T Shipley
<b>Authorising Officer</b>	Director Community and Corporate Services, Samantha Chamberlain
<b>Nature of the Decision</b>	Executive/Strategic
<b>Attachments</b>	7.2.1 CONFIDENTIAL - Cover Letter 7.2.2 CONFIDENTIAL - Curriculum Vitae
<b>Confidential Status</b>	<i>This item is not a confidential matter.</i>

### Proposal

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Present the application received for the Independent Member of the Audit and Risk Committee and consider recommending the candidate to the Council for appointment to the Committee.

### Officer's Recommendation

---

That the Audit and Risk Committee:

1. Support the appointment of Dr Kenneth Parker as an Independent Member of the Shire of Capel Audit and Risk Committee until the 18 October 2025 Local government Election.
2. Recommends the Council appoints Dr Kenneth Parker to the Shire of Capel Audit and Risk Committee for a period ending on the ordinary local government election day in October 2025.

### Background

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The Shire of Capel (the Shire) Audit and Risk Committee (the Committee) is a standing committee of the Council under the Local Government Act 1995 (the Act). At the 25 October 2023 Ordinary Council Meeting, five Councillors were appointed to the Committee, for a term ending on the 2025 Local Government election day.

Following the 2021 Election, the Audit and Risk Committee Terms of Reference were endorsed through Council to include the appointment of an Independent Member. Dr Kenneth Parker was appointed, with the appointment term ending at the 2023 Ordinary Election.

Applications for a new Independent Member to the committee were advertised to the public, through the recruitment website – seek.com.au, the Shire’s website and social media forums from 15 November to 30 November 2023, requesting applicants to demonstrate experience in any or all of the following:

Internal/external audit.

- Risk Management.
- Financial management/reporting.
- Understanding of complexities associated with the Shire.
- Strong links with the community.

Three applications were received from suitably qualified professionals.

### Previous Council Decisions

23 February 2022 – OC034/2022 – Adoption of the Audit and Risk Committee Terms of Reference.

29 June 2022 – AC006/2022 – The Audit and Risk Committee endorsed the Appointment of Dr Kenneth Parker and recommended to the Council to appointment to the Committee.

27 July 2022 – OC/2022/144 – Council’s appointment of Dr Kenneth Parker as an Independent Member of the Audit and Risk Committee.

### Decision Framework

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#### **Shire of Capel Strategic Community Plan 2023-2033**

Deliver good leadership, governance and decision-making.

4.1 Effective and compliant governance.

4.2 Informed and transparent decision making.

#### **Corporate Business Plan 2023-2027**

GOV 3 - Internal Audit.

### Statutory Framework

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#### **State Framework**

*Local Government Act 1995*

#### **7.1A. Audit committee**

(1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

(2) The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

\* *Absolute majority required.*

**7.1B. Delegation of some powers and duties to audit committees**

(1) Despite section 5.16, the only powers and duties that a local government may delegate\* to its audit committee are any of its powers and duties under this Part other than this power of delegation.

\* *Absolute majority required.*

(2) A delegation to an audit committee is not subject to section 5.17.

**5.17. Limits on delegation of powers and duties to certain committees**

(1) A local government can delegate —

(a) to a committee comprising council members only, any of the council's powers or duties under this Act

**5.11. Committee membership, tenure of**

(2) Where a person is appointed as a member of a committee other than under section 5.10(4) or (5), the person's membership of the committee continues until —

- (a) the term of the person's appointment as a committee member expires; or
- (b) the local government removes the person from the office of committee member or the office of committee member otherwise becomes vacant; or
- (c) the committee is disbanded; or
- (d) the next ordinary elections day, whichever happens first.

Local Government (Audit) Regulations 1996

**16. Functions of the Audit Committee**

Local Government (Administration) Regulations 1996

**14C. Attendance at meetings by electronic means may be authorised (Act s. 5.25(1)(ba))**

(2) A member of a council or committee may attend a meeting by electronic means —

(a) if —

- (i) a public health emergency or state of emergency exists or a natural disaster has occurred; and
- (ii) because of the public health emergency, state of emergency or natural disaster, the member is unable, or considers it inappropriate, to be present in person at the meeting; and
- (iii) the member is authorised to attend the meeting by electronic means by the mayor, president or council;

or

(b) if the member is otherwise authorised to attend the meeting by electronic means by the mayor, president or council.

## Policy Framework

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Code of Conduct for Council Members, Committee Members and Candidates.

Policies:

- Travel Expenses.
- Risk Management Framework.
- Legislative Compliance.
- Fraud and Corruption.
- Purchasing Policy.

## Implications

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### Risk Implications

Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Financial  <b>Rating:</b> Low	Unlikely	Minor	Interstate candidates not recommended.
<b>Risk Description:</b> Appointment of a committee member from interstate has financial risks relating to the provision of costs for flights to attend meetings.			
<b>Risk 2</b> Reputation  <b>Rating:</b> Low	Unlikely	Minor	Assessment of merit and relevant skills. Consideration of practical.
<b>Risk Description:</b> Applicants may feel aggrieved by the appointment or a failure to appoint an independent member.			
<b>Opportunity:</b> The appointment of an independent member provides the opportunity for an additional layer of transparency through independent oversight.			

### Financial Implications

#### Budget

The financial implications are minor and are limited to reimbursement of reasonable attendance costs under the Shire's Travel Expenses Policy.

#### Long Term

As no assets/infrastructure are being created, there are no long term financial implications relevant to this proposal.



## Sustainability Implications

Constant improvement to the Shire's internal systems and procedures is essential to the sound management of the Shire's governance framework. This facilitates consistent and equitable decision making, which is essential to create positive social, economic and environmental impacts in the community.

## Consultation/Engagement

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### External Consultation

External consultation was undertaken throughout the process with the candidates.

### Internal Consultation

The Chief Executive Officer, Director Community and Corporate and Strategic Governance and Risk Coordinator reviewed and assessed the applications based on the criteria in the position description and Terms of Reference.

## Officer Comment

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The appointment of an Independent Member to the Audit and Risk Committee is an opportunity to provide new skills, experience, and independent oversight to the committee, increasing transparency and strengthening corporate governance.

The Local Government Act section 7.1B(2) creates a specific exemption to the limit on the delegation of powers and duties to committees under section 5.17, providing for the appointment of independent members to the Audit and Risk Committee.

The recent Local Government Reform Package includes the appointment of Independent Members and Chairpersons at point 6.6 and this was supported by the Shire in its response to the proposed reforms (OC005/2022) and included in the Terms of Reference for the Audit and Risk Committee.

The Shire received three high quality applications from suitably qualified candidates.

Two of the three candidates reside interstate and the new amendments to the *Local Government Act 1995*, gives ability to attend by electronic means. However, in the instance where the Committee and/or the Independent Member requests for in-person the Shire would be liable for reimbursement of travel costs for meeting attendance i.e., Air fares.

The third candidate is local to the Southwest and exhibited extensive experience in the key areas of internal/external audit, risk management and financial management/reporting, as demonstrated in their application (Attachment 1).

For this reason, the third candidate has been identified as the most suitable applicant for the role of Independent Member and is recommended to the Audit and Risk Committee.

## Summary

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The appointment of an Independent Member to the Audit and Risk Committee provides an opportunity for the Shire to increase transparency and strengthen corporate governance.

The recommended candidate is suitably qualified and experienced for this position.

## Voting Requirements

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Simple majority.

<b>Officer's Recommendation – 7.2</b>
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**That the Audit and Risk Committee:**

- 1. Support the appointment of Dr Kenneth Parker as an Independent Member of the Shire of Capel Audit and Risk Committee until the 18 October 2025 Local government Election.**
- 2. Recommends the Council appoints Dr Kenneth Parker to the Shire of Capel Audit and Risk Committee for a period ending on the ordinary local government election day in October 2025.**

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### 7.3 Corporate Risk Register Quarterly Report

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**Author:** Strategic Governance and Risk Coordinator, T Shipley

**Senior Officer:** Director Community & Corporate, S Chamberlain

**Nature of the Decision** Legislative

**Attachments:** 7.3.1 Corporate Risk Register  
7.3.2 Risk Management Framework

#### Proposal

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Note and endorse the Shire's Corporate Risk Register and consider making a recommendation to the Council for considerations of risk mitigation treatments.

#### Officer's Recommendation

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That the Audit and Risk Committee recommends the Council endorse the following Corporate Risk Register Actions and the following recommendation:

- To consider the inclusion of an additional 1.00 FTE to be incorporated within the Shire of Capel's Workforce plan for the ongoing operational support to the organisation, for the purpose of staff recruitment and retention in relation to Risk 2 - Failure to recruit and retain the organisational workforce.

#### Background

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The Council adopted the Risk Management Framework at the Ordinary Meeting of the Council on 30 March 2022.

During the development of the Framework, the residual risk tolerances were not identified by the Shire at the time of adoption.

The Regulation 17 review has identified the need to report a Corporate Risk Register to the Audit and Risk Committee, however, given the Risk Tolerance component of the Risk Framework required further deliberation within the organisation, Officers have identified this as a priority before formal risk reporting should commence.

The Risk Tolerance Framework was adopted by the Audit and Risk Committee in February 2023.

#### Previous Decisions:

Audit Committee Meeting 23 February 2022 (AC004) – 'That the Audit and Risk Committee

1. Endorse the Risk Management Policy and Risk Management Framework as attached, and
2. Recommend that the Council adopt the Risk Management Policy and Risk Management Framework.'

Ordinary Council Meeting 30 March 2022 (OC056/2022):

‘That Council:

1. Notes recommendation AC004 of the Audit and Risk Committee at its Meeting held on 23 February 2022,
2. Revokes Shire Policy 2.28 Risk Management Framework, and
3. Adopts the Risk Management Policy and Risk Management Framework as attached.’

Audit and Risk Committee 28 June 2023 – The first report of the Corporate Risk Register.

## **Decision Framework**

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### **Shire of Capel Strategic Community Plan 2023 – 2033**

Direction 4 – ‘Deliver good leadership, governance, and decision-making.’

Community Outcomes:

- 4.1 Effective and compliant governance.
- 4.2 Informed and transparent decision making.

### **Corporate Business Plan 2023 – 2027**

GOV 8 – Risk Management Plan - Review the effectiveness of the Risk Management Framework and provide continuous training to the Council and employees.

## **Statutory Framework**

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### **State Framework**

*Local Government (Audit) Regulations 1996*

#### **17. CEO to review certain systems and procedures**

- (1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.
- (d) The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

The CEO is to report to the audit committee the results of that review.

## Policy Implications

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Policy 2.28 Risk Management Framework.

## Risk Implications

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Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Reputational  <b>Rating: High</b>	Possible	Major	The CEO is required to review the Local Government's systems and procedures in relation to risk management under the <i>Local Government (Audit) Regulations 1996</i> . Quarterly risk reporting will be brought to the Audit and Risk Committee.
<b>Risk Description:</b> Failure to identify the Shire's risks in an open and accountable way.			
<b>Risk 2</b> Legislative Compliance  <b>Rating: Medium</b>	Possible	Major	The CEO is required to review the Local Government's systems and procedures in relation to risk management under the <i>Local Government (Audit) Regulations 1996</i> . Quarterly risk reporting will be brought to the Audit and Risk Committee.
<b>Risk Description:</b> Failure to understand and meet legislative requirements.			
<b>Opportunity:</b> To meet requirements of risk reporting and provide the Audit and Risk Committee an opportunity to provide input and identify solutions to mitigate Shire risks.			

## Financial Implications

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### Budget

Budgetary impacts related to the resourcing of risk mitigation requirements have been incorporated through the 2023-27 Corporate Business Plan (year 3 build) and included in the 2023-24 Annual Budget preparation. The attached Risk Register also identifies the required mitigation strategies.

Until such time as the above mentioned documents have been endorsed through the Council, the costs associated with each identified risk cannot be confirmed and actioned.

The new recommendation to include an additional 1.00 FTE within the Organisational Development Team will be considered by the Council during the presentation of the Workforce Plan in April 2024 and subsequent inclusion in the 2024-25 Draft Annual Budget process.

## **Long Term**

As no assets/infrastructure are being created, there are no long-term financial implications relevant to this proposal.

## **Sustainability Implications**

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Effective identification, assessment, management, and mitigation of risks are essential for all aspects of strategic and operational sustainability of the Shire of Capel.

## **Consultation**

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### **External Consultation**

No external consultation is required.

### **Internal Consultation**

Consultation has been undertaken with some members of Shire's Management Team and Executive Management Team.

## **Comment**

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A Risk Register is a tool used in risk management to identify, assess, and track potential risks that may affect a project or organisation.

This report and the attached Corporate Risk Register is the second of the quarterly Corporate Risk Register reports to the Audit and Risk Committee.

The Corporate Risk Register is a live and evolving tool, so the quarterly reporting will provide Officers an opportunity to report to the Audit and Risk Committee, and the Council, on the progress of risk mitigation and identified risk related resource requirements.

The mitigations that are current or anticipated are sourced from the Shire's Corporate Business Plan (CBP) and business as usual actions. The risk reporting will help identify elements that may be missing or are not as effective as initially anticipated.

The request to consider an additional 1.00 FTE for the Organisational Development Team has been noted within the below comments - 'Risk 2', having identified the risk has increased from High to Extreme since the last review of this risk rating.

It is important to note there are several 'high' and 'extreme' residual risk ratings identified. The following commentary has been provided on these:

**Risk 2: Failure to recruit and retain the organisational workforce.****Change: High to Extreme Risk**

Reason: Local Government industry is unable to provide a competitive market based on the Local Government Award and Salary restrictions. The Shire of Capel being a band 3 Local Government, inhibits the Shire's opportunity to compete with larger surrounding LGs in relation remuneration and attraction packages.

Staff recruitment and retention remains an issue for the organisation, seeing staff attraction and retention not stabilise for some time. Some factors driving this instability remains out of the Shire's control but does put an increased and continual pressure on the Organisational Development Team to provide ongoing recruitment and retention support across the organisation, in a bid to develop new strategies to attract new talent to the organisation.

The turnover is due to industry challenges and external employee markets within recruitment (specifically technical based positions). Failure to recruit these roles has increased pressure on existing staff, partially resulting in a higher turnover rate.

The Executive Management Team have commenced a business performance and service level review to identify the Shire's key resourcing and performance gaps / challenges across the organisation. The outcomes from this review will inform key strategic documents such as the Workforce Plan, allowing Officers and Councillors to reach a conjoined opinion on the future resourcing requirements of the organisation.

However, following the recent review of the individual risks within the Risk Register, has identified the need for additional resourcing support within the Organisational Development Team to support staff recruitment and retention priorities.

**Risk 5: Failure to comply with new Statutory & Regulatory Requirements and provide good governance.****Change: No change to rating.**

Reason: The current changes in legislation require education to the community and organisation. All staff are required to comply with good governance. However, due to changes in legislation, with the current resourcing challenges, the ability to ensure the whole workforce is well trained in all aspects of good governance, continues to pose a challenge, especially if the workforce is transient.

This is anticipated to be reduced by the next Audit and Risk Committee Meeting, following the onboarding of additional resourcing within the Finance and Governance departments.



**Risk 7: Inadequate management of work, health and safety (WHS) requirements.****Change: Extreme to High Risk.**

Reason: Changes in legislation in the current requirements for robust work, health and safety practices has increased the opportunity for areas of non-compliance.

The risk has been lowered from an Extreme to High Risk based on the work undertaken by the Shire's Work Health and Safety Advisor, with the support of the Executive Management Team.

Increased understanding and work have commenced since the last Corporate Risk Report. The revised inductions for volunteers and contractors have provided the Shire with more confidence in the knowledge and abilities of those undertaking roles for the Shire.

Significant work with the staff has been undertaken to ensure understanding and compliance with the legislation.

There is still further work to commence relating to procedures and training. However, there has been substantial improvement.

**Risk 10: Failure to provide long term waste management services****Change: No change to rating.**

Reason: Waste management is a sector wide issue; current Southwest Waste facilities are reaching their capacity, and a long-term solution has not been identified. Additionally, current costs of waste services are increasing.

There are initiatives for Southwest Councils to work together to find solutions, such as the recent joint tendering process the Shire has been engaged in. However, there is yet to be a long-term solution to waste disposal and management.

Following the budget adoption for 2023-24, the requirement from Council to develop a Waste Strategy has been included within the CEO's Key Performance Indicators. This is proposed to be completed for April 2024, following the understanding and endorsement of the Strategy there should be more indication of future risk identification.

**Risk 11: Failure to provide sufficient Information Communication Technology (ICT) & Enterprise Resourcing Program (ERP) support.****Change: No change to rating.**

Reason: There are substantial costs associated with a new ERP system. Staff have been working on an extensive process to understand the Shire's technological requirements in a new ERP system. However, there are significant challenges to ensure a cost-effective and service-oriented final product that meets the needs of the community and the organisation now and into the future.

**Risk 12: Failure to provide emergency management and business continuity in a disaster.****Change: No change to rating – have amended likelihood from possible to unlikely.**

Reason: The risk is identified as high due to unpredictability of disasters and emergencies. The amendment of likelihood from possible to unlikely speaks to the Shire's risk of not mitigating and acting within a disaster. The lower likelihood was given as the Shire undertakes work through communication and the development of strategies and procedures.

Meetings between the Bush Fire Advisory Committee, Local Emergency Management Committee, Bush Fire Captains, Executive Management Team, and the Management Team provide an opportunity and forum to raise awareness for potential risks within this area.

There is still further work to be done in business continuity and community support to mitigate associated risks.

As stated earlier in the report; the attached Corporate Risk Register is the first iteration of this report and Officers welcome the Committee's feedback.

Future updates to the Corporate Risk Register will be presented to the Audit and Risk Committee meetings.

**Summary**

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The Audit and Risk Committee can consider the current identified risks on the Corporate Risk Register for future recommendations to the Council.

**Voting Requirements**

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Simple Majority.

**Officer's Recommendation – 7.3**

**That the Audit and Risk Committee recommends the Council endorse the following Corporate Risk Register Actions and the following new recommendation:**

- **To consider the inclusion of an additional 1.00 FTE to be incorporated within the Shire of Capel's Workforce plan for the ongoing operational support to the organisation, for the purpose of staff recruitment and retention in relation to Risk 2 - Failure to recruit and retain the organisational workforce.**

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## 7.4 Report on Risks 7 and 12 – Corporate Reporting

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<b>Author</b>	Strategic Governance and Risk Coordinator, Tahlia Shipley
<b>Authorising Officer</b>	Director of Community and Corporate, Samantha Chamberlain
<b>Nature of the Decision</b>	Executive/Strategic and Review
<b>Attachments</b>	Nil
<b>Confidential Status</b>	<i>This is not a confidential item.</i>

### Proposal

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Note the update and additional information relating to Risk's 7 and 12 of the Corporate Risk Register.

### Officer's Recommendation

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That the Audit and Risk Committee notes the commentary made within the report relating to 'Risk 7 Inadequate management of Work Health and Safety requirements' and 'Risk 12 Failure to provide emergency management' and requests the information be included within the Corporate Risk Report to the Council.

### Background

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Following the Audit and Risk Committee held on 28 June 2023 the decision of the Committee required for a report to be provided on the current risk for Risk's 7 and 12 from the Corporate Risk Register.

#### Previous Decisions:

Audit Committee Meeting 23 February 2022 (AC004) – The Audit Committee endorsed the Risk Management Policy and Risk Management Framework. Followed by the adoption through Council of the policy and Framework.

Audit and Risk Committee 28 June 2023 – The first report of the Corporate Risk Register.

At the 28 June 2023 Audit and Risk Committee Meeting a recommendation for the endorsement of the Corporate risk register and mitigations or the Corporate Business Plan and Annual Budget was considered through Council.

There was also an amendment made to include a report on Risk 7 Inadequate management of Work Health and Safety requirements and Risk 12 Failure to provide emergency management and business continuity in a disaster.

## **Decision Framework**

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### **Shire of Capel Strategic Community Plan 2023 – 2033**

Direction 4 – ‘Deliver good leadership, governance, and decision-making.’

Community Outcomes:

- 4.1 Effective and compliant governance.
- 4.2 Informed and transparent decision making.

### **Corporate Business Plan 2023 – 2027**

GOV 8 – Risk Management Plan - Review the effectiveness of the Risk Management Framework and provide continuous training to the Council and employees.

## **Statutory Framework**

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### **State Framework**

*Local Government (Audit) Regulations 1996*

#### **17. CEO to review certain systems and procedures**

- (2) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –
  - (e) risk management; and
  - (f) internal control; and
  - (g) legislative compliance.
  - (h) The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

The CEO is to report to the audit committee the results of that review

## **Policy Framework**

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The following Shire Policies apply:

Policy 2.28 Risk Management Framework.

## Implications

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### Risk Implications

Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Reputational Low	Unlikely	Minor	Providing a response and explanation on the previous reports relating to risks 7 and 12.
<b>Risk Description:</b> Failure to report on the requested items from the Committee.			
<b>Opportunity:</b> Compliant and informative reporting on risks relating to emergency management and disasters.			

### Financial Implications

#### Budget

There are no budgetary implications relating to this item. The Audit and Risk Committee may decide to include further budgetary implications through resourcing relating to these items. In this instance it would be recommended to include this through the Annual budget process.

#### Long Term

As no assets/infrastructure are being created, there are no long-term financial implications relevant to this proposal.

### Sustainability Implications

Effective identification, assessment, management, and mitigation of risks are essential for all aspects of strategic and operational sustainability of the Shire of Capel.

## Consultation/Engagement

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### External Consultation

No external consultation is required.

### Internal Consultation

Consultation has been undertaken with the Strategic Governance and Risk Coordinator, Emergency Service Coordinator, Organisational Development and Executive Management Team.

## Officer's Comment

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### **Risk 7: Inadequate management of work, health and safety (WHS) requirements.**

'The following reason has been provided in the previous report:

Change: Extreme to High Risk.

Reason: Changes in legislation in the current requirements for robust work, health and safety practices has increased the opportunity for areas of non-compliance.

The risk has been lowered from an Extreme to High Risk based on the work undertaken by the Shire's Work Health and Safety Advisor, with the support of the Executive Management Team. Increased understanding and work have commenced since the last Corporate Risk Report. The revised inductions for volunteers and contractors has provided the Shire with more confidence in the knowledge and abilities of those undertaking roles for the Shire.

Significant with the staff has been undertaken to ensure understanding and compliance with the legislation.

There is still further work to commence relating to procedures and training. However, there has been substantial improvement.'

The Bush Fire Volunteers were one of the more significant elements relating to this risk, due to the Work Health and Safety requirements highly affecting the relationship between volunteers and the Shire.

The Bush Fire Advisory Committee (BFAC) is established under the Bush Fires Act 1954 to provide communication between the Bush Fire Service and the Local Government. At the BFAC meeting held on the 12 July 2023 the committee determined to require the minimum training requirements of active firefighters being:

'All volunteers (including non-operational) must complete the following DFES courses:

- Bushfire Safety Awareness.
- Bushfire Fighting Skills.
- All active firefighters must attend at least 4 brigade level training occurrences per financial year.
- Preseason competency-based assessment for all active firefighting brigade members is to be completed prior to 1 December each year.
- All existing and future volunteers are to complete the online WHS volunteer induction prior to 1 December 2023, before being registered a Bushfire brigade volunteer.

The completion of the above training and inductions will be recorded in the Shire's myOSH system to continue initiatives to fulfil the Shire's responsibilities for volunteers (including BFBs) under WHS requirements.

If a member has not completed the required Shire WHS induction and training requirements this will result in the members' membership being reviewed and lead to the member being unable to be classified as being an active firefighter for the coming 2023/24 season.'

Since this resolution, the brigade training officers have coordinated monthly training activities for brigade members covering topics such as:

- Hose drills and signals.
- Radio operations.
- Hydrants and water supply (including drafting).
- PAFTACs and LACES (operational reporting and safety).
- Electric vehicles.
- Appliance familiarisation.
- Mandatory burn-over drill.

During the last six months, active firefighters, almost all members from Gelorup, Capel and Stirling brigades have attended nearly all training occurrences; about half the active firefighting members from Boyanup have attended training occurrences and about one third of members from Elgin have attended the training occurrences.

This has been a significant achievement for the brigade members and the Training Officers and Captains should be commended on the time and effort to coordinate and undertake these training activities.

There are some gaps with members that are not yet engaged in the new approach, often as this hasn't been a requirement in the past and the Brigade Captains and Emergency Services will be working with these members to encourage them to participate or reconsider their continuing role in the brigade. There have also been members identified that are participating in the brigades on a 'social' capacity.

Furthermore, the Shire introduced a Work, Health, and Safety (WHS) induction similar to an employee WHS induction covering WHS as well as relevant shire policies. This induction was offered both online and face to face. Brigade members had until the 1 December to complete the induction, to date about half the brigade members have not completed it. Brigade members who have not completed the induction will not be permitted to attend a bush fire. The Shire is continuing to follow up with members, some have been identified as social members that do not actively attend fires.

#### **Risk 12: Failure to provide emergency management and business continuity in a disaster.**

The following risk has also been lowered and explanation given with the Corporate Risk Report –

'Change: Extreme to High Risk.

Reason: The risk was originally identified as Extreme due to unpredictability of disasters and emergencies. However, the Shire undertakes work through communication and the development of strategies and procedures.

Meetings between the Bush Fire Advisory Committee, Local Emergency Management Committee, Bush Fire Captains, Executive Management Team and Management Team provide an opportunity and Forum to raise awareness for potential risks within this area.

There is still further work to be done in business continuity and community support to mitigate associated risks.'



Following the discussion at the last Audit and Risk meeting and subsequent discussions internally with the staff. It has been identified that the rating within the risk is not properly portrayed. The Shire provides open communication and reporting relating to potential emergency management and disaster recovery plans through committee and strategic reporting.

Based on past reporting on the risk rating related to work health and safety, there would be the possibility of emergency management to not be handled to the standard to give the organisation confidence in a disaster. However, based on the continual improvement of the Shire's inductions, training and education there would be more potential for this to be managed well.

There are still improvements that need to be made, including items such as the business continuity plan and disaster recovery plans. These are due to be reviewed and improved through the next calendar year with resourcing available. This will help to strength future planning for emergencies and disasters.

Any feedback and workshop opportunities can be discussed and considered through the Audit and Risk Committee.

## **Summary**

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The Audit and Risk Committee should consider the feedback provided on the two identified risks. These risks will be further reported throughout the corporate reporting structure in the future.

## **Voting Requirements**

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Simple majority.

<b>Officer's Recommendation – 7.4</b>
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**That the Audit and Risk Committee notes the commentary made within the report relating to 'Risk 7 Inadequate management of Work Health and Safety requirements' and 'Risk 12 Failure to provide emergency management' and requests the information be included within the Corporate Risk Report to the Council.**

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## 7.5 Quarterly Summary - Regulation 17 Internal Audit Progress Report

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<b>Author</b>	Samantha Chamberlain – Director Community and Corporate
<b>Authorising Officer</b>	Gordon MacMile – Chief Executive Officer
<b>Nature of the Decision</b>	Legislative
<b>Attachments</b>	None
<b>Confidential Status</b>	This item is not a confidential matter.

### Proposal

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Receive the quarterly Regulation 17 Progress Report, noting the stated observations / recommendations under risk management, internal controls and legislative compliance are being implemented appropriately and in a timely manner.

### Officer's Recommendation

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That the Audit and Risk Committee performs its role set out in Regulation 16 of the Local Government (Audit) Regulations 1996 to receive and review the quarterly Regulation 17 Progress Report.

### Background

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Regulation 17 of the Local Government (Audit) Regulations 1996 (Reg 17) requires the CEO to review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal controls, and legislative compliance.

In 2018, a legislative amendment changed the requirement for these reviews to be completed no less than once every three financial years.

Since this time, the Shire has conducted Reg 17 reviews in November 2014, April 2016, September 2018, and May 2022. Following each audit, Officers review the findings and prioritise observations / recommendations based on risk and allowable resources.

Officers will provide progress reports at each Audit and Risk Committee meeting with the reporting format remaining the same for tracking purposes.

### Previous Council Decisions

28 June 2023 – Audit and Risk Committee (AC008/2023) –

‘That the Audit and Risk Committee receives the quarterly Regulation 17 progress report and notes the improvements to systems and procedures achieved since the previous report.’

### **Decision Framework**

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#### **Shire of Capel Strategic Community Plan 2023-2033**

Direction 4 - Deliver good leadership, governance and decision-making.

4.1 Effective and compliant governance.

4.2 Informed and transparent decision making.

#### **Corporate Business Plan 2023-2027**

FIN 32 - Biannual review of all internal systems and processes for compliance, efficiency and effectiveness.

### **Statutory Framework**

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#### **State Framework**

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

16. An audit committee has the following functions –

(c) To review a report given to it by the CEO under regulations 17(3) (the CEO’s report) and is to –

(i) report to the council the results of that review; and

(ii) give a copy of the CEO’s report to the Council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –

(i) regulation 17(1);

(f) to oversee the implementation of any action that the local government –

(iii) has accepted should be taken following receipt of a review conducted under regulations (17).

17. CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –

(a) risk management; and

(b) internal control; and

(c) legislative compliance.

(2) The review may related to any or all of the matters referred to in sub-regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

## Policy Framework

- Risk Management Framework.
- Internal Controls.
- Legislative Compliance.
- Fraud and Misconduct.

## Implications

### Risk Implications

Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Legislative Compliance  <b>Rating: Medium</b>	Unlikely	Moderate	<ul style="list-style-type: none"> <li>• Progress reporting to the Audit Committee.</li> <li>• Corporate Business Plan Action.</li> <li>• External Audit recommendations.</li> </ul>
<b>Risk Description:</b> Failure to complete the audit process that is required under the Local Government Act Regulations.			
<b>Risk 2</b> Reputation  <b>Rating: Medium</b>	Unlikely	Major	<ul style="list-style-type: none"> <li>• Appointment of suitably qualified professionals to conduct reviews.</li> <li>• Actioning recommendations.</li> <li>• Progress report to the Audit Committee.</li> </ul>
<b>Risk Description:</b> Failure to assess the appropriateness and effectiveness of internal systems and procedures increases risks associated with fraud, misconduct and reputation.			
<b>Risk 3</b> Financial  <b>Rating: Medium</b>	Unlikely	Major	<ul style="list-style-type: none"> <li>• Appointment of suitably qualified professionals to conduct reviews.</li> <li>• Actioning recommendations.</li> <li>• Progress report to the Audit Committee.</li> </ul>
<b>Risk Description:</b> Failure to assess the appropriateness and effectiveness of internal systems and procedures increase risks associated with fraud, misconduct, and financial loss.			
<b>Opportunity:</b> The Regulation 17 review provides a great opportunity to test the robustness of the Shire's internal process and procedures and develop a plan to support constant improvement. This provides organisation wide resilience and efficiencies.			

## **Financial Implications**

### Budget (Financial Year 2023-24)

Through the review of the observations / recommendations identified during the May / June 2022 Regulation 17 Audit process, costs which require inclusion in the 2023-24 Annual Budget are mapped against observation 5.1.5 – Insurance, noting the cost of revaluing the Shire's Land and Building Asset base and observation 5.3.2 – Procurement of Asset Management Software.

The Land and Building Revaluation project has just finalised at a cost of \$31,000 ex GST. The revaluation impact on the Land and Building asset base, including depreciation calculations will be detailed in the 2023 -24 Annual Financial Statements.

Procurement of a sophisticated Asset Management system to store, manage and maintain the Shire's asset data is a work in progress and should be finalised by the end of the financial year. The sum of \$20,000.00 has been ringfenced in the 2023-24 Annual Budget to support the acquisition of this software.

### Long Term

Future budget considerations, mainly for inclusion in the 2024-25 Draft Annual Budget are detailed against each observation and will be incorporated into future budget / long term financial planning documents. Particularly, where tasks are linked to the integration of a new Enterprise Resourcing Platform (ERP) or where physical resourcing requirements are identified through the Shire's Workforce Planning document.

## **Sustainability Implications**

Constant improvement to the Shire's internal systems and procedures is essential to the sound management of the Shire's governance framework. This facilitates consistent and equitable decision making, which is essential to create positive social, economic, and environmental impacts in the community.

## **Consultation/Engagement**

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### **External Consultation**

Some observations require Officers to undertake consultative processes with other LGs ensuring best practice methodology is included in the actionable requirements.

### **Internal Consultation**

The Executive Leadership Team and Management Team are responsible for attributable observations identified through this review process. The report template identifies the 'Devolved Responsible Officer(s)' tasked with ensuring each action is completed both appropriately and in a timely manner.

## Officer's Comment

Auditors Assurance Advisory Group (AAG) were appointed on 11 April 2022 to conduct an independent and comprehensive audit of the Shire's risk management, internal control and legislative compliance with a draft report presented to Officers for consideration.

The draft report was reviewed, and management comments were provided by the Director Community and Corporate, Manager Finance and Strategic Governance and Risk Coordinator. The report was finalised by AAG on 2 June 2022 and presented to the Audit and Risk Committee on 29 June 2022.

The report highlighted the strong progress made by the Shire since the 2018 Reg 17 Audit and provided further recommendations for the Shire to improve systems and processes.

This is summarised in the following executive summary:

"In Summary, the audit identified that significant progress has been made by the Shire of Capel since the previous Regulation 17 Audit conducted in 2018. While there are findings in this report, they are predominantly of an improvement nature rather than indicators of breakdowns of controls or material non-compliance."

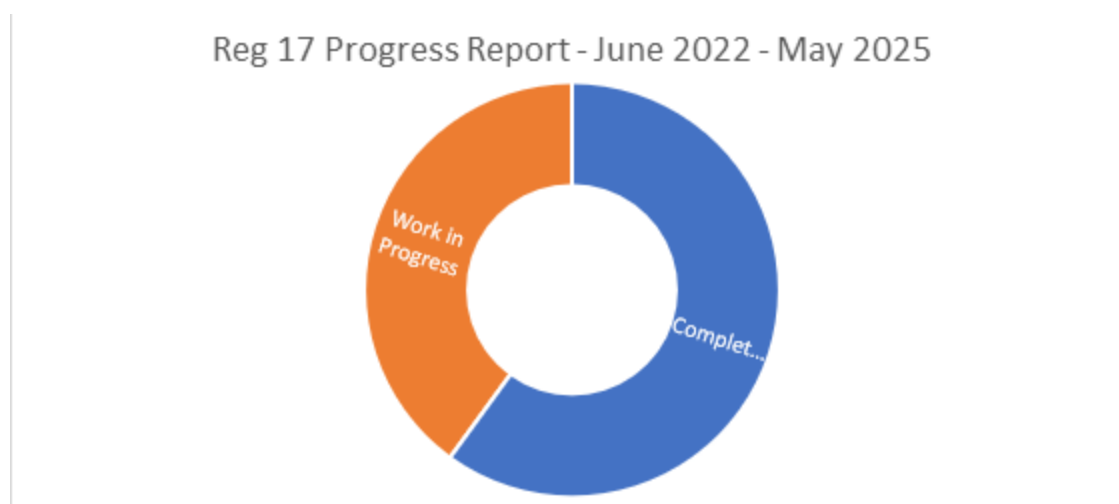
Following the auditor's report being endorsed at the June 2022 Audit and Risk Committee, Officers are actioning works for each observation and the progress is reported through the quarterly progress reports to the Audit and Risk Committee.

An Alternative Motion adopted at the Audit and Risk Committee on 21 December 2022 directed Officers to include resourcing requirements for each observation and this detail has been included in the quarterly reporting format.

Through the review of resourcing requirements, 6 observations are identified to require resourcing during the 2023-24 and 2024-25 financial years and these observations will be included in the Shire's 2023-2027 Corporate Business Plan and subsequent funding allocations linked to the Shire's future budgets.

For December 2023 reporting, the Regulation 17 audit progress of actions marked 'Completed' and a 'Work in Progress' and summarised in the below graph:

**Graph 1.**



Since reporting the quarterly progress update in June 2023, Officers have now actioned and finalised 9 of the 15 observations/recommendations presented in the final audit report.

The December 2023 Quarterly Progress Report is presented in more detail in the following pages.

Findings / Observations marked 'COMPLETED' in the progress column are finalised where no further actions are required unless directed otherwise.



## Quarterly Progress Report

The following table summarises the progress made to date against each of the Regulation 17 Observations:

### 5.1 Risk Management

Observation(s) and Ratings	Recommendations	Management Responses	Progress Report - December 2023	Resourcing
<p><b>5.1.1 Risk Management Framework</b></p> <p><b>Observations/Findings</b></p> <p>The Shire has developed and adopted a new suite of Risk Management documents and a Risk Register. These were informed by ISO 31000:2018 and are a significant improvement over the previous regime, which had not been operating effectively in place since late 2018. The following observations were made:</p> <ul style="list-style-type: none"> <li>The new Risk Framework categorises risks but does not separate out "Fraud and Misconduct". As Fraud and Misconduct is an area of focus at all levels of Government, there would be value in identifying risks and mitigating controls for Fraud and Misconduct.</li> <li>Ownership of individual risks is assigned to Shire staff depending on the severity of the risk, ranging from operational managers to the CEO. Given the consequences of 'Extreme' risks, there would be value in ownership of these risks and their mitigation actions resting with either Council or the Audit Committee.</li> </ul>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>The Shire consider revising the new Risk Management Framework and associated documents to: <ol style="list-style-type: none"> <li>Incorporate a Fraud and Misconduct category.</li> <li>Specify ownership of the various levels of risk, with 'Extreme' risks assigned to either the Council or Audit Committee.</li> </ol> </li> </ol> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>The Shire agrees and will consider incorporating a Fraud and Misconduct category when the Risk Management Framework is reviewed in 2023-24.</p> <p>The current role of the Council and Audit Committee is oversight and review. The Council or Audit Committee may become involved the management of extreme risks, where certain action is required to mitigate the risk e.g. Beyond the delegated authority of the CEO to act.</p> <p>The Shire will consider specific ownership of extreme risks when the Risk Framework is reviewed.</p> <p><b>Responsibility:</b> Director Community and Corporate</p> <p><b>Implementation Date:</b> 2023-24.</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED</b> – The Shire's Corporate Risk Register is being presented to the Audit and Risk Committee on 28 June 2023.</p> <p>The Risk Register will continue to evolve to reflect and update identified risks across the organisation, with updates presented at future Audit and Risk Committee meetings.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Strategic Governance and Risk Coordinator.</p>	<p>To date, no additional resourcing requirements have been identified.</p>

Observation(s) and Ratings	Recommendations	Management Responses	Progress Report - December 2023	Resourcing
<p><b>Causes</b></p> <ul style="list-style-type: none"> <li>• This is an opportunity for improvement, as such, there was no direct cause for this omission other than strict adherence to the ISO.</li> <li>• Practice of assigning risk ownership to operational/ executive management</li> </ul> <p><b>Potential Impact:</b></p> <ul style="list-style-type: none"> <li>• Possibility of not adequately identifying and mitigating fraud and misconduct risks.</li> <li>• Council not adequately aware of 'Extreme' risks, making resourcing of mitigation strategies more problematic.</li> </ul> <p><b>Inherent Risk Rating: Low</b></p>				
<p><b>5.1.2 Business Continuity</b></p> <p><b>Observations/Findings</b></p> <p>The Shire has developed and implemented a Business Continuity Plan and a Business Systems Disaster Plan. Both are comprehensive documents, and there is evidence that both have been reviewed at least annually.</p> <p>Good practice with Business Continuity Plans is to undertake an annual test of the Plan. There does not appear to be a process to test</p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>1. The Shire implements an annual testing regime for both the Business Continuity Plan and the Business Systems Disaster Plan. Testing should be documented, and any lessons learned</li> </ol>	<p><b>Management Response:</b></p> <p>The Shire Executive Management Team will allocate a project lead and schedule an appropriate day in the Corporate Calendar to test each plan.</p> <p><b>Responsibility:</b> Director Community and Corporate</p> <p><b>Implementation Date:</b> 2022-23.</p>	<p><b>Management Update:</b></p> <p>Testing of the Business Continuity Plan is now scheduled for the first quarter of 2024 (January to March).</p> <p><b>Completion:</b></p> <p>First quarter of 2024 (Jan to Mar).</p>	<p>To date, no additional resourcing requirements have been identified.</p> <p>However, resourcing linked to additional staff hours is a possibility and will be costed</p>

Observation(s) and Ratings	Recommendations	Management Responses	Progress Report - December 2023	Resourcing
<p>the Business Continuity Plans nor evidence of any testing.</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>Both Plans are relatively new (June 21 and September 20 respectively) and testing has not been identified as a necessity.</li> </ul> <p><b>Potential Impact:</b></p> <ul style="list-style-type: none"> <li>Missing information/ steps within the Plans may not be identified or changed circumstances considered. Ultimately, this could result in the Plans being ineffective during an event.</li> <li>The benefits of familiarisation/ training of staff afforded by the testing process are not realised.</li> </ul> <p><b>Inherent Risk Rating: Medium</b></p>	<p>incorporated into the next iteration.</p> <p><b>Residual Risk Rating: Low</b></p>		<p><b>Devolved Responsible Officer(s):</b></p> <p>Manager Organisational Development, Strategic Governance and Risk Coordinator &amp; Manager Business Systems.</p>	<p>through the planning for the exercise.</p> <p>Any associated costs will be reported in the next quarterly progress report to the committee.</p>
<p><b>5.1.3 Managing Operating Risks</b></p> <p><b>Observations/Findings</b></p> <p>There isn't a <b>formal</b> process in place guiding operational managers on the identification, mitigation, and reporting of operating risks. It is understood that this occurs informally as managers go about their day-to-day duties. It is noted that there are policies providing guidance for 'Legislative Compliance' and 'Fraud and Corruption', and processes in some work areas e.g., project management methodology.</p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>Once Risk Management Framework has been fully implemented and embedded, the Shire develop and implements a procedure to guide operational managers in determining,</li> </ol>	<p><b>Management Response:</b></p> <p>The Executive Management Team have endorsed a Risk Management Procedure that identifies the roles and responsibilities for determining, documenting and managing risks. Training is scheduled with relevant Shire officers on 13 and 15 June 2022. Compliance with the Risk Management Procedure will be expected</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED</b> - with a continual staff training review process for good practice purposes.</p>	<p>To date, no additional resourcing requirements have been identified.</p>

Observation(s) and Ratings	Recommendations	Management Responses	Progress Report - December 2023	Resourcing
<p>However, these do not currently align with the Risk Management Framework.</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>The Risk Management Framework is newly introduced and has yet to incorporate processes for managing operating risks.</li> </ul> <p><b>Potential Impact:</b></p> <ul style="list-style-type: none"> <li>Not all risks are appropriately documented, assessed and mitigated.</li> <li>Insufficient visibility of operating risks across the organisation, so unable to identify multiple instances of the same risk.</li> </ul> <p><b>Inherent Risk Rating: Medium</b></p>	<p>documenting and managing material operating risks.</p> <p><b>Residual Risk Rating: Low</b></p>	<p>from this time. An ongoing review of Risk Management policies and procedures is planned.</p> <p><b>Responsibility:</b> Director Community and Corporate</p> <p><b>Implementation Date:</b> 2022/23</p>	<p><b>Devolved Responsible Officer(s):</b></p> <p>Strategic Governance and Risk Coordinator &amp; WHS Advisor.</p>	
<p><b>5.1.4 Risk Reporting</b></p> <p><b>Observations/Findings</b></p> <p>There has been no formal Risk reporting within the Shire since 2018.</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>The previous Risk Register was last updated in late 2018 and was not operational since then. There had been no risk management process in place between then and the development of the new Risk Management Framework in late 2021/early</li> </ul>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>The Shire establishes a new risk reporting regime which includes: <ol style="list-style-type: none"> <li>Quarterly reporting of risks through to EMT and the Audit Committee and/or Council.</li> <li>Incorporates tables summarizing numbers of risk per</li> </ol> </li> </ol>	<p><b>Management Response:</b></p> <p>The newly developed Risk Register will be embedded in the Agenda for the monthly joint meeting of Executive Management Team and Managers and the three Audit Committees per year.</p> <p>The Shire will implement the use of written risk reports as recommended.</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED</b> - As per the Officer's commentary for Observation 5.1.1.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Strategic Governance and Risk Coordinator &amp; WHS Advisor.</p>	<p>To date, no additional resourcing requirements have been identified.</p>

Observation(s) and Ratings	Recommendations	Management Responses	Progress Report - December 2023	Resourcing
<p>2022, so no associated reporting regime in place</p> <p><b>Potential Impact:</b></p> <ul style="list-style-type: none"> <li>Senior Management and Council not aware of material risks, or mitigating actions, faced by the Shire.</li> </ul> <p><b>Inherent Risk Rating: High</b></p>	<p>category and risk rating.</p> <p>c. A summary of all 'Extreme' and 'High' rated risks.</p> <p>d. A link to the full Risk Register should readers wish to review in detail.</p> <p>A mock-up of a possible report format is available at Appendix 3</p> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Responsibility:</b> Strategic Governance and Risk Coordinator</p> <p><b>Implementation Date:</b> July 2022.</p>		
<p><b>5.1.5 Insurance</b></p> <p><b>Observations/Findings</b></p> <p>The audit concluded that there is a robust process in place for reviewing the Shire's insurable risks on an annual basis with the Insurer, LGIS. This includes communication about any major changes in the Shire's operations and assets and plant holdings.</p> <p>Notwithstanding this, the current economic conditions within Western Australia have resulted in changes which may impact the adequacy of the Shire's insurance coverage, these include:</p>	<p><b>It is recommended that:</b></p> <p>1. The Shire urgently commission:</p> <p>a. An insurance revaluation of all buildings and plant to assure there will be adequate coverage in the event of loss or destruction.</p> <p>b. An assessment of the Shire's Business Interruption Insurance to</p>	<p><b>Management Response:</b></p> <p>Asset revaluation for financial reporting is addressed in the Local Government (Financial Management) Regulations 1996. Further direction is given by the Office of the Auditor General Western Australian local government position paper 2. There is a requirement for assets to be revalued within a period of no more than five years. This applies to land, buildings, infrastructure and investment property. Plant and</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED –</b> Revaluations were completed across the Shire's entire asset base excluding Land and Buildings which are scheduled to be revalued during 2023-24.</p> <p><b>Devolved Responsible Officer(s):</b></p>	<p>Land and Buildings Revaluation project cost \$31,000 ex GST and included in the 2023-24 Annual Budget.</p> <p>The revaluation of all Shire Land and Buildings</p>

Observation(s) and Ratings	Recommendations	Management Responses	Progress Report - December 2023	Resourcing
<ul style="list-style-type: none"> <li>Significant increases in the costs of building materials, plant and equipment.</li> <li>Delays in delivery of materials and plant.</li> <li>Shortage of skilled labour to undertake repair and/ or construction works.</li> <li>Availability of construction contractors.</li> </ul> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>Change in revaluation cycle from three to five years.</li> <li>External factors include rising costs, labour shortages and delivery delays.</li> </ul> <p><b>Potential Impact:</b></p> <ul style="list-style-type: none"> <li>Insufficient insurance coverage to replace or repair critical buildings and/ or infrastructure.</li> <li>Increased business interruption if the Shire's administration building or depot were to be destroyed or damaged.</li> </ul> <p><b>Inherent Risk Rating: High</b></p>	<p>accommodate for likely delays in replacing or rebuilding critical buildings and/ or infrastructure.</p> <p><b>Residual Risk Rating: Low</b></p>	<p>equipment are now carried at depreciated cost.</p> <p>An insurance valuation is completed when a financial valuation is completed. An annual internal assessment is made of the insurance value for each asset on the insurance schedules, as part of the review of the Shire's insurable risks. The local government sector acknowledges the volatility in the cost and availability of resources and materials for asset replacement.</p> <p>An assessment of major assets should be completed to identify critical assets that, if lost, would cause major business interruption. It should then be decided if an external insurance valuation of these assets should be completed to ensure a process of adequate coverage. These valuations would occur outside the years when a financial valuation takes place for an asset class.</p>	<p>Manager Finance and Director Community &amp; Corporate.</p>	<p>is now finalised.</p> <p>Revised revaluation calculations will be presented in the 2023-24 Annual Financial Statements.</p>

Observation(s) and Ratings	Recommendations	Management Responses	Progress Report - December 2023	Resourcing
		<p>It would also apply to assets that are not required to be valued for financial reporting such as heavy plant.</p> <p>Agree that an assessment of the Shire's business interruption insurance be completed to report on the level and scope of coverage.</p> <p><b>Responsibility:</b> Director Community and Corporate.</p> <p><b>Implementation Date:</b> 2022/23.</p>		

## 5.2 Internal Controls

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p><b>5.2.1 Purchasing Policy v2</b></p> <p><b>Observations/Findings</b></p> <p>This updated policy has become inaccurate in relation to Section 11f which refers to Purchase Orders and Requisitions, however, we understand the Shire does not use requisitions currently.</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>There are no current procedures for the raising or authorising of Purchase Orders to show clarity in the process.</li> </ul> <p><b>Potential Impact:</b></p> <ul style="list-style-type: none"> <li>Confusion leading to inefficiency.</li> </ul> <p><b>Inherent Risk Rating: Medium</b></p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>Procedures are adopted for the whole Procurement Process including the raising, approving, and issuing of Purchase Orders.</li> </ol> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>Agree to review and update the purchasing policy to remove any inaccuracies and reflect changes since the last review. Review and update management procedures on raising, approving and issuing of purchase orders.</p> <p>The Shire is currently using manual patching to rectify deficient system capabilities with the ERP and this creates workflow inefficiencies. The Shire will review the ERP in 2022/23 and a resolution to recommendations 5.2.1, 5.2.2, 5.2.3, 5.2.4, will be investigated.</p> <p><b>Responsibility:</b> Director Community and Corporate.</p> <p><b>Implementation Date:</b> 2022-23.</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED</b> – The Shire’s Purchasing Policy and Management Procedure was adopted by the Council during the March 2023 OCM.</p> <p>Since this time, Procurement training sessions for all staff have been conducted across the organisation to ensure the new policy/framework is adhered to when Officers procure goods and services for the Shire.</p> <p><b>Devolved Responsible Officer(s):</b> Manager Finance &amp; Finance Officer.</p>	<p>To date, no additional resourcing requirements have been identified.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p><b>5.2.2 Purchasing Policy v2</b></p> <p><b>Observations/Findings</b></p> <p>There is no segregation of duties between order raising and order approval, with one officer required to undertake both tasks.</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>Lack of focus on segregation of duties, possibly due to lack of clarity with no procedures as in the above cause.</li> </ul> <p><b>Potential Impact:</b></p> <ul style="list-style-type: none"> <li>Lack of segregation of duties, as well as possible inefficiency with Senior Officers' time, spent raising documents.</li> <li>Possibility for fraud and misconduct to occur.</li> </ul> <p><b>Inherent Risk Rating: Medium</b></p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>A different officer raises the order from the officer whom it is directed to for approval. Note if this recommendation is actioned the officer raising the order could also receive the order if recommendation 8 below leads to 3-way matching.</li> </ol> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>Agree to review and update the purchasing policy and management procedures to address the issue of segregation of duties.</p> <p><b>Responsibility:</b> Director Community and Corporate</p> <p><b>Implementation Date:</b> 2022-23</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED</b> – Through the review of the Shire's Purchasing Policy, a requisition system has been introduced to allow for the segregation of duties between the Officer raising and approving the requisition. The new requisition system is due to 'go live' on Monday 3 July 2023.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Manager Finance &amp; Finance Officer.</p>	<p>As per above.</p>

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p><b>5.2.3 Accounts Payable</b></p> <p><b>Observations/Findings</b></p> <p>The accounts payable function operates a 2-way match process for all non-manually processed invoices.</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>The Shire does not receive goods or services on the accounting system. Instead, the AP officer sends out all invoices for manual signoff.</li> </ul> <p><b>Potential Impact:</b></p> <ul style="list-style-type: none"> <li>Inefficiency and possible increased risk of inaccuracy in the accounts payable process.</li> </ul> <p><b>Inherent Risk Rating: Medium</b></p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>The Shire investigates whether the current Synergy software for 3-way matching offers a suitable solution prior to any alternative module implementation being considered. If acceptable, then 3-way matching should commence with the receiving functionality being introduced.</li> </ol> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>Agree to conduct an investigation of current software to improve the efficiency and accuracy of the matching process.</p> <p><b>Responsibility:</b> Director Community and Corporate</p> <p><b>Implementation Date:</b> 2022-23.</p>	<p><b>Management Update:</b></p> <p>Work in progress – processing mapping exercise currently in progress.</p> <p>Considering this functionality through the onboarding of a new finance system during the Enterprising Resourcing Product (ERP) investigations.</p> <p><b>Completion:</b> Ongoing - consideration through investigation of new ERP.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Manager Finance &amp; Finance Officer.</p>	<p>To date, no additional resourcing requirements have been identified.</p> <p>Projected resourcing requirements related to new ERP integration will be presented to the Council in April.</p>
<p><b>5.2.4 Accounts Payable</b></p> <p><b>Observations/Findings</b></p> <p>We understand the matching process of invoice to purchase order on Synergy allows a 10% overspend before a warning is given on the system, but that does not prevent the matching from taking place.</p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>The Shire undertake an assessment of whether this level of flexibility is necessary as 10% appears a high level of tolerance.</li> </ol>	<p><b>Management Response:</b></p> <p>Agree with undertaking an assessment on the levels of tolerance and the management procedures. Additional controls will be considered during this assessment.</p>	<p><b>Management Update:</b></p> <p>Work in progress continuing. System controls will be assessed for the feasibility of adjusting the % tolerances. During this time, a review will be completed on the number of occurrences which exceed 100% of the payable amount and assess the level of financial risk</p>	<p>To date, no additional resourcing requirements have been identified.</p>

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p><b>Causes</b></p> <ul style="list-style-type: none"> <li>Parameters in the system have been set at this level we understand due to typical GST errors.</li> </ul> <p><b>Potential Impact:</b> Overpayments.</p> <p><b>Inherent Risk Rating: Medium</b></p>	<p>It is commonplace that a warning occurs at 90% and that any invoices over 100% of the order value require either a new order or an amendment to be raised for matching to succeed.</p> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Responsibility:</b> Director Community and Corporate.</p> <p><b>Implementation Date:</b> 2022-23</p>	<p>this poses on the Shire's cash flow position.</p> <p><b>Completion:</b></p> <p>Extended review and completion period to January / February 2024.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Manager Finance &amp; Finance Officer.</p>	
<p><b>5.2.5 General Ledger Reconciliations</b></p> <p><b>Observations/Findings</b></p> <p>The following month-end reconciliations for March 2022 had the following issues.</p> <ul style="list-style-type: none"> <li>Rates: no evidence of independent review.</li> <li>Creditors: at the time of the audit had an unreconciled difference of \$100.</li> <li>Payroll: not performed due to software problems with the new definitive module. The provider is working on a solution.</li> </ul>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>When all software issues have been resolved the Shire should reconcile all balance sheet accounts monthly leaving an audit trail, and also demonstrate evidence with independent reviews over differences actioned by the following month.</li> </ol> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>All balance sheet reconciliations to be reviewed with evidence of that review. Any variances to be noted at the time of reviewing the reconciliations and the process being followed to resolve the difference be noted. Monthly evidence of review to be completed.</p> <p><b>Responsibility:</b> Director Community and Corporate.</p> <p><b>Implementation Date:</b> 2022-23.</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED</b> - As per the 2022-23 Interim Audit Recommendation, payroll reconciliations are now completed on a fortnightly basis, aligning with the fortnightly pay runs.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Manager Finance &amp; Payroll Officer.</p>	<p>To date, no additional resourcing requirements have been identified.</p>

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<ul style="list-style-type: none"> <li>Fixed Assets: no full reconciliation was performed for March; a monthly YTD report was however prepared.</li> </ul> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>Absence of timeliness and full testing prior to software purchase.</li> </ul> <p><b>Potential Impact:</b> Build-up of inaccurate transactions leading to inaccurate balance sheet and potential for fraud.</p> <p><b>Inherent Risk Rating: High</b></p>				
<p><b>5.2.6 Access to Synergy Finance Modules</b></p> <p><b>Observations/Findings</b></p> <p>On review of the access to Synergy Finance modules, it was noted that there are multiple users, named and unnamed who have access to all modules allowing transactions to be raised (for example in Accounts Payable) and then reported on through the general ledger, with the potential for prior manipulation.</p> <p><b>Causes</b></p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>The Shire needs to perform a review of all access to Finance modules with a view to restricting all individuals' access such that no one officer can enter or change transaction data whilst also having access to change the reporting of such changes.</li> </ol> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>A review of access to finance modules is in progress. Changes have been made to access levels with this work continuing.</p> <p><b>Responsibility:</b> Director Community and Corporate.</p> <p><b>Implementation Date:</b> 2022-23.</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED</b> - with ongoing monitoring necessary.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Manager Business Systems.</p>	<p>To date, no additional resourcing requirements have been identified.</p>

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<ul style="list-style-type: none"> <li>Absence of automated systems controls.</li> <li>Allowance in the system for employees to cover or rotate in other peoples' roles without having their access halted or removed from their previous or substantive roles.</li> </ul> <p><b>Potential Impact:</b> Potential for fraud and theft.</p> <p><b>Inherent Risk Rating: Medium</b></p>				
<p><b>5.2.7 Definitive Payroll – Higher Duties</b></p> <p><b>Observations/Findings</b></p> <p>The Payroll does not have a separate classification for higher duties. When these higher duties occur, the rates are manually changed but do not appear on the face of the payroll report as a changed status.</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>Absence of appropriate controls and new payroll software.</li> </ul>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>The software supplier should be requested to add this classification</li> </ol> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>The Shire has a process for approval of higher duties, including written confirmation of the agreement and rate. These changes are approved in fortnightly variance reports with supporting commentary.</p> <p>Manual processes to show higher duty approval have been tested within the current software.</p>	<p><b>Management Update:</b></p> <p>Work in progress.</p> <p>Working with IT Vision to provide a software solution to recognise this classification in the Payroll system.</p> <p><b>Completion:</b></p> <p>Mid-financial year 2023-24</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Manager Organisational Development &amp; Payroll Officer.</p>	<p>To date, no additional resourcing requirements have been identified.</p> <p>If required, software solution costs will be identified through future budget planning.</p>

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p><b>Potential Impact:</b></p> <p>Inability to substantiate accuracy and compliance to third parties, and potential overpayments.</p> <p><b>Inherent Risk Rating: Low</b></p>		<p>They have proven unsuccessful, and the Shire will continue to work with the software provider to find a way to improve the identification of higher duties.</p> <p><b>Responsibility:</b></p> <p>Director Community and Corporate</p> <p><b>Implementation Date:</b></p> <p>2023-24</p>		

5.3 Legislative Compliance

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p><b>5.3.1 Compliance Register</b></p> <p><b>Observations/Findings</b></p> <p>Although we have not found any evidence that changes to Regulations are not being tracked and actioned, there is no current compliance register being used to record that process.</p> <p><b>Causes</b></p> <p>Absence in personnel business continuity.</p> <p><b>Potential Impact:</b></p> <p>Non-compliance with Regulations., including the potential for the absence of appropriate delegated authorities.</p> <p><b>Inherent Risk Rating: Medium</b></p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>1. The Shire: <ul style="list-style-type: none"> <li>• Expedites the purchase of the ATTAIN software package which we have been advised is currently being considered.</li> </ul> </li> </ol> <p>And/or</p> <ul style="list-style-type: none"> <li>• Refreshes the previous register used for this purpose but refreshes it with all relevant legislation and other regulations rather than just the LGA 1995 material.</li> </ul> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>The Shire is currently procuring the Attain by Integrity software package.</p> <p><b>Responsibility:</b> Strategic Governance and Risk Coordinator</p> <p><b>Implementation Date:</b> 2022.</p>	<p><b>Management Update:</b></p> <p><b>COMPLETED</b> – Attain Software has been integrated and is now in use to track compliance actions against legislative requirements and broadening its use to include a compliance calendar function.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Strategic Governance and Risk Coordinator.</p>	<p>To date, no additional resourcing requirements have been identified.</p>

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p><b>5.3.2 Capital Expenditure Requirements for Long Term Financial Plan and Asset Management Plan</b></p> <p><b>Observations/Findings</b></p> <p>As per The OAG Audit Report 20/21, Section 50(1)(c) of the Local Government (Financial Management) Regulations 1996 requires the Shire to report the Asset Renewal Funding Ratio in its annual report. This has not been done for 2019, 2020, and 2021. To do this the Capital Expenditure for the Long-Term Financial Plan and the Asset Management Plan needs to be estimated. This estimation process was not evidenced.</p> <p><b>Causes</b></p> <p>Asset Management Plan data not ready to be presented.</p> <p><b>Potential Impact:</b></p> <p>Lack of funding provision for asset maintenance and assets fall into a state of disrepair.</p> <p>Regulatory non-compliance.</p>	<p><b>It is recommended that:</b></p> <ol style="list-style-type: none"> <li>1. The capital expenditure be estimated for both reports mentioned, and the reports completed to the satisfaction of the OAG.</li> </ol> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Management Response:</b></p> <p>Agree with the recommendation. The Shire is investigating the onboarding of a new Asset Management Plan and supporting the asset management system.</p> <p>This issue is being considered by DLGSC as part of the Local Government Act reform program.</p> <p><b>Responsibility:</b> Director Community and Corporate.</p> <p><b>Implementation Date:</b> 2023-24.</p>	<p><b>Management Update:</b></p> <p>Investigations into suitable Asset Management software solutions have been conducted, with a view to onboarding the solution mid to late 2023-24 financial year.</p> <p><b>Completion:</b></p> <p>During the 2023-24 financial year.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Director Community &amp; Corporate, Director Infrastructure &amp; Development &amp; Manager Asset &amp; Technical.</p>	<p>The 2023-24 Annual Budget identifies \$20,000 to procure and onboard an Asset Management software solution to support the monitoring and maintenance of the Shire's Asset Management Strategy.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p>Poor accounting of/for capital assets.</p> <p><b>Inherent Risk Rating: High</b></p>				
<p><b>5.3.3 Internal Audit</b></p> <p><b>Observations/Findings</b></p> <p>The Shire does not have a regular Internal Audit function, rather they go to market as and when required, usually to conduct the regulated audits (Reg 5 and Reg 17).</p> <p>In the absence of an Internal Audit function, the Shire does not have a Strategic Internal Audit Plan to identify and document areas of audit risk and audit focus.</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>• Business maturity with respect to Internal Audit.</li> <li>• Limited resources to dedicate to an internal audit function.</li> </ul>	<p><b>It is recommended that the Shire consider:</b></p> <ol style="list-style-type: none"> <li>1. Commissioning the production of a Strategic Internal Audit Plan (1-, 2- or 3-year horizon) to identify areas of risk (strategic through to operational). This would be considered and prioritised by the Audit Committee to guide future internal audit and review activities.</li> <li>2. Establish a part-time IA function. While it is understood an in-house function is not economically viable, it may be possible to call for quotes to provide a fixed number of hours per year from firms on the CUA or WALGA panel to deliver</li> </ol>	<p><b>Management Response:</b></p> <p>Agree with undertaking an investigation into the feasibility and viability of establishing an internal audit function. Consider implementing this function through options including:</p> <ol style="list-style-type: none"> <li>1. 0.50 FTE appointment of an Internal Audit Officer to perform duties.</li> <li>2. External quote process with suitable organisations to perform internal audit functions on an agreed fixed hour contract basis.</li> <li>3. Partner with a larger LG that has the capacity to outsource their Internal Audit Staff to perform Internal Audit functions for the Shire.</li> </ol>	<p><b>Management Update:</b></p> <p>Work in progress continuing. Future budget consideration for financing additional works by a contractor or managing in-house.</p> <p>Currently in discussions with neighbouring LGs on best practice methods for managing an internal compliance function.</p> <p><b>Completion:</b></p> <p>A recommendation will come to the Audit and Risk Committee once a suitable solution has been determined.</p> <p><b>Devolved Responsible Officer(s):</b></p> <p>Director Community &amp; Corporate &amp; Manager Finance.</p>	<p>A recommendation will come to the Committee once a suitable solution has been determined and costed for inclusion in future budget preparations and additional work force planning considerations.</p>

Observation(s) and Ratings	Recommendations	Management Response	Progress Report - December 2023	Resourcing
<p><b>Potential Impact:</b> Missed opportunity for early identification/prevention of control and governance breakdowns, and limited improvement prospects for strengthening of operations.</p> <p><b>Inherent Risk Rating: Medium</b></p>	<p>against an approved Strategic Internal Audit Plan (as per recommendation 15)</p> <p><b>Residual Risk Rating: Low</b></p>	<p><b>Responsibility:</b> Director Community &amp; Corporate</p> <p><b>Implementation Date:</b> Feasibility study to be completed during 2022-23 and 2023-24 financial years with a recommendation report to Audit and Risk Committee.</p>		

## Summary

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Shire Officers have provided a quarterly progress report for each observation/ recommendation, including proposed actions, a timeline for implementation and projected resourcing requirements.

Continuing progress reports will be provided to future Audit & Risk Committees with the intent that all recommendations will be finalised by 30 June 2024, with the exception of recommendations linked to the onboarding of a new ERP system or where physical resourcing requirements are linked to the Shire's Workforce Plan, which may exceed the preferred completion timeframe.

## Voting Requirements

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Simple majority.

<b>Officer's Recommendation – 7.5</b>
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**That the Audit and Risk Committee performs its role set out in Regulation 16 of the Local Government (Audit) Regulations 1996 to receive and review the quarterly Regulation 17 Progress Report.**

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## 7.6 Final Financial Audit Results for the year ending 30 June 2023

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<b>Author</b>	Director Community and Corporate Services, Samantha Chamberlain
<b>Authorising Officer</b>	Chief Executive Officer, Gordon MacMile
<b>Nature of the Decision</b>	Legislative
<b>Confidential Status</b>	This item is not a confidential matter.
<b>Attachments:</b>	7.6.1 Shire of Capel Final Audit Management Report 7.6.2 Independent Auditor's Report 7.6.3 Annual Financial Report 22/23

### Proposal

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Review and consider the findings detailed in the attached Audit Management Report for the year ending 30 June 2023.

### Officer's Recommendation

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That the Audit and Risk Committee:

1. Considers the final audit findings for the year ending 30 June 2023 and notes the Shire has received an 'Unqualified Opinion' endorsing a clean audit outcome for the Shire.
2. Recommends that the Council endorses the Final Audit Management Report.
3. Notes the Independent Auditor's Report and Annual Financial Report (AFR) will be included in the 2022-23 Annual Report.

### Background

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Changes to the Local Government Act 1995 that were enacted in 2005 required that the Council establish an Audit Committee. The delegation of powers and duties to the Audit Committee were agreed by the Council to accept responsibility for oversight of the financial affairs of the Shire of Capel.

The primary objective of an Audit Committee is to accept responsibility for the annual external audit and liaise with the local government's auditor, so the Council can be satisfied with the performance of the local government in the management of its financial affairs.

Local governments undergo an external financial audit on an annual basis and auditors are appointed through the Office of the Auditor General (OAG).

For financial years 2020-21, 2021-22 and 2022-23 the OAG contracted Moore Australia (WA) to complete the Shire's annual financial audit and three Officers from Moore Australia (WA) attended the site to complete the audit functions.

The audit process involves a series of on and off-site testing of the Shire's internal financial controls, a review of general risk areas and items relating to previous financial audits.

Other key matters such as accounting irregularities, illegal acts of non-compliance with laws and regulations and appropriateness of accounting policies and practices are also included in the audit process.

### **Audit Scope**

The primary audit scope and objective is to express an opinion as to whether the Shire's annual financial report is free from material misstatements (whether due to fraud or error) and is prepared (in all material respects) in accordance with applicable Australian Accounting Standards, the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended).

The audit also reports on the following matters in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:

Significant adverse trends in the financial position or the financial management practices of the Shire.

Non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law.

Whether all required information and explanations were obtained by the auditor.

Whether all audit procedures were satisfactorily completed in conducting the audit.

### **Audit Approach**

The audit process generally contains three phases - planning, fieldwork, and completion.

The planning phase is critical to the audit process as this is where audit risk is addressed. The methodology focuses on the Shire's underlying business risks, recognising that audit risk is affected by the business risks of the Shire, as well as by how well Management and the Council address those risks.

The most critical aspect of audit planning is the assessment of risk and consideration of where material misstatements could occur.

The audit approach focuses on areas that represent a higher risk to the business. The auditor's methodology uses a risk-based approach to evaluate and, when appropriate, to test the effectiveness of internal controls with the expectation that a moderate level of reliance can be placed on the operating controls.

A combined assessment of inherent and control risk for significant accounts and the related financial statement assertions will be made. This will establish a portfolio of audit procedures that are customised based on the Shire's significant accounts, critical areas, disclosures, and classes of transactions, as well as the assessment of risk, including the risk of fraud.

Audit procedures include both substantive tests of account details and tests of internal controls for significant account balances, transactions, and disclosures.

Previous Council Decisions

## AC009/2023 – AMENDED RECOMMENDATION/ COMMITTEE DECISION 7.2

- '1. Consider the Interim Audit results for the year ending 30 June 2023.
- 2. Recommends that the Council endorse the Interim Audit Report and the accompanying 'Management Comment'.
- 3. The Shire writes to the OAG to get confirmation that the process relating to '1. Payroll reconciliation not performed.' Is now satisfied with the Shire's newly implemented reconciliation and authorisation process. '

Decision Framework

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**Shire of Capel Strategic Community Plan 2023-2033**

Direction 4 - Deliver good leadership, governance, and decision-making.

Community Outcomes:

- 4.1 Effective and compliant governance.
- 4.2 Informed and transparent decision-making.

**Shire of Capel Corporate Business Plan – 2023-2027**

- FIN 1 – Annual and Monthly Reporting Requirements.
- FIN 4 – Financial Auditing.
- FIN 5 – Fair Valuation of Assets.

Statutory Framework

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Local Government Act 1995**Division 5 – Annual reports and planning**

## 5.53. Annual reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain –
  - (a) a report from the mayor or president; and
  - (b) a report from the CEO; and
  - [(c), (d) deleted]*
  - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
  - (f) the financial report for the financial year; and
  - (g) such information as may be prescribed in relation to the payments made to employees; and
  - (h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year;

and

**Division 3 – Conduct of audit**

## 7.9. Audit to be conducted

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to –
  - (a) the mayor or president; and
  - (b) the CEO of the local government; and
  - (c) the Minister.

## 7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.

Local Government (Audit) Regulations 1996

## 16. Functions of audit committee

An audit committee has the following functions –

- (a) to guide and assist the local government in carrying out –
  - (i) its functions under Part 6 of the Act; and

- (ii) its functions relating to other audits and other matters related to financial management;
  - (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
  - (c) to review a report given to it by the CEO under regulation 17(3) (the *CEO's report*)

and is to –

- (i) report to the council the results of that review; and
- (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –
  - (i) regulation 17(1); and
  - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government –
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
- (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
- (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

**Policy Framework**

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Policy 2.35 – Legislative Compliance.

## Implications

### Risk

Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Financial <b>Rating: Medium</b>	Unlikely	Moderate	Ensure compliance with state legislation and Financial Management Regulations through contemporary financial control mechanisms and accurate financial reporting.
<b>Risk Description:</b> Failure to fulfil compliance requirements both statutory and regulatory.			

### Financial - Budget

Costs associated with the 2022-2023 audit are included within the 2023-24 Annual Budget and are a statutory requirement through the Office of the Auditor General WA.

### Long Term

There are no long-term costs relevant to this matter.

## Consultation/Engagement

The following timetable is a broad outline of the key deliverables and timing aspects of the audit process:

Engagement Activity	Timing
Audit Planning	March 2023
Entrance Meeting	30 March 2023
Interim Audit Visit	3 April - 5 April 2023
Interim management report (if any matters to be reported)	Mid May 2023
Receipt of complete and balanced draft financial report	End September 2023
Final Audit Visit	18-20 October 2023
Issuance of Audit Concluding Memorandum	Mid November 2023
Concluding (Exit) Meeting	End November 2023
Date CEO sign off on financial statements	E November 2023
Final sign-off of Auditor's report & management report	Early December 2023

The timely delivery and completion of the audit process is contingent on the Auditors having access to review and test key financial documents / samples, supported by the Shire's finance team to provide further evidence if required.



## Officer's Comment

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The following information and attached reports identify one finding arising from the Shire's final external audit for the year ending 30 June 2023, and details the nature of the finding, including the rating and management comment provided by Officers on what actions will be taken to rectify the finding.

The below detail has been extracted from the Final Auditor's Management Report:

### Bank Reconciliation

#### Finding

We have noted that the Municipal bank reconciliation for the month of June 2023 has not been reconciled. There is a difference of \$29K between the bank reconciliation and the general ledger.

#### Rating: Moderate

#### Implication

The absence of an effective bank reconciliation process increases the risk of errors, omissions or fraud remaining undetected. In turn, this could lead to misstatements in financial reporting and the Shire not reporting its true cash position.

#### Recommendation

The Shire should ensure that the monthly bank reconciliation is appropriately prepared and independently reviewed.

#### Management Comment:

Agree with the finding, implication, and recommendation of the audit finding. There has been difficulty in reconciling the amount due to the incorrect interpretation of the amount being municipal funds when an examination of the original transaction shows them as trust funds.

ACTION: Funds to be transferred to the correct account to resolve the bank reconciliation issue.

Responsible Person: Manager Finance

Completion Date: December 2023 (completed)

#### Interim Audit Report 2022-23

As presented to the Audit and Risk Committee in June 2023, the Auditor's Interim Management Report identified a finding related to the fortnightly reconciliation of the payroll reports, which has now been actioned by Officers and recognised as complete by the Auditors.

## Summary

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By way of continuous improvement and external oversight, Officers welcome the finding identified by the Auditors and can confirm the remedial process to reverse the incorrect income posting has now been actioned.

For financial year 2022-23, audit findings relating to the Interim and Final Audit processes have been completed with no further actions requiring Officers attention.

The Shire's Executive Team commend the Finance Team on their efforts in achieving a successful financial audit outcome for 2022-23.

The attached audit reports are presented to the committee for review and endorsement.

## Voting Requirements

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Simple majority.

<b>Officer's Recommendation – 7.6</b>
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**That the Audit and Risk Committee:**

- 1. Considers the final audit findings for the year ending 30 June 2023 and notes the Shire has received an 'Unqualified Opinion' endorsing a clean audit outcome for the Shire.**
- 2. Recommends that the Council endorses the Final Audit Management Report.**
- 3. Notes the Independent Auditor's Report and Annual Financial Report (AFR) will be included in the 2022-23 Annual Report.**

**8. GENERAL BUSINESS**

**9. MEETING CLOSURE**

## Audit and Risk Committee

# Terms of Reference



Document Control				
Effective Date	Next Review Due	Amendment Details	Prepared By	Approved By
February 2022	February 2023	Adoption of revised ToR	DCC & SGRC	Audit & Risk Com

## ~~1. Committee's Authority~~

~~In accordance with section 7.1A of the *Local Government Act 1995* (the Act), the Council of the Shire of Capel has established an Audit and Risk Committee (the Committee).~~

~~The Committee will operate in accordance with all relevant provisions of the Act, the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*. As prescribed in Section 16 of the *Local Government (Audit) Regulations 1996*, the Committee is to provide guidance and assistance to the Council on matters relevant to its Terms of Reference.~~

~~This role is designed to facilitate informed decision-making by the Council in relation to its legislative functions and duties that have not been delegated to the Chief executive officer.~~

~~The Committee is a formally appointed Committee of the Council and is responsible to the Council.~~

~~The Committee does not have executive powers or authority to implement actions in areas over which the Chief executive officer has legislative responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and cannot involve itself in management processes or procedures.~~

~~Reports from the Committee will assist the Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies, and overseeing the allocation of the local government's finances and resources.~~

## **2. 1. Committee's Purpose**

**In accordance with section 7.1A of the *Local Government Act 1995* (the Act), the Council of the Shire of Capel has established an Audit and Risk Committee (the Committee).**

**The Committee will contribute to the transparency of the local government's financial reporting and liaise with the Chief Executive Officer to assist in the effective and efficient management of the local government's financial accounting systems and compliance with legislation and regulations.**

**The primary purpose of the Audit and Risk Committee is to:**

- ~~➤ Review and accept responsibility for the annual external audit and liaise with the local government's appointed auditor, ensuring the Council can be satisfied with the performance of the local government in the management of its financial affairs.~~
- ~~➤ Assist the Chief executive officer to carry out reviews of systems and procedures concerning risk management, internal control, and legislative compliance under r17 of the *Local Government (Audit) Regulations 1996*.~~
- ~~➤ Monitor and receive reports concerning the development, implementation, and continued management of the Shire's Risk Management Plan (RMP), including receiving briefings on significant legal issues.~~

- ~~Monitor and advise the Chief Executive Officer in reviews of certain systems prescribed by the audit and financial management regulations. In particular, any Audit Finding resulting from the annual External Audit process.~~

### 3. 2. Committee's Responsibility

~~The Committee will contribute to the transparency of the local government's financial reporting and liaise with the Chief Executive Officer to assist in the effective and efficient management of the local government's financial accounting systems and compliance with legislation and regulations.~~

~~The Committee is to assist in the:~~

- ~~Enhancement of credibility, transparency, and objectivity of external financial reporting.~~
- ~~Effective management of financial and other risks, including the protection of all Council assets.~~
- ~~Compliance with laws and regulations and use of best practice principles relative to audit, risk management, internal control, and legislative compliance.~~
- ~~Provision of an effective means of communication between the external auditor, the Chief Executive Officer, and the Council.~~
- ~~Implementation of audit recommendations made by the auditor, which have been accepted by the Council.~~
- ~~Acceptance of recommendations arising from reviews of local government systems and procedures.~~

The Committee is to:

- Meet with the Shire's external auditor at least once in every year and provide a report to the Council on the outcomes of the external audit and the context of those discussions.
- Liaise with and assist with the Chief Executive Officer to ensure that the Shire does everything in its power to:
  1. Ensure the external auditor conducts the audit and carries out their duties under the Act.
  2. Ensure that external audits are conducted successfully and expeditiously.
  3. Examine reports of the external auditor after receiving a report from the Chief Executive Officer or other Shire Officer on the matter.
  4. Determine if any matter raised requires action to be taken by the Shire.
  5. Ensure that appropriate action is taken in respect of those matters.
  6. Review the report prepared by the Chief Executive Officer or other Shire Officer in respect of any matters raised from the external auditor. Presenting the report to the Council for adoption, prior to the end of the financial year or six

months after the last report prepared by the external auditor is received, whichever is the latter.

7. Ensure the provision of a copy of that report to the Minister within 3 months of receipt of the audit report by the local government.
- Monitor and advise the Chief Executive Officer/Shire Officer(s) when completing functions in relation to a review under:
    1. Regulation (17(1) of the *Local Government (Audit) Regulations 1996*. Including the review of the Shire's Risk Management Framework.
    2. *Local Government (Financial Management) Regulations 1996* r5(2)(c).
  - Review the appropriateness of special internal audit assignments undertaken at the request of the Council or the Chief Executive Officer (or his/her nominee).
  - Review the level of resources allocated to internal audit and the scope of its authority.
  - Review reports of any internal audits. Monitor the implementation of recommendations made by the audit and review the extent to which the Council and management reacts to matters raised.
  - Consider and recommend adoption of the Annual Financial Report to the Council. Review any significant changes that may arise subsequent to any such recommendation, but before the Annual Financial Report is signed.
  - Address issues brought to the attention of the Committee, including responding to requests from the Council for advice that are within the parameters of the Committee's Terms of Reference.
  - Seek information or obtain expert advice through the Chief Executive Officer or nominee on matters of concern within the scope of the Committee's Terms of Reference following authorisation from the Council.
  - Review the Annual Compliance Audit Return and accompanying Officer's Report. Share the outcome of that review to the Council.
  - Consider the Chief Executive Officer's reviews of the appropriateness and effectiveness of the local government's systems and procedures related to risk management, internal control and legislative compliance.
  - Consider the Chief Executive Officer's Report on the Financial Management Systems Review conducted every 3 years on the appropriateness and effectiveness of the Council's financial management.
  - Complete an annual review of the Committee's Terms of Reference, ensuring they are contemporary in compliance and scope.
  - Identify and make recommendation to the Council on the appointment of an Independent Member to the Committee. ~~suitably qualified Chair of the Committee.~~

- Provide advice to and make recommendations to the Council on any matters above as appropriate.

## **4. Committee Membership**

Members of the Committee shall be appointed by the Council in accordance with section 7.1A of the Act, which states:

- ~~➤ The members of the Audit and Risk Committee are to be appointed by the local government and at least 3 of the members, and the majority of the members, are to be members of the Council.~~
- ~~➤ A Chief Executive Officer is not to be a member of the Committee and may not nominate a person to be a member or have a person to represent the Chief Executive Officer as a member of the committee.~~
- ~~➤ An employee is not to be a member of the Audit and Risk Committee.~~

### **Tenure**

The tenure of members' appointment to the Committee must be compliant with Section 5.11 of the Act, being up to two years terminating on the day of the Ordinary Council elections, at which time all elected members will be eligible for reappointment.

### **Declarations**

Committee members who are elected members must declare conflict of interest or pecuniary interests in accordance with Local Government Rules of Conduct Regulations 2007 Section 11 Disclosure of Interest, to the Chief Executive Officer before or at the relevant Committee meeting.

### **Composition**

The Committee will consist of:

- Five (5) elected members; and will include
- One (1) or more independent members, other than an elected member.

~~The Chairperson shall be independent and appointed by the Council. In the event the Shire is unable to appoint a suitable independent Chairperson, then a member of the Council can be appointed.~~

The Chairperson and Deputy Chairperson of the Committee will be appointed through an Election at the first meeting following the Committee Member appointment. The election will be undertaken in accordance with Schedule 2.3, Division 1 of the *Local Government Act 1995*.



**Appointment of an Independent Chairperson and Independent Member**

The appointment of an Independent Chairperson and Independent Member will be made following a public advertisement. The evaluation of potential members will be reviewed by the Chief Executive Officer and appointments will be recommended to the Council by the Committee based on the potential member's experience and qualifications in any or all the following:

- Internal/external audit.
- Risk management.
- Financial management/reporting.
- Understanding of complexities associated with the Shire of Capel.
- Strong links with the community.

An Independent Member will be a person with no operating responsibilities with the Shire, nor will that person provide paid services either directly or indirectly.

Any instance where an Independent Member has a commercial interest or is closely associated with an organisation that has an interest in the business of the Shire, which represents a conflict of interest or pecuniary interest, or there is a risk or perception of conflict of interest, should be declared to the Chief Executive Officer before or at the relevant Committee meeting.

**Termination of appointment**

The Council may terminate the appointment of any member prior to the expiry of their term, if:

- The Committee Chairperson considers that the member is not making a positive contribution to the Committee.
- The member is found to be in breach of the Shire's Code of Conduct or a serious contravention of the Act.
- A member's conduct, action or comments bring the Shire's reputation into disrepute.

**Committee member entitlements**

All Committee members, including independent members, will be:

- Entitled to receive reimbursement of reasonable expenses.
- Provided with appropriate training and professional development to be determined by the Committee, and provided that adequate funds are available in the Council budget for this purpose.

**5. Role of Shire Staff**

The following Shire staff will be issued with a standing invitation to attend Committee meetings, to provide advice and guidance to the Committee:

- Chief Executive Officer and the Executive Leadership Team or nominee(s).

- Strategic Governance and Risk Co-ordinator or nominee.
- Manager Finance or nominee.
- Representative of the Office of the Auditor General (during External Audit process).

Other staff may be invited to attend meetings to discuss specific issues or reviews as and when required.

Such attendees may take part in the discussions and business of the meetings, but have no voting rights.

### **Quorum**

As prescribed by Section 5.19 of the Act, the quorum for Committee meetings shall be at least 50% of the number of appointed Committee members.

In the Chairperson's absence, Committee members who are present will select a Chairperson for that meeting.

The Committee shall meet at least three times a year, with additional meetings convened at the discretion of the Chairperson allowing the Committee to discharge its functions as appropriate to the needs of the organisation.

### **Agenda**

~~An agenda will be distributed for scheduled meetings at least five days prior, along with reporting registers and other attachments or reports to be addressed. Minutes and action items from conducted meetings will be distributed within ten (10) working days of the meeting being held.~~

### **Public Attendance at Meetings**

**Committee meetings will be open to the public.**

In accordance with Section 5.23 of the Act, the Council or Committee may close to members of the public the meeting or part of the meeting, if the meeting or the part of the meeting deals with several aspects as defined by Section 5.23 of the Act.

### **Voting**

~~Voting is to occur in accordance with Section 5.21 of the Act.~~

### **Minutes and Matters Arising**

~~All meetings shall be minuted by the Committee's Executive Officer, and minutes shall be ratified by the Committee at the next Committee meeting.~~

### **Confidentiality**

All Committee members will be required to adhere to the Shire's confidentiality requirements.

~~No confidential information received or generated by the Committee will be disclosed to unauthorised persons.~~

### **Meeting Procedure**

The meetings will be run in accordance with the *Local Government Act 1995* standard meeting procedures and the *Shire of Capel Standing Orders Local Law 2016*.

## **6. Acknowledgement and Acceptance**

Members of the Audit and Risk Committee understand and agree to this Terms of Reference:

\_\_\_\_\_  
Chairperson                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Member                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Member                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Member                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Member                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Independent Member                      Name and Title:                      Date    /    /



# Audit and Risk Committee

## Terms of Reference

## Committee's Purpose

In accordance with section 7.1A of the *Local Government Act 1995* (the Act), the Council of the Shire of Capel has established an Audit and Risk Committee (the Committee).

The Committee will contribute to the transparency of the local government's financial reporting and liaise with the Chief Executive Officer to assist in the effective and efficient management of the local government's financial accounting systems and compliance with legislation and regulations.

## Responsibility

The Committee is to:

- Meet with the Shire's external auditor at least once in every year and provide a report to the Council on the outcomes of the external audit and the context of those discussions.
- Liaise with and assist with the Chief Executive Officer to ensure that the Shire does everything in its power to:
  1. Ensure the external auditor conducts the audit and carries out their duties under the Act.
  2. Ensure that external audits are conducted successfully and expeditiously.
  3. Examine reports of the external auditor after receiving a report from the Chief Executive Officer or other Shire Officer on the matter.
  4. Determine if any matter raised requires action to be taken by the Shire.
  5. Ensure that appropriate action is taken in respect of those matters.
  6. Review the report prepared by the Chief Executive Officer or other Shire Officer in respect of any matters raised from the external auditor. Presenting the report to the Council for adoption, prior to the end of the financial year or six months after the last report prepared by the external auditor is received, whichever is the latter.
  7. Ensure the provision of a copy of that report to the Minister within 3 months of receipt of the audit report by the local government.
- Monitor and advise the Chief Executive Officer/Shire Officer(s) when completing functions in relation to a review under:
  1. Regulation (17(1) of the *Local Government (Audit) Regulations 1996*. Including the review of the Shire's Risk Management Framework.
  2. *Local Government (Financial Management) Regulations 1996* r5(2)(c).
- Review the appropriateness of special internal audit assignments undertaken at the request of the Council or the Chief Executive Officer (or his/her nominee).
- Review the level of resources allocated to internal audit and the scope of its authority.

- Review reports of any internal audits. Monitor the implementation of recommendations made by the audit and review the extent to which the Council and management reacts to matters raised.
- Consider and recommend adoption of the Annual Financial Report to the Council. Review any significant changes that may arise subsequent to any such recommendation, but before the Annual Financial Report is signed.
- Address issues brought to the attention of the Committee, including responding to requests from the Council for advice that are within the parameters of the Committee's Terms of Reference.
- Seek information or obtain expert advice through the Chief Executive Officer or nominee on matters of concern within the scope of the Committee's Terms of Reference following authorisation from the Council.
- Review the Annual Compliance Audit Return and accompanying Officer's Report. Share the outcome of that review to the Council.
- Consider the Chief Executive Officer's reviews of the appropriateness and effectiveness of the local government's systems and procedures related to risk management, internal control, and legislative compliance.
- Consider the Chief Executive Officer's Report on the Financial Management Systems Review conducted every 3 years on the appropriateness and effectiveness of the Council's financial management.
- Complete an annual review of the Committee's Terms of Reference, ensuring they are contemporary in compliance and scope.
- Identify and make a recommendation to the Council on the appointment of an Independent Member to the committee.
- Provide advice to and make recommendations to the Council on any matters above as appropriate.

### Membership

Members of the Committee shall be appointed by the Council in accordance with section 7.1A of the Act.

### Tenure

The tenure of members' appointment to the Committee must be compliant with Section 5.11 of the Act, being up to two years terminating on the day of the Ordinary Council elections, at which time all elected members will be eligible for reappointment.

### Declarations

Committee members who are elected members must declare conflict of interest or pecuniary interests in accordance with *Local Government Rules of Conduct Regulations 2007*

Section 11 Disclosure of Interest, to the Chief Executive Officer before or at the relevant Committee meeting.

### **Composition**

The Committee will consist of:

- Five (5) elected members; and will include
- One (1) or more Independent Members, other than an elected member.

The Chairperson and Deputy Chairperson of the Committee will be appointed through an Election at the first meeting following the Committee Member appointment. The election will be undertaken in accordance with Schedule 2.3, Division 1 of the *Local Government Act 1995*.

### **Appointment of an Independent Member**

The appointment of an Independent Member will be made following a public advertisement. The evaluation of potential members will be reviewed by the Chief Executive Officer and the appointment will be recommended to the Council by the Committee based on the potential member's experience and qualifications in any or all the following:

- Internal/external audit.
- Risk management.
- Financial management/reporting.
- Understanding of complexities associated with the Shire of Capel.
- Strong links with the community.

An Independent Member will be a person with no operating responsibilities with the Shire, nor will that person provide paid services either directly or indirectly.

Any instance where an Independent Member has a commercial interest or is closely associated with an organisation that has an interest in the business of the Shire, which represents a conflict of interest or pecuniary interest, or there is a risk or perception of conflict of interest, should be declared to the Chief Executive Officer before or at the relevant Committee meeting.

### **Termination of appointment**

The Council may terminate the appointment of any member prior to the expiry of their term, if:

- The Committee Chairperson considers that the member is not making a positive contribution to the Committee.
- The member is found to be in breach of the Shire's Code of Conduct or a serious contravention of the Act.
- A member's conduct, action or comments bring the Shire's reputation into disrepute.

### **Committee member entitlements**

All Committee members, including the Independent Member, will be:

- Entitled to receive reimbursement of reasonable expenses.
- Provided with appropriate training and professional development to be determined by the Committee, and provided that adequate funds are available in the Council budget for this purpose.

### **Role of Shire Staff**

The following Shire staff will be issued with a standing invitation to attend Committee meetings, to provide advice and guidance to the Committee:

- Chief Executive Officer and the Executive Leadership Team or nominee(s).
- Strategic Governance and Risk Co-ordinator or nominee.
- Manager Finance or nominee.
- Representative of the Office of the Auditor General (during External Audit process).

Other staff may be invited to attend meetings to discuss specific issues or reviews as and when required.

Such attendees may take part in the discussions and business of the meetings, but have no voting rights.

### **Quorum**

As prescribed by Section 5.19 of the Act, the quorum for Committee meetings shall be at least 50% of the number of appointed Committee members.

In the Chairperson's absence, Committee members who are present will select a Chairperson for that meeting.

The Committee shall meet at least three times a year, with additional meetings convened at the discretion of the Chairperson allowing the Committee to discharge its functions as appropriate to the needs of the organisation.

### **Public Attendance at Meetings**

Committee meetings will be open to the public.

In accordance with Section 5.23 of the Act, the Council or Committee may close to members of the public the meeting or part of the meeting if the meeting or the part of the meeting deals with several aspects as defined by Section 5.23 of the Act.

### **Confidentiality**

All Committee members will be required to adhere to the Shire's confidentiality requirements.



## Meeting Procedure

The meetings will be run in accordance with the *Local Government Act 1995* standard meeting procedures and the *Shire of Capel Standing Orders Local Law 2016*.

## Acknowledgement and Acceptance

Members of the Audit and Risk Committee understand and agree to this Terms of Reference:

\_\_\_\_\_  
Chairperson                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Member                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Member                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Member                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Member                      Name and Title:                      Date    /    /

\_\_\_\_\_  
Independent Member                      Name and Title:                      Date    /    /

Document Control				
Effective Date	Next Review Due	Amendment Details	Prepared By	Approved By
February 2022	February 2023	Adoption of revised ToR	DCC & SGRC	Audit & Risk Com

## Corporate Risk Register

IDENTIFICATION									CURRENT				PROPOSED				
RISK #	SCP REF	DESCRIPTION OF RISK	RISK CAUSE	RISK CONSEQUENCE	IMPACT CATEGORY	CONSEQUENCE RATING	LIKELIHOOD RATING	INHERENT RISK RATING	EXISTING CONTROLS	CONSEQUENCE RATING	LIKELIHOOD RATING	RESIDUAL RISK RATING	PLANNED TREATMENTS	RESOURCES REQUIRED	RISK OWNER	TREATMENT DUE DATE	STATUS
1	2.3 3.3 4.1 4.2 6.1	Failure to provide long term financial sustainability	<ul style="list-style-type: none"><li>Increased costs on materials/services</li><li>Service level expectations</li><li>Rating strategy</li><li>Borrowing capacity</li><li>Grant security</li></ul>	Lack of financial sustainability	Financial	Major	Possible	High	<ul style="list-style-type: none"><li>Long term financial plan</li><li>Annual reviews of Programs of Works (PoW)</li><li>Procurement Management procedure</li><li>Quarterly reporting of the Corporate Business Plan</li><li>Use of the WA Treasury Corporation Financial Tool</li></ul>	Major	Unlikely	Medium	<ol style="list-style-type: none"><li>Review of Long term financial plan</li><li>Review of PoW</li></ol>	<ul style="list-style-type: none"><li>As per risk 11 (ICT) financial resource in ERP System as per BTECH 35 in CBP</li><li>2. AST 8 - Staffing resources as per Risk 2.</li></ul>	<ol style="list-style-type: none"><li>Director of Community and Corporate</li><li>Director Infrastructure and Development</li></ol>	<ol style="list-style-type: none"><li>30/09/2023</li><li>2.01/04/2024</li></ol>	<ol style="list-style-type: none"><li>Completed - Taken to September OCM</li><li>In Progress</li></ol>
2	4.1 4.4	Failure to recruit and retain the organisational workforce	<ul style="list-style-type: none"><li>Workforce resourcing allocations to projects</li><li>Reduced recruitment opportunity due to a competitive recruitment market</li><li>Accommodation for staff</li><li>Resourcing in Human Resources</li><li>Lack of skilled workforce</li><li>Increased staff turnover</li></ul>	<ul style="list-style-type: none"><li>High staff turnover</li><li>Inability to meet service requirements</li></ul>	Reputational and Service Delivery	Major	Possible	High	<ul style="list-style-type: none"><li>Workforce Plan</li><li>Traineeship initiatives</li><li>Leadership development program</li></ul>	Major	Almost Certain	Extreme	<ol style="list-style-type: none"><li>Implement staff Development Strategy</li><li>Implement Cultural Development Program</li><li>Urgent recruitment of roles</li></ol>	2. Budget inclusion as per ORDG 8 in the CBP	Manager Organisational Development / Director of Community and Corporate	30-Jun-24	<ol style="list-style-type: none"><li>Not Stared</li><li>In progress</li><li>In progress</li></ol>
3	3.2 3.4 4.3 5.1 5.2 5.3 5.4	Insufficient Asset Management	<ul style="list-style-type: none"><li>Contractor availability</li><li>Increased costs in materials and services</li><li>Lack of continuity in workforce</li><li>Sufficient asset management software</li></ul>	Failure to deliver Capital Works Programs and manage assets	Infrastructure / systems / utilities and financial	Major	Likely	High	<ul style="list-style-type: none"><li>Completed asset revaluation for current data</li><li>Utilise alternative procurement opportunities</li></ul>	Moderate	Possible	Medium	<ol style="list-style-type: none"><li>Implement Asset Management Software</li><li>Review asset Management strategies</li><li>Asset Revaluation</li></ol>	1. Budget inclusion as per BTECH 7 in the CBP	Manager Projects, Engineering and Assets / Director Infrastructure and Development	30-Jun-24	<ol style="list-style-type: none"><li>In progress</li><li>In progress</li><li>Completed</li></ol>
4	2.1 3.2 4.5 5.1 5.2 5.3 5.4	Failure to deliver capital Works and projects	<ul style="list-style-type: none"><li>Inflation / cost increases</li><li>Service level expectations</li><li>Staff continuity</li><li>Availability of contractors</li><li>Lack of skilled contract managers</li></ul>	<ul style="list-style-type: none"><li>Service delivery requirements not met</li><li>Compliance standards not maintained</li></ul>	Infrastructure / systems / utilities and Reputational	Major	Likely	High	<ul style="list-style-type: none"><li>Corporate Business Plan tracking</li><li>Utilise alternative procurement opportunities</li></ul>	Major	Unlikely	Medium	<ol style="list-style-type: none"><li>Develop a Contractor Management Framework</li><li>Recruitment of key staff</li></ol>	1. Budget inclusion as per GOV 32 in the CBP	Director of Infrastructure and Development	30-Jun-24	<ol style="list-style-type: none"><li>Not started</li></ol>
5	4.1 4.2	Failure to comply with new Statutory & Regulatory Requirements and provide good governance	<ul style="list-style-type: none"><li>Lack of resourcing in governance and compliance roles</li><li>Sufficient training in legislative changes</li><li>Ability to provide considered input to government departments</li><li>Challenges with interpretation of legislation</li></ul>	Non-compliance of services	Legislative compliance, financial and reputational	Severe	Possible	High	<ul style="list-style-type: none"><li>Attendance of Department briefings</li><li>Rollout of new procurement management procedure</li><li>Internal training provided to staff</li></ul>	Major	Possible	High	<ol style="list-style-type: none"><li>Additional Resourcing in finance and governance teams</li><li>Development of additional registers and reporting for future reform requirements</li><li>Creation of new policies for leasing, disposals etc.</li><li>Review of Code of Conduct</li></ol>	1. The inclusion of 0.6 FTE (GOV) & 1 FTE (FIN) in the workforce plan	CEO	31-Dec-23	<ol style="list-style-type: none"><li>In progress</li><li>Not Started</li><li>In Progress</li><li>Not Started</li></ol>
6	1.1 1.2 1.3 3.1 3.2 3.3 4.3 6.1 6.2	Failure to grow economic development and place management	<ul style="list-style-type: none"><li>Lack of Shire resourcing</li><li>Failure to develop across sector relationships</li><li>Insufficient local public transport</li><li>Insufficient tourism strategy</li><li>Failure to provide local employment opportunities</li><li>Insufficient sporting facilities to meet requirements of the community</li></ul>	Inability to support a growing community	Reputational and Service Delivery	Moderate	Unlikely	Medium	<ul style="list-style-type: none"><li>Ongoing meetings with Shire of Capel Economic Development Committee</li><li>Regular meetings with SW Development Commission</li><li>Regular meetings with local MP's</li></ul>	Minor	Possible	Medium	<ol style="list-style-type: none"><li>Finalise Economic Development Framework</li><li>Recruitment of Economic Development Officer</li></ol>	1. Budget inclusion as per CEO 2 in the CBP	CEO	1.31/08/2023	<ol style="list-style-type: none"><li>Completed</li><li>In Progress</li></ol>
7	1.4 4.1 4.4 6.2	Inadequate management of Work Health and Safety requirements	<ul style="list-style-type: none"><li>Non-compliance with legislative requirements for WHS Act</li><li>Lack of sufficient training with volunteers</li><li>Insufficient training with employees due to staff turnover</li><li>Lack of resourcing in Organisational Development</li><li>Outdated procedures</li></ul>	<ul style="list-style-type: none"><li>Injuries/death</li><li>Legislative non-compliance, resulting in legal ramifications</li></ul>	Health and Safety and Legislative Compliance	Severe	Likely	Extreme	<ul style="list-style-type: none"><li>Work Health and Safety Officer support to staff</li><li>Use of MYOSH system to support safety requirements</li></ul>	Severe	Possible	High	<ol style="list-style-type: none"><li>Implementation of working alone procedure</li><li>Assist in WHS support in the Contractor Management Framework</li><li>Training to volunteers and staff</li></ol>	<ol style="list-style-type: none"><li>Budget inclusion as per risk 4</li><li>Utilise current budget allocations for training</li></ol>	CEO	<ol style="list-style-type: none"><li>30-Jun-24</li><li>Ongoing</li></ol>	<ol style="list-style-type: none"><li>In Progress</li><li>In progress</li><li>In Progress</li></ol>
8	2.1 2.2 2.3 2.4 2.5 2.6 2.7	Failure to develop and maintain climate change and environmental sustainability management	<ul style="list-style-type: none"><li>Lack of community knowledge in current challenges</li><li>Lack of resourcing in sustainability</li><li>Insufficient sustainability framework</li><li>Lack of across organisational understanding</li><li>Insufficient CHRMAP action planning</li></ul>	Inability to future plan for environmental concerns	Environmental and Reputational	Moderate	Possible	Medium	<ul style="list-style-type: none"><li>Work with the Climate Change, Adaptation and Sustainability Committee on developing key initiatives</li><li>Current development of the Shire's Sustainability Framework</li></ul>	Moderate	Unlikely	Medium	<ol style="list-style-type: none"><li>Finalise and implement Sustainability Framework</li><li>Development of Action Plan</li><li>Report on current sustainability initiatives</li></ol>	<ol style="list-style-type: none"><li>Utilise current budget allocation</li><li>Budget inclusion as per SENV 1.1 of the CBP</li></ol>	CEO and Director Infrastructure and Development	<ol style="list-style-type: none"><li>28 June 23</li><li>30 June 2024</li><li>Ongoing</li></ol>	<ol style="list-style-type: none"><li>Completed</li><li>Completed</li><li>In Progress</li></ol>

9	1.1 1.3 3.1 6.1 6.2	Failure to provide strong community and stakeholder engagement	<ul style="list-style-type: none"> <li>• High staff turnover</li> <li>• Increased community expectations</li> <li>• Failure to provide sufficient communication to community</li> <li>• Increased service delivery</li> <li>• Lack of contractor and consultant availability</li> <li>• Lack of understanding of Local Government roles and responsibilities</li> </ul>	Relationship decline with the community and stakeholders, resulting in lack of trust and partnership	Reputational and Service Delivery	Minor	Unlikely	Low	<ul style="list-style-type: none"> <li>• Frequent meetings with SW Local Governments</li> <li>• Frequent meetings with SW WALGA Zone</li> <li>• CEO meetings</li> <li>• Youth Group</li> <li>• Seniors Group / Link</li> <li>• Community Engagement Framework</li> <li>• Communication Strategy</li> </ul>	Minor	Unlikely	Low	1. Training staff in community engagement best practices	No current resourcing requirements besides BAU actions in the CBP	CEO	31-Dec-23	1. Not Started
10	1.4 2.6	Failure to provide long term waste management services	<ul style="list-style-type: none"> <li>• Increased costs of waste services</li> <li>• Insufficient waste facilities</li> <li>• Lack of sustainable waste management long term options</li> <li>• Waste transport costs</li> <li>• Lack of licence capabilities at the Shire's Waste Transfer Station</li> </ul>	Increased costs and environmental/sustainability impacts	Infrastructure / systems / utilities and financial	Major	Likely	High	<ul style="list-style-type: none"> <li>• Attendance at SW regional waste group meetings</li> <li>• New waste service 10 year tender</li> <li>• Annual monitoring of waste data</li> </ul>	Major	Possible	High	1. Local Waste education 2.Tracking of current waste data 3. Development of Waste Strategy	No current resourcing requirements besides BAU actions in the CBP	Director Infrastructure and Development	1. Ongoing 2. Ongoing 3. 30 April 2024	1. In Progress 2. In Progress 3. In Progress
11	1.1 3.2 4.1 4.2 4.5 6.1 6.2	Failure to provide sufficient ICT & ERP support	<ul style="list-style-type: none"> <li>• Lack of technology</li> <li>• Insufficient ERP system</li> <li>• Increased expectation from the community</li> <li>• Increased service delivery expectations</li> <li>• Increased cyber security risks</li> </ul>	Decline in service delivery and inability to meet service needs	Reputational, Financial and Service Delivery	Severe	Likely	Extreme	<ul style="list-style-type: none"> <li>• Scheduled replacement of ERP system</li> <li>• Internal cyber security training</li> <li>• Minor technology upgrades</li> </ul>	Major	Likely	High	1. Implementation of new ERP System 2. Additional resourcing for helpdesk support	1. Budget consideration s per BTECH 35 in CBP	Manager IT and Business Systems and Director Community and Corporate	1. 30-Jun-24 2. 30 July 23	1. In Progress 2. <b>Complete</b>
12	1.4 4.2 6.1	Failure to provide emergency management and business continuity in a disaster	<ul style="list-style-type: none"> <li>• Lack of new work health and safety requirements</li> <li>• Lack of resourcing</li> <li>• Decline in the number of volunteers</li> <li>• Lack of sufficient training on the Shire's Business Continuity Plan</li> <li>• Lack of available resourcing for service delivery</li> </ul>	Impact on ability to support the community in a disaster	Health and Safety and Legislative Compliance	Severe	Likely	Extreme	<ul style="list-style-type: none"> <li>• Frequent meetings with the Local Emergency Management Committee</li> <li>• Frequent meetings with the Bush Fire advisory Committee</li> <li>• Current Bush Fire Management Plans</li> <li>• Bush Fire Mitigation Officer undertaken consistent management of reserves</li> </ul>	Severe	Unlikely	High	1. Review of Business Continuity Plan 2. Contractor engagement of bush fire mitigation	1. No current resourcing requirements besides BAU as detailed in CBP 2. No current resourcing requirements besides BAU as detailed in CBP	1. Strategic Governance and Risk Coordinator 2. Emergency Service Coordinator and Director Infrastructure and Development	1. 30-Jun-24 2. Ongoing	1. In progress 2. In Progress

## 1. Assessment

### 1.1 Risk Impact Categories

Those categories against which the consequences/impacts of risk will be assessed.

Risk Impact Category	Description
<b>Financial</b>	Financial loss that may or may not be managed within existing budget and may or may not impact a program or service.
<b>Environmental</b>	Harm to the environment or heritage asset or area.
<b>Health and Safety</b>	Harm or injury to employees, contractors, volunteers, work experience people with potential time loss and/or medical care. Harm or injury to the community or broader public.
<b>Infrastructure/Systems/Utilities</b>	Damage to assets/infrastructure with financial consequences. Loss of utilities/systems resulting in disruption to services.
<b>Legislative Compliance</b>	Breach of legislation and compliance requirements that may or may not result in legal action and/or financial penalties.
<b>Reputation</b>	Media or other stakeholder exposure that may or may not impact reputation and may or may not require action or intervention.
<b>Service Delivery</b>	Disruption to a service or major project that may result in delays to delivery.

## 1.2 Risk Likelihood

Predicted likelihood of the risk event occurring over time and activity frequency.

Likelihood		Description	Frequency
Almost certain		Expected to occur in most circumstances < 80%	At least once per year
Likely		Will probably occur in most circumstances (50-80% probability)	Likely to occur once every >1-2 years
Possible		Might occur at some time (25-49% probability)	Likely to occur >2-5 years
Unlikely		Could occur but not likely (2-24% probability)	>5-20 years
Rare		May occur in exceptional circumstances (>2% probability)	Not likely to occur more than once in 20-30 years

## 1.3 Risk Scoring Matrix

To determine the overall risk level for a particular risk, the likelihood and consequence scores for the risk can be plotted in a matrix.

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Medium	Medium	High	Extreme	Extreme
Likely	Medium	Medium	High	High	Extreme
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

## 2. Acceptance

### 2.1 Effectiveness of Controls

Rating for the overall effectiveness of risk control measures currently used in reducing the likelihood an/or consequence of the risk event occurring.

Risk Impact Category	Description
<b>Fully effective</b>	Fully effective always (will significantly reduce the likelihood and/or consequence of the risk at all times)
<b>Substantially effective</b>	Effective in most circumstances (will have a reasonably significant effect in terms of reducing likelihood and/or consequences of the risk)
<b>Partially effective</b>	Partial control most of the time (will have some effect in terms of reducing the likelihood and/or consequence of the risk)
<b>Totally ineffective</b>	Not effective in mitigating the risk (will not have any effect in terms of reducing the likelihood and/or consequence of the risk)

## 2.2 Risk Treatment Options

Selection of one of the following risk treatment options should be made in accordance with the organisation's objectives, risk criteria and available resources.

Risk Impact Category	Description
<b>Accept</b>	Accepting or retaining the risk at its residual risk rating level, without further treatment, even though it may exceed the organisation's risk appetite.
<b>Treat</b>	Further treating risks to reduce the likelihood and/or consequence of the risk.
<b>Transfer/Share</b>	Transferring part of the risk (either management of the activity/service or consequences) to another party. Sharing risk does not mean responsibility has been transferred.
<b>Avoid</b>	Avoiding a risk with detrimental consequences by deciding not to proceed with the activity likely to create the risk.

## 2.3 Risk Appetites

The risk appetite/attitude for residual risk has been identified for each Impact Category for the organisation.

Impact category	Consequence			
	Low	Medium	High	Severe
Financial				
Environmental				
Health and Safety				
Infrastructure/ Systems/Utilities				
Legislative Compliance				
Reputation				
Service Delivery				

## 2.4 Risk Consequences

Graded consequences to give further guidance for each Risk Impact Category.

Impact Category	Insignificant	Minor	Moderate	Major	Severe
Financial	Minimal financial impact that can be managed within the program or service budget. Less than \$10,000	A financial loss that can be managed within the department budget. \$10,000 to less than \$100,000	A financial loss that can be managed within the organizational budget. \$100,000 to less than \$250,000	A financial loss unable to be managed within the organizational budget resulting in reduction in a program or service. \$250,000 to less than \$1M.	A critical financial loss resulting in closure of or significant reduction in a program or service. Greater than \$1M.
Environmental	Negligible damage that is contained on-site. The damage is recoverable with no permanent effect on the environment or the asset. The resource or asset will take less than 3 months to recover.	Minor damage to the environment or heritage asset or area that is immediately constrained on-site. The resource or asset will take less than 1 year to recover, or it will only require minor repair.	Moderate damage to the environment or a heritage listed asset or area, which is repairable. The resource or asset will take up to 5 years to recover.	Significant damage to an <i>environmentally significant</i> area or asset from which it will take more than 10 years to recover.  OR  Extensive damage to a non-heritage listed area or asset that has heritage values.  OR  Significant damage to a <i>Council Heritage Listed</i> area or asset that involves either extensive remediation or will take more than 10 years to recover.	Irreversible and extensive damage is caused to a <i>World Heritage Listed Area, a National Heritage Listed Site, a Register of the National Estate Site or a Council Heritage Listed</i> area or asset.  OR  Irreversible and extensive damage is caused to a <i>Matter of National Environmental Significance</i> under the Act (e.g. endangered species, RAMSAR wetland, marine environment).



Impact Category	Insignificant	Minor	Moderate	Major	Severe
Health and Safety	No injury / minor First Aid treatment only.	First Aid treatment or precautionary medical attention only. Person likely to immediately resume normal duties.	Person unable to resume normal duties in the short-medium term.	Hospitalisation with potential to result in permanent impairment.	Single or multiple fatality.
Infrastructure/ Systems/Utilities	Minor damage where repairs are required however, assets or infrastructure are still fully operational.  OR  Loss of utilities/systems resulting in minor disruption to a service for up to 12 hours.	Short term loss or damage where repairs are required to allow the assets or infrastructure to remain operational using existing internal resources.  OR  Loss of utilities/systems resulting in minor disruption to a service (>12 hours - 24 hours).	Medium term loss of key assets and infrastructure, where repairs are required to allow them to remain operational. Cost moderate and outside of budget allocation.  OR  Loss of utilities/systems resulting in disruption to a department for up to 12 hours.	Widespread, medium term loss of key assets and infrastructure, where repairs required to allow the infrastructure to remain operational. Cost significant and outside of budget allocation.  OR  Loss of utilities/systems resulting in serious disruption to several services or more than 1 department for up to 12 hours.	Widespread, long-term loss of substantial key assets and infrastructure. Infrastructure requires total rebuild or replacement.  OR  Failure of utilities/systems resulting in the loss of function for several departments (> 12 hours).
Legislative Compliance	Minor technical breach but no damages. No monetary penalty. Internal query.	Minor technical non compliances and breaches of Council Policy or State/Commonwealth regulations with potential for minor monetary penalty.	Compliance breach of regulation with investigation or report to authority with possible fine.  AND/OR  Special audit by outside agency or enquiry by Ombudsman.	Major compliance breach with potential exposure to large damages or awards. Potential prosecution with penalty imposed. District court action.  OR  Multiple compliance	Severe compliance breach with prosecution and/or maximum penalty imposed. Supreme Court or criminal action.  OR  Multiple compliance breaches that together result in prosecution

Impact Category	Insignificant	Minor	Moderate	Major	Severe
Reputation				breaches that together result in potential prosecution with penalty imposed.	with maximum penalty imposed.
	Customer complaint.  AND/OR  Not at fault issue, settled quickly with no impact.	Non-headline community media exposure. Clear fault. Settled quickly by the Shire response. Negligible impact.	Negative local (headline) and some regional media coverage. Council notification. Slow resolution.	Negative regional (headline) and some national media coverage. Repeated exposure. Council involvement. At fault or unresolved complexities impacting public or key groups.	Sustained national media coverage. Maximum multiple high level exposure. Direct Council intervention. Loss of credibility and public/ key stakeholder support.
Service Delivery	Some non-essential tasks will not be able to be achieved.  AND/OR  Unable to provide service for <1 business day.  AND/OR  Major Project in progress delay for < 1 month.	Less than 5% of essential tasks will not be achieved.  AND/OR  Unable to provide service for 1-2 business days.  AND/OR  Major Project in progress delay for 1 - 2 months.	5% - 10% of essential tasks will not be achieved  AND/OR  Unable to provide service for 2-5 business days.  AND/OR  Major Project in progress delay for 2-3 months.	10% - 20% of essential tasks will not be achieved.  AND/OR  Unable to provide service for 5-10 business days.  AND/OR  Major Project in progress delay for 3-6 months.	Greater than 20% of essential tasks will not be achieved.  AND/OR Unable to provide service for >10 business days.  AND/OR  Major Project in progress delay for > 6 months.

## Procedure

<b>Department:</b>	Governance and Risk	<b>Next review:</b>
<b>Reviewer:</b>	Strategic Governance & Risk Coordinator	<b>Legislation:</b>
<b>Adopted:</b>	30 March 2022 (OC056/2022)	<b>Delegation:</b>
<b>Amended:</b>		<b>Other:</b>

**SHIRE OF CAPEL**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Bank reconciliation	No		✓		

**Key to ratings**

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

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

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

**1. Bank reconciliation**

**Finding**

We have noted that the Municipal bank reconciliation for the month of June 2023 has not been reconciled. There is a difference of \$29K between the bank reconciliation and the general ledger.

**Rating:** Moderate

**Implication**

The absence of an effective bank reconciliation process increases the risk of errors, omissions or fraud remaining undetected. In turn, this could lead to misstatements in financial reporting and the Shire not reporting its true cash position.

**Recommendation**

The Shire should ensure that the monthly bank reconciliation is appropriately prepared and independently reviewed.

**Management comment:**

*Agree with the finding, implication and recommendation of the audit finding. There has been difficulty in reconciling the amount due to the incorrect interpretation of the amount being municipal funds and the difference being caused by an incorrect accounting entry or by the bank reconciliation software. An examination of the original transaction and the entries that have followed shows the transaction to be made up of municipal and trust funds but all funds receipted to municipal bank account. Funds to be transferred to the correct trust bank account to resolve the bank reconciliation issue.*

**Responsible person:** Manager Finance  
**Completion date:** December 2023



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2023 Shire of Capel

To the Council of the Shire of Capel

#### Opinion

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

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2023 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

#### Basis for opinion

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

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

#### Other information

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

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

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



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

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

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

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

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

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

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

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

**Matters relating to the electronic publication of the audited financial report**

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

A handwritten signature in blue ink, appearing to read 'Jordan Langford-Smith'.

Jordan Langford-Smith  
Senior Director Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
15 December 2023





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

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Statement of Financial Activity	7
Index of Notes to the Financial Report	8
Independent Auditor's Report	41

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

*A future focused and resilient community that benefits from good governance, responsive services and appropriate facilities to deliver positive social, environmental and economic outcomes for everyone.*

Principal place of business:  
31 Forrest Road  
Capel WA 6271

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

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

**STATEMENT BY CEO**

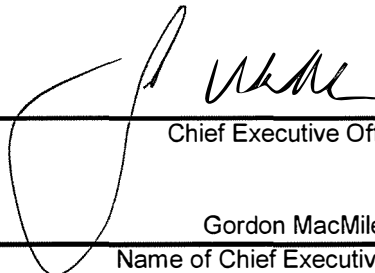
The accompanying financial report of the Shire of Capel has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30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

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

Signed on the

14th day of

December 2023

  
\_\_\_\_\_  
Chief Executive Officer  
  
Gordon MacMile  
\_\_\_\_\_  
Name of Chief Executive Officer

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

	NOTE	2023 Actual	2023 Budget	2022 Actual
		\$	\$	\$
<b>Revenue</b>				
Rates	2(a),24	15,202,393	15,017,792	13,915,061
Grants, subsidies and contributions	2(a)	3,995,570	2,061,821	3,760,894
Fees and charges	2(a)	3,327,668	3,187,733	3,349,018
Interest revenue	2(a)	754,427	89,382	180,205
Other revenue	2(a)	246,761	199,915	195,677
		23,526,819	20,556,643	21,400,855
<b>Expenses</b>				
Employee costs	2(b)	(9,744,578)	(10,444,110)	(9,252,842)
Materials and contracts		(7,844,401)	(8,404,176)	(6,004,689)
Utility charges		(652,363)	(673,792)	(602,657)
Depreciation		(5,068,931)	(5,034,475)	(4,809,936)
Finance costs	2(b)	(202,468)	(225,043)	(248,854)
Insurance		(260,693)	(283,150)	(220,476)
Other expenditure	2(b)	(361,103)	(437,846)	(312,506)
		(24,134,537)	(25,502,592)	(21,451,960)
		(607,718)	(4,945,949)	(51,105)
Capital grants, subsidies and contributions	2(a)	2,876,149	4,866,240	3,652,135
Profit on asset disposals		0	82,197	16,692
Loss on asset disposals		(91,894)	(58,055)	(15,829)
Fair value adjustments to financial assets at fair value through profit or loss	4	2,764	0	2,998
		2,787,019	4,890,382	3,655,996
<b>Net result for the period</b>		<b>2,179,301</b>	<b>(55,567)</b>	<b>3,604,891</b>
<b>Other comprehensive income for the period</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	16	48,444,089	0	0
<b>Total other comprehensive income for the period</b>		<b>48,444,089</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>50,623,390</b>	<b>(55,567)</b>	<b>3,604,891</b>

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

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

	<b>NOTE</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	23,377,889	24,508,840
Trade and other receivables	5	1,050,351	930,826
Inventories	6	23,729	27,210
Other assets	7	145,643	98,433
<b>TOTAL CURRENT ASSETS</b>		<b>24,597,612</b>	<b>25,565,309</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	20,211	25,525
Other financial assets	4	86,117	83,353
Inventories	6	268,611	268,611
Other assets	7	0	106
Property, plant and equipment	8	31,873,260	31,710,363
Infrastructure	9	200,382,141	150,680,425
Right-of-use assets	11(a)	201,464	223,808
<b>TOTAL NON-CURRENT ASSETS</b>		<b>232,831,804</b>	<b>182,992,191</b>
<b>TOTAL ASSETS</b>		<b>257,429,416</b>	<b>208,557,500</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	4,566,200	5,937,587
Other liabilities	13	441,990	519,285
Lease liabilities	11(b)	94,362	88,935
Borrowings	14	302,151	335,987
Employee related provisions	15	1,201,899	1,284,562
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,606,602</b>	<b>8,166,356</b>
<b>NON-CURRENT LIABILITIES</b>			
Other liabilities	13	2,318,988	2,177,057
Lease liabilities	11(b)	131,138	144,353
Borrowings	14	3,787,116	4,089,267
Employee related provisions	15	168,160	186,445
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>6,405,402</b>	<b>6,597,122</b>
<b>TOTAL LIABILITIES</b>		<b>13,012,004</b>	<b>14,763,478</b>
<b>NET ASSETS</b>		<b>244,417,412</b>	<b>193,794,022</b>
<b>EQUITY</b>			
Retained surplus		97,644,371	96,163,981
Reserve accounts	27	13,974,652	13,275,741
Revaluation surplus	16	132,798,389	84,354,300
<b>TOTAL EQUITY</b>		<b>244,417,412</b>	<b>193,794,022</b>

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

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

	<b>NOTE</b>	<b>RETAINED SURPLUS</b>	<b>RESERVE ACCOUNTS</b>	<b>REVALUATION SURPLUS</b>	<b>TOTAL EQUITY</b>
		\$	\$	\$	\$
<b>Balance as at 1 July 2021</b>		<b>91,614,094</b>	<b>14,220,737</b>	<b>84,354,300</b>	<b>190,189,131</b>
Comprehensive income for the period					
Net result for the period		3,604,891	0	0	3,604,891
Other comprehensive income for the period	16	0	0	0	0
Total comprehensive income for the period		3,604,891	0	0	3,604,891
Transfers from reserve accounts	27	2,727,574	(2,727,574)	0	0
Transfers to reserve accounts	27	(1,782,578)	1,782,578	0	0
<b>Balance as at 30 June 2022</b>		<b>96,163,981</b>	<b>13,275,741</b>	<b>84,354,300</b>	<b>193,794,022</b>
Comprehensive income for the period					
Net result for the period		2,179,301	0	0	2,179,301
Other comprehensive income for the period	16	0	0	48,444,089	48,444,089
Total comprehensive income for the period		2,179,301	0	48,444,089	50,623,390
Transfers from reserve accounts	27	3,178,810	(3,178,810)	0	0
Transfers to reserve accounts	27	(3,877,721)	3,877,721	0	0
<b>Balance as at 30 June 2023</b>		<b>97,644,371</b>	<b>13,974,652</b>	<b>132,798,389</b>	<b>244,417,412</b>

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

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

	NOTE	2023 Actual \$	2022 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates		15,307,782	14,161,221
Grants, subsidies and contributions		3,965,448	4,009,594
Fees and charges		3,248,977	3,348,018
Interest revenue		754,427	180,205
Goods and services tax received		1,474,081	1,342,830
Other revenue		246,760	195,677
		24,997,475	23,237,545
<b>Payments</b>			
Employee costs		(9,789,656)	(8,942,196)
Materials and contracts		(9,427,820)	(3,282,356)
Utility charges		(652,363)	(602,657)
Finance costs		(202,468)	(248,854)
Insurance paid		(260,693)	(220,476)
Goods and services tax paid		(1,407,693)	(1,099,187)
Other expenditure		(361,104)	(312,506)
		(22,101,797)	(14,708,232)
<b>Net cash provided by (used in) operating activities</b>		2,895,678	8,529,313
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of property, plant & equipment	8(a)	(1,538,314)	(1,509,458)
Payments for construction of infrastructure	9(a)	(4,930,034)	(5,506,597)
Capital grants, subsidies and contributions		2,876,149	3,652,135
Proceeds from sale of property, plant & equipment		7,000	90,160
<b>Net cash provided by (used in) investing activities</b>		(3,585,199)	(3,273,760)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings	26(a)	(335,987)	(462,019)
Payments for principal portion of lease liabilities	26(b)	(105,443)	(84,309)
<b>Net cash provided by (used in) financing activities</b>		(441,430)	(546,328)
<b>Net increase (decrease) in cash held</b>		(1,130,951)	4,709,225
Cash at beginning of year		24,508,840	19,799,615
<b>Cash and cash equivalents at the end of the year</b>		23,377,889	24,508,840

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

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

	NOTE	2023 Actual \$	2023 Budget \$	2022 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Revenue from operating activities</b>				
General rates	24	14,348,076	14,179,504	13,188,922
Rates excluding general rates	24	854,317	838,288	726,139
Grants, subsidies and contributions		3,995,570	2,061,821	3,760,894
Fees and charges		3,327,668	3,187,733	3,349,018
Interest revenue		754,427	89,382	180,205
Other revenue		246,761	199,915	195,677
Profit on asset disposals		0	82,197	16,692
Fair value adjustments to financial assets at fair value through profit or loss	4	2,764	0	2,998
		23,529,583	20,638,840	21,420,545
<b>Expenditure from operating activities</b>				
Employee costs		(9,744,578)	(10,444,110)	(9,252,842)
Materials and contracts		(7,844,401)	(8,404,176)	(6,004,689)
Utility charges		(652,363)	(673,792)	(602,657)
Depreciation		(5,068,931)	(5,034,475)	(4,809,936)
Finance costs		(202,468)	(225,043)	(248,854)
Insurance		(260,693)	(283,150)	(220,476)
Other expenditure		(361,103)	(437,846)	(312,506)
Loss on asset disposals		(91,894)	(58,055)	(15,829)
		(24,226,431)	(25,560,647)	(21,467,789)
Non-cash amounts excluded from operating activities	25(a)	5,287,125	5,010,333	5,037,624
<b>Amount attributable to operating activities</b>		4,590,277	88,526	4,990,380
<b>INVESTING ACTIVITIES</b>				
<b>Inflows from investing activities</b>				
Capital grants, subsidies and contributions		2,876,149	4,866,240	3,652,135
Proceeds from disposal of assets		7,000	453,646	90,160
		2,883,149	5,319,886	3,742,295
<b>Outflows from investing activities</b>				
Purchase of property, plant and equipment	8(a)	(1,538,314)	(3,213,129)	(1,509,458)
Purchase and construction of infrastructure	9(a)	(4,930,034)	(8,884,873)	(5,506,597)
		(6,468,348)	(12,098,002)	(7,016,055)
<b>Amount attributable to investing activities</b>		(3,585,199)	(6,778,116)	(3,273,760)
<b>FINANCING ACTIVITIES</b>				
<b>Inflows from financing activities</b>				
Transfers from reserve accounts	27	3,178,810	4,757,466	2,727,574
		3,178,810	4,757,466	2,727,574
<b>Outflows from financing activities</b>				
Repayment of borrowings	26(a)	(335,987)	(335,989)	(462,019)
Payments for principal portion of lease liabilities	26(b)	(105,443)	(83,913)	(84,309)
Transfers to reserve accounts	27	(3,877,721)	(2,260,672)	(1,782,578)
		(4,319,151)	(2,680,574)	(2,328,906)
<b>Amount attributable to financing activities</b>		(1,140,341)	2,076,892	398,668
<b>MOVEMENT IN SURPLUS OR DEFICIT</b>				
<b>Surplus or deficit at the start of the financial year</b>	25(b)	4,546,419	4,613,896	2,431,131
Amount attributable to operating activities		4,590,277	88,526	4,990,380
Amount attributable to investing activities		(3,585,199)	(6,778,116)	(3,273,760)
Amount attributable to financing activities		(1,140,341)	2,076,892	398,668
<b>Surplus or deficit after imposition of general rates</b>	25(b)	<b>4,411,156</b>	<b>1,198</b>	<b>4,546,419</b>

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



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

Note 1	Basis of Preparation	9
Note 2	Revenue and Expenses	10
Note 3	Cash and Cash Equivalents	12
Note 4	Other Financial Assets	12
Note 5	Trade and Other Receivables	13
Note 6	Inventories	14
Note 7	Other Assets	15
Note 8	Property, Plant and Equipment	16
Note 9	Infrastructure	18
Note 10	Fixed Assets	20
Note 11	Leases	22
Note 12	Trade and Other Payables	23
Note 13	Other Liabilities	24
Note 14	Borrowings	25
Note 15	Employee Related Provisions	26
Note 16	Revaluation Surplus	27
Note 17	Restrictions Over Financial Assets	28
Note 18	Undrawn Borrowing Facilities and Credit Standby Arrangements	28
Note 19	Contingent Liabilities	29
Note 20	Capital Commitments	29
Note 21	Related Party Transactions	30
Note 22	Events Occurring After the End of the Reporting Period	32
Note 23	Other Significant Accounting Policies	33
 <b>Information required by legislation</b>		
Note 24	Rating Information	34
Note 25	Determination of Surplus or Deficit	35
Note 26	Borrowing and Lease Liabilities	36
Note 27	Reserve accounts	38
Note 28	Trust Funds	40

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

## 1. BASIS OF PREPARATION

The financial report of the Shire of Capel which is a class 3 local government comprises general purpose financial statements which have been prepared in accordance with the Local Government Act 1995 and accompanying regulations.

### Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied except for disclosure requirements of:

- AASB 7 Financial Instruments Disclosures
- AASB 16 Leases paragraph 58
- AASB 101 Presentation of Financial Statements paragraph 61
- AASB 107 Statement of Cash Flows paragraphs 43 and 45
- AASB 116 Property, Plant and Equipment paragraph 79
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets paragraph 85
- AASB 140 Investment Property paragraph 75(f)
- AASB 1052 Disaggregated Disclosures paragraph 11
- AASB 1054 Australian Additional Disclosures paragraph 16

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

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

### The local government reporting entity

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 28 of the financial report.

### Judgements and estimates

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

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

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

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

### Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

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

### New accounting standards for application in future years

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

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates  
This standard will result in a terminology change for significant accounting policies
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

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

**2. REVENUE AND EXPENSES**

**(a) Revenue**

**Contracts with customers**

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Rates - general rates	General rates	Over time	Payment dates adopted by council during the year	None	When rates notice is issued
Rates - specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by council during the year	Return in event monies are unspent	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 and contributions	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations
Grants, subsidies or contributions with no contractual commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	When assets are controlled
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management.	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annual fee	None	After inspection complete based on a 4 year cycle
Fees and charges - other inspections	Regulatory food, health and safety	Single point in time	Full payment prior to inspection	None	Revenue recognised after inspection event occurs
Fees and charges - waste management collections	Kerbside collection service	Over time	Payment on annual basis in advance	None	Output method based on regular weekly and fortnightly period as proportionate to collection service
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Fees and charges - property hire and entry	Use of trails and facilities	Single point in time	In full in advance	Refund if event cancelled in 5 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
Fees and charges - fines	Fines issued for breaches of local laws	Single point in time	Payment in full within defined time	None	When fine notice is issued
Other revenue - commissions	Commissions on licencing and ticket sales	Over time	Payment in arrears for claimable event	None	When assets are controlled
Other revenue - 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.

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

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

**(a) Revenue (Continued)**

**Revenue Recognition**

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

**For the year ended 30 June 2023**

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	15,202,393	0	15,202,393
Grants, subsidies and contributions	3,995,570	0	0	0	3,995,570
Fees and charges	3,327,668	0	0	0	3,327,668
Interest revenue	0	0	7,331	747,096	754,427
Other revenue	40,632	0	0	206,129	246,761
Capital grants, subsidies and contributions	0	2,876,122	0	27	2,876,149
<b>Total</b>	<b>7,363,870</b>	<b>2,876,122</b>	<b>15,209,724</b>	<b>953,252</b>	<b>26,402,968</b>

**For the year ended 30 June 2022**

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	13,915,061	0	13,915,061
Grants, subsidies and contributions	3,760,894	0	0	0	3,760,894
Fees and charges	3,349,018	0	0	0	3,349,018
Interest revenue	0	0	109,962	70,243	180,205
Other revenue	16,181	0	0	179,496	195,677
Capital grants, subsidies and contributions	1,420,083	2,232,052	0	0	3,652,135
<b>Total</b>	<b>8,546,176</b>	<b>2,232,052</b>	<b>14,025,023</b>	<b>249,739</b>	<b>25,052,990</b>

**Interest revenue**

Interest on reserve account funds	499,166	36,748
Trade and other receivables overdue interest	7,429	109,962
Other interest revenue	247,832	33,495
	<b>754,427</b>	<b>180,205</b>

**(b) Expenses**

**Auditors remuneration**

- Audit of the Annual Financial Report	45,920	44,460
- Other services – grant acquittals	2,970	26,560
	<b>48,890</b>	<b>71,020</b>

**Employee Costs**

Employee benefit costs	8,396,381	7,747,688
Other employee costs	1,348,197	1,505,154
	<b>9,744,578</b>	<b>9,252,842</b>

**Finance costs**

Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss

	202,468	248,854
	<b>202,468</b>	<b>248,854</b>

**Other expenditure**

Other expenditure	361,103	312,506
	<b>361,103</b>	<b>312,506</b>

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

**3. CASH AND CASH EQUIVALENTS**

Note	2023	2022
	\$	\$
Cash at bank and on hand	5,986,479	5,146,676
Term deposits	17,391,410	19,362,164
<b>Total cash and cash equivalents</b>	<b>23,377,889</b>	<b>24,508,840</b>
Held as		
- Unrestricted cash and cash equivalents	4,439,200	4,879,131
- Restricted cash and cash equivalents	17 18,938,689	19,629,709
	<b>23,377,889</b>	<b>24,508,840</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

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

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

**Restricted financial assets**

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

**4. OTHER FINANCIAL ASSETS**

**Non-current assets**

Financial assets at amortised cost  
Financial assets at fair value through profit or loss

**Financial assets at amortised cost**

Shares in Donnybrook Capel District Community Financial Services Limited

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

Units in Local Government House Trust - opening balance  
Movement attributable to fair value increment  
Units in Local Government House Trust - closing balance

2023	2022
\$	\$
25,000	25,000
61,117	58,353
86,117	83,353
25,000	25,000
25,000	25,000
58,353	55,355
2,764	2,998
61,117	58,353

Fair value of financial assets at fair value through profit or loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 23 (i)) due to the observable market rates).

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

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

The Shire has elected to classify the following financial assets at fair value through profit or loss:

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

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

**5. TRADE AND OTHER RECEIVABLES**

Note	2023	2022
	\$	\$
<b>Current</b>		
Rates and statutory receivables	788,196	781,964
Trade receivables	260,863	81,182
GST receivable	1,292	67,680
	1,050,351	930,826
<b>Non-current</b>		
Rates and statutory receivables	20,211	25,525
	20,211	25,525

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates and statutory receivables**

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

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

**Trade receivables**

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

**Other receivables**

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

**Measurement**

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

**Classification and subsequent measurement**

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

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

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

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

**6. INVENTORIES**

Note	2023	2022
	\$	\$
<b>Current</b>		
Fuel and materials	23,729	27,210
	23,729	27,210
<b>Non-current</b>		
Land held for resale		
Cost of acquisition	268,611	268,611
	268,611	268,611
The following movements in inventories occurred during the year:		
<b>Balance at beginning of year</b>	295,821	294,794
Inventories expensed during the year	(192,458)	(155,404)
Additions to inventory	188,977	156,431
<b>Balance at end of year</b>	292,340	295,821

**SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

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

**Land held for resale**

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

**Land held for resale (Continued)**

Borrowing costs and holding charges incurred after development is completed are expensed.

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

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

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

**7. OTHER ASSETS**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Other assets - current</b>		
Prepayments	81,246	72,816
Accrued income	64,397	25,617
	<b>145,643</b>	<b>98,433</b>
<b>Other assets - non-current</b>		
Other assets	0	106
	<b>0</b>	<b>106</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Other current assets**

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



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

## 8. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Balances

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

	Land	Buildings - non- specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$		\$	\$	\$
<b>Balance at 1 July 2021</b>	6,610,500	20,687,672	27,298,172	582,896	3,581,878	31,462,946
Additions	0	355,151	355,151	183,042	971,265	1,509,458
Disposals	0	0	0	0	(89,297)	(89,297)
Depreciation	0	(516,816)	(516,816)	(166,032)	(489,896)	(1,172,744)
<b>Balance at 30 June 2022</b>	6,610,500	20,526,007	27,136,507	599,906	3,973,950	31,710,363
<b>Comprises:</b>						
Gross balance amount at 30 June 2022	6,610,500	36,067,041	42,677,541	1,204,856	7,450,460	51,332,857
Accumulated depreciation at 30 June 2022	0	(15,541,034)	(15,541,034)	(604,950)	(3,476,510)	(19,622,494)
<b>Balance at 30 June 2022</b>	6,610,500	20,526,007	27,136,507	599,906	3,973,950	31,710,363
Additions	0	539,312	539,312	113,317	885,685	1,538,314
Disposals	0	(98,894)	(98,894)	0	0	(98,894)
Depreciation	0	(515,417)	(515,417)	(172,665)	(588,441)	(1,276,523)
<b>Balance at 30 June 2023</b>	6,610,500	20,451,008	27,061,508	540,558	4,271,194	31,873,260
<b>Comprises:</b>						
Gross balance amount at 30 June 2023	6,610,500	36,274,253	42,884,753	1,318,174	8,336,145	52,539,072
Accumulated depreciation at 30 June 2023	0	(15,823,245)	(15,823,245)	(777,616)	(4,064,951)	(20,665,812)
<b>Balance at 30 June 2023</b>	6,610,500	20,451,008	27,061,508	540,558	4,271,194	31,873,260

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

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

**(b) Carrying Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
<b>(i) Fair Value</b>					
<b>Land and buildings</b>					
Land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2020	Available sales evidence from industry sources
Buildings - non-specialised	3	Cost approach using current replacement cost	Independent registered valuers	June 2020	Construction costs and current condition, residual values and remaining useful life assessments inputs
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.					
<b>(ii) Cost</b>					
<b>Furniture and equipment</b>		N/A	Cost	N/A	N/A
<b>Plant and equipment</b>		N/A	Cost	N/A	N/A

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

## 9. INFRASTRUCTURE

### (a) Movements in Balances

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

	Infrastructure - roads	Other infrastructure - bridges	Other infrastructure - carparks	Other infrastructure - footpaths	Other infrastructure - drainage	Other infrastructure - parks, ovals and other	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	82,038,886	8,943,226	2,017,751	13,738,902	30,103,012	11,884,011	148,725,788
Additions	2,701,358	0	0	551,696	550,965	1,702,578	5,506,597
Depreciation	(1,821,358)	(151,845)	(53,974)	(338,044)	(373,168)	(813,571)	(3,551,960)
<b>Balance at 30 June 2022</b>	82,918,886	8,791,381	1,963,777	13,952,554	30,280,809	12,773,018	150,680,425
<b>Comprises:</b>							
Gross balance at 30 June 2022	89,844,934	9,356,283	2,124,234	15,222,282	31,735,134	15,870,041	164,152,908
Accumulated depreciation at 30 June 2022	(6,926,048)	(564,902)	(160,457)	(1,269,728)	(1,454,325)	(3,097,023)	(13,472,483)
<b>Balance at 30 June 2022</b>	82,918,886	8,791,381	1,963,777	13,952,554	30,280,809	12,773,018	150,680,425
Additions	3,054,224	0	84,869	170,568	665,075	955,298	4,930,034
Revaluation increments / (decrements) transferred to revaluation surplus	23,688,891	5,128,431	83,969	(2,548,408)	20,437,728	1,653,478	48,444,089
Depreciation	(1,876,596)	(151,846)	(53,540)	(347,247)	(379,060)	(864,118)	(3,672,407)
<b>Balance at 30 June 2023</b>	107,785,405	13,767,966	2,079,075	11,227,467	51,004,552	14,517,676	200,382,141
<b>Comprises:</b>							
Gross balance at 30 June 2023	136,032,620	17,408,723	2,760,935	15,778,392	75,732,466	19,787,720	267,500,856
Accumulated depreciation at 30 June 2023	(28,247,215)	(3,640,757)	(681,860)	(4,550,925)	(24,727,914)	(5,270,044)	(67,118,715)
<b>Balance at 30 June 2023</b>	107,785,405	13,767,966	2,079,075	11,227,467	51,004,552	14,517,676	200,382,141

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

**9. INFRASTRUCTURE (Continued)**

**(b) Carrying Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
<b>(i) Fair Value</b>					
<b>Infrastructure - roads</b>	3	Cost approach using current replacement cost	Independent registered valuer	June 2023	Construction costs and current condition , residual values and remaining useful life assessments inputs
<b>Other infrastructure - bridges</b>	3	Cost approach using current replacement cost	Independent registered valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Other infrastructure - carparks</b>	3	Cost approach using current replacement cost	Independent registered valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Other infrastructure - footpaths</b>	3	Cost approach using current replacement cost	Independent registered valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Other infrastructure - drainage</b>	3	Cost approach using current replacement cost	Independent registered valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Other infrastructure - parks, ovals and other</b>	3	Cost approach using current replacement cost	Independent registered valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

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

**10. FIXED ASSETS**

**(a) Depreciation**

**Depreciation rates**

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

<b>Asset Class</b>	<b>Useful life</b>
Buildings - non-specialised	20 to 80 years
Furniture and equipment	3 to 20 years
Plant and equipment	2 to 50 years
Infrastructure - roads	15 to 45 years
Other infrastructure - bridges	27 to 100 years
Other infrastructure - carparks	18 to 45 years
Other infrastructure - footpaths	40 to 50 years
Other infrastructure - drainage	70 to 85 years
Other infrastructure - parks, ovals and other	4 to 46 years

**Revision of useful lives of plant and equipment**

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

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

**10. FIXED ASSETS (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

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

**Initial recognition and measurement for assets held at cost**

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

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

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

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

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

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

**Revaluation**

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

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

**Revaluation (continued)**

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

**Depreciation**

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

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

**Depreciation on revaluation**

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

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

**Impairment**

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

**Gains or losses on disposal**

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

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

**11. LEASES**

**(a) Right-of-Use Assets**

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

Note	Right-of-use assets - furniture and equipment \$	Right-of-use assets - land and buildings \$	Right-of-use assets - plant and equipment \$	Right-of-use assets Total \$
<b>Balance at 1 July 2021</b>	34,184	217,039	0	251,223
Additions	0	13,492	44,325	57,817
Depreciation	(17,844)	(57,632)	(9,756)	(85,232)
<b>Balance at 30 June 2022</b>	16,340	172,899	34,569	223,808
Additions	0	0	97,657	97,657
Depreciation	(15,132)	(57,631)	(47,238)	(120,001)
<b>Balance at 30 June 2023</b>	33,886	115,269	84,989	201,464

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

	2023 Actual \$	2022 Actual \$
Depreciation on right-of-use assets	(120,001)	(85,232)
Finance charge on lease liabilities 26(b)	(12,584)	(6,586)
<b>Total amount recognised in the statement of comprehensive income</b>	<b>(132,585)</b>	<b>(91,818)</b>
Total cash outflow from leases	(118,027)	(90,895)
<b>(b) Lease Liabilities</b>		
Current	94,362	88,935
Non-current	131,138	144,353
26(b)	<b>225,500</b>	<b>233,288</b>

The Shire has one lease relating to buildings and the lease term is 7 years. The Shire has one lease relating to furniture and equipment and the term for the lease is 5 years. The Shire has two leases relating to plant and equipment and the lease term is 3 years.

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

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

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

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

Details of individual lease liabilities required by regulations are provided at Note 26(b).

**Right-of-use assets - measurement**

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

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

**Right-of-use assets - depreciation**

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

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

**12. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors  
Prepaid rates  
Accrued payroll liabilities  
Bonds and deposits held  
Accrued interest on debentures  
Rostered day off payables

<b>2023</b>	<b>2022</b>
<b>\$</b>	<b>\$</b>
1,230,579	1,314,034
717,275	604,736
326,088	270,218
2,203,059	3,657,626
34,614	37,223
54,585	53,750
<b>4,566,200</b>	<b>5,937,587</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Trade and other payables**

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

**Prepaid rates**

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



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

**13. OTHER LIABILITIES**

**Current**

Contract liabilities

**Non-current**

Contract liabilities

The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was \$2,760,978 (2022: \$2,696,342)

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

**Reconciliation of changes in contract liabilities**

Opening balance

Additions

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

**Expected satisfaction of contract liabilities**

Less than 1 year

1 to 2 years

2 to 3 years

3 to 4 years

4 to 5 years

> 5 years

	2023	2022
	\$	\$
Contract liabilities	441,990	519,285
	441,990	519,285
Contract liabilities	2,318,988	2,177,057
	2,318,988	2,177,057
Opening balance	2,696,342	2,429,823
Additions	512,301	641,321
Revenue from capital grant/contributions held as a liability at the start of the period	(447,665)	(374,802)
	2,760,978	2,696,342
Less than 1 year	441,990	519,285
1 to 2 years	1,737,604	80,900
2 to 3 years	380,207	1,656,704
3 to 4 years	0	380,207
4 to 5 years	59,246	0
> 5 years	141,931	59,246
	2,760,978	2,696,342

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

**SIGNIFICANT ACCOUNTING POLICIES**

**Contract liabilities**

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

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

**Capital grant/contribution liabilities**

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

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 23(i)) due to the unobservable inputs, including own credit risk.

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

**14. BORROWINGS**

	Note	2023			2022		
		Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>		\$	\$	\$	\$	\$	\$
Debentures		302,151	3,787,116	4,089,267	335,987	4,089,267	4,425,254
<b>Total secured borrowings</b>	26(a)	302,151	3,787,116	4,089,267	335,987	4,089,267	4,425,254

**Secured liabilities and assets pledged as security**

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Capel.

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

**SIGNIFICANT ACCOUNTING POLICIES**

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 21(i)) due to the unobservable inputs, including own credit risk.

Details of individual borrowings required by regulations are provided at Note 26(a).

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

**15. EMPLOYEE RELATED PROVISIONS**

**Employee Related Provisions**

**Current provisions**

**Employee benefit provisions**

Annual leave

Long service leave

**Employee related other provisions**

Employment on-costs

**Total current employee related provisions**

**Non-current provisions**

**Employee benefit provisions**

Long service leave

**Employee related other provisions**

Employment on-costs

**Total non-current employee related provisions**

**Total employee related provisions**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
	528,749	544,893
	554,508	614,360
	1,083,257	1,159,253
	118,642	125,309
	118,642	125,309
	1,201,899	1,284,562
	156,377	170,507
	156,377	170,507
	11,783	15,938
	11,783	15,938
	168,160	186,445
	1,370,059	1,471,007

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

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

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

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

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

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

**16. REVALUATION SURPLUS**

	<b>2023 Opening Balance</b>	<b>Total Movement on Revaluation</b>	<b>2023 Closing Balance</b>	<b>2022 Opening Balance</b>	<b>2022 Closing Balance</b>
	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	6,063,124	0	6,063,124	6,063,124	6,063,124
Revaluation surplus - Buildings - non-specialised	10,972,981	0	10,972,981	10,972,981	10,972,981
Revaluation surplus - Furniture and equipment	18,040	0	18,040	18,040	18,040
Revaluation surplus - Plant and equipment	563,989	0	563,989	563,989	563,989
Revaluation surplus - Infrastructure - roads	34,345,754	23,688,892	58,034,646	34,345,754	34,345,754
Revaluation surplus - Other infrastructure - bridges	4,704,988	5,128,431	9,833,419	4,704,988	4,704,988
Revaluation surplus - Other infrastructure - carparks	932,145	83,969	1,016,114	932,145	932,145
Revaluation surplus - Other infrastructure - footpaths	7,838,816	(2,548,408)	5,290,408	7,838,816	7,838,816
Revaluation surplus - Other infrastructure - drainage	15,226,278	20,437,728	35,664,006	15,226,278	15,226,278
Revaluation surplus - Other infrastructure - parks, ovals and other	3,688,185	1,653,477	5,341,662	3,688,185	3,688,185
	<b>84,354,300</b>	<b>48,444,089</b>	<b>132,798,389</b>	<b>84,354,300</b>	<b>84,354,300</b>

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

**17. RESTRICTIONS OVER FINANCIAL ASSETS**

	<b>Note</b>	<b>2023 Actual \$</b>	<b>2022 Actual \$</b>
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	18,938,689	19,629,709
		18,938,689	19,629,709
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	27	13,974,652	13,275,741
Bonds and deposits held	12	2,203,059	3,657,626
Contract liabilities	13	2,760,978	2,696,342
<b>Total restricted financial assets</b>		18,938,689	19,629,709

**18. UNDRAWN BORROWING FACILITIES AND CREDIT  
STANDBY ARRANGEMENTS**

Bank overdraft limit		0	0
Bank overdraft at balance date		0	0
Credit card limit		10,000	10,000
Credit card balance at balance date		2,811	3,033
<b>Total amount of credit unused</b>		12,811	13,033
<b>Loan facilities</b>			
Loan facilities - current	14	302,151	335,987
Loan facilities - non-current	14	3,787,116	4,089,267
<b>Total facilities in use at balance date</b>		4,089,267	4,425,254
<b>Unused loan facilities at balance date</b>		0	0

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

**19. CONTINGENT LIABILITIES**

The Shire does not have any contingent liabilities as at 30 June 2022 and 30 June 2023.

**20. CAPITAL COMMITMENTS**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Contracted for:		
- capital expenditure projects	879,573	1,630,741
	<b>879,573</b>	<b>1,630,741</b>
Payable:		
- not later than one year	879,573	1,630,741

The capital expenditure outstanding at the end of this year reporting period is represented by the following projects:

Boyanup Road West Boyanup Monitor Offset Planting  
Weld Road - Capel Drive to Payne Road Capel Dual use paths  
Trails Master Plan-Ironstone Gully Fall Trail  
BFB Gelorup Shed

The capital expenditure outstanding at the end of the last reporting period is represented by the following projects:

Boyanup Road West Offset Planting  
West Road Capel  
Trails Master Plan - Ironstone Gully Falls Trail  
Dalyellup Skate Park  
Bush Fire Brigade Gelorup Shed  
Dalyellup Multipurpose Community and Youth Centre

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

**21. RELATED PARTY TRANSACTIONS**

**(a) Elected Member Remuneration**

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

Note	2023 Actual	2023 Budget	2022 Actual
	\$	\$	\$
President's annual allowance	19,035	19,035	19,035
President's meeting attendance fees	19,035	19,035	19,035
President's ICT expenses	3,500	3,500	3,500
President's travel and accommodation expenses	0	470	505
	41,570	42,040	42,075
Deputy President's annual allowance	4,759	4,759	4,759
Deputy President's meeting attendance fees	9,518	9,518	9,518
Deputy President's ICT expenses	2,100	2,100	2,100
Deputy President's travel and accommodation expenses	0	470	0
	16,377	16,847	16,377
All other council member's meeting attendance fees	64,247	66,626	64,247
All other council member's ICT expenses	14,175	14,700	14,175
All other council member's travel and accommodation expenses	1,511	3,290	2,855
	79,933	84,616	81,277
	137,880	143,503	139,729

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

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

Note	2023 Actual	2022 Actual
	\$	\$
Short-term employee benefits	575,948	559,192
Post-employment benefits	68,122	63,393
Employee - other long-term benefits	58,069	50,312
Council member costs	137,880	139,729
	840,019	812,626

*Short-term employee benefits*

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

*Post-employment benefits*

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

*Other long-term benefits*

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

*Council member costs*

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

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

**21. RELATED PARTY TRANSACTIONS**

**Transactions with related parties**

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

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

**Related Parties**

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

*i. Key management personnel*

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

*ii. Other Related Parties*

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

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

There were no such entities requiring disclosure during the current or previous year.



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

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

There were no events after balance sheet date that require disclosure.

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

**23. OTHER SIGNIFICANT ACCOUNTING POLICIES**

**a) Goods and services tax (GST)**

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

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

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

**b) Current and non-current classification**

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

**c) Rounding off figures**

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

**d) Comparative figures**

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

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

**e) Budget comparative figures**

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

**f) Superannuation**

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

**g) Fair value of assets and liabilities**

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

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

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

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

**h) Interest revenue**

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

**i) Fair value hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

**Valuation techniques**

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

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

**j) Impairment of assets**

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

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

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

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

**24. RATING INFORMATION**

**(a) General Rates**

<b>RATE TYPE</b>		<b>Rate in \$</b>	<b>Number of Properties</b>	<b>2022/23 Actual Rateable Value*</b>	<b>2022/23 Actual Rate Revenue</b>	<b>2022/23 Actual Interim Rates</b>	<b>2022/23 Actual Total Revenue</b>	<b>2022/23 Budget Rate Revenue</b>	<b>2022/23 Budget Interim Rate</b>	<b>2022/23 Budget Total Revenue</b>	<b>2021/22 Actual Total Revenue</b>
<b>Rate Description</b>	<b>Basis of valuation</b>										
Residential	Gross rental valuation	0.097593	1,379	24,448,628	2,566,710	11,345	2,578,055	2,564,097	35,750	2,599,847	2,259,175
Residential Vacant	Gross rental valuation	0.097593	47	881,900	52,122	2,071	54,193	48,848	0	48,848	118,062
Urban Development	Gross rental valuation	0.097593	2,606	45,499,844	4,753,966	27,640	4,781,606	4,739,020	0	4,739,020	4,191,668
Urban Development Vacant	Gross rental valuation	0.097593	74	386,950	23,963	158,274	182,237	24,047	0	24,047	82,432
Town Centre	Gross rental valuation	0.086710	23	989,300	84,745	0	84,745	85,782	0	85,782	75,914
Town Centre/Special Use/Light Indu	Gross rental valuation	0.086710	4	153,250	13,288	0	13,288	13,288	0	13,288	11,760
Light Industry	Gross rental valuation	0.086710	30	1,042,160	96,474	0	96,474	96,474	0	96,474	80,011
Commercial Use Urban Developmer	Gross rental valuation	0.086710	24	4,313,660	398,425	45,278	443,703	396,718	0	396,718	346,416
Special Use	Gross rental valuation	0.086710	7	1,466,040	125,820	0	125,820	127,120	0	127,120	112,497
Special Rural	Gross rental valuation	0.089768	320	6,329,960	707,109	2,682	709,791	703,015	0	703,015	508,165
Rural Commercial Use	Unimproved valuation	0.005589	10	5,534,000	34,171	(4,357)	29,814	34,171	0	34,171	28,096
Rural	Unimproved valuation	0.005589	438	258,559,000	1,592,977	(30,592)	1,562,385	1,590,814	0	1,590,814	1,310,430
<b>Total general rates</b>			4,962	349,604,692	10,449,770	212,341	10,662,111	10,423,394	35,750	10,459,144	9,124,626
<b>Minimum payment</b>											
<b>Minimum payment</b>											
Residential	Gross rental valuation	1,385	995	13,035,104	1,312,740	0	1,312,740	1,255,540	25,740	1,281,280	1,378,075
Residential Vacant	Gross rental valuation	1,385	237	1,614,690	314,600	0	314,600	386,100	0	386,100	328,245
Urban Development	Gross rental valuation	1,385	897	11,767,250	1,096,810	0	1,096,810	985,270	0	985,270	1,242,345
Urban Development Vacant	Gross rental valuation	1,385	218	1,146,645	293,150	0	293,150	416,130	0	416,130	301,930
Town Centre	Gross rental valuation	1,385	10	117,208	14,300	0	14,300	14,300	0	14,300	13,850
Town Centre/Special Use/Light Indu	Gross rental valuation	1,385	8	82,900	11,440	0	11,440	11,440	0	11,440	11,080
Light Industry	Gross rental valuation	1,385	11	162,450	10,010	0	10,010	10,010	0	10,010	15,235
Commercial Use Urban Developmer	Gross rental valuation	1,385	2	34,320	1,430	0	1,430	0	0	0	2,770
Special Use	Gross rental valuation	1,385	2	19,300	2,860	0	2,860	2,860	0	2,860	2,770
Special Rural	Gross rental valuation	1,385	158	2,471,560	111,540	0	111,540	97,240	0	97,240	214,675
Rural Commercial Use	Unimproved valuation	1,385	5	704,400	5,720	0	5,720	5,720	0	5,720	6,925
Rural	Unimproved valuation	1,385	395	53,609,426	511,940	0	511,940	510,510	0	510,510	547,075
<b>Total minimum payments</b>			2,938	84,765,253	3,686,540	0	3,686,540	3,695,120	25,740	3,720,860	4,064,975
<b>Total general rates and minimum payments</b>			7,900	434,369,945	14,136,310	212,341	14,348,651	14,118,514	61,490	14,180,004	13,189,601
<b>Specified Area Rates</b>											
Dalyellup Parks and Garden Maintainer	Gross rental valuation	0.0560	3,603	64,398,209	831,632	22,685	854,317	828,891	9,397	838,288	726,139
Concessions							(575)			(500)	(679)
<b>Total Rates</b>							15,202,393			15,017,792	13,915,061
Rate instalment interest							0			0	31,029
Rate overdue interest							7,331			4,900	78,704

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

\*Rateable Value at time of raising of rate.

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

**25. DETERMINATION OF SURPLUS OR DEFICIT**

Note	2022/23 (30 June 2023 Carried Forward)	2022/23 Budget (30 June 2023 Carried Forward)	2021/22 (30 June 2022 Carried Forward)
	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	0	(82,197)	(16,692)
Less: Fair value adjustments to financial assets at fair value through profit or loss	(2,764)	0	(2,998)
Add: Loss on disposal of assets	91,894	58,055	15,829
Add: Depreciation	5,068,931	5,034,475	4,809,936
Non-cash movements in non-current assets and liabilities:			
Pensioner deferred rates	5,314	0	0
Employee benefit provisions	(18,287)	0	(53,460)
Trade receivables	0	0	(6,135)
Contract liabilities	141,931	0	289,536
Other assets	106	0	1,608
<b>Non-cash amounts excluded from operating activities</b>	<b>5,287,125</b>	<b>5,010,333</b>	<b>5,037,624</b>
<b>(b) Surplus or deficit after imposition of general rates</b>			
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
<b>Adjustments to net current assets</b>			
Less: Reserve accounts	27 (13,974,652)	(10,049,213)	(13,275,741)
Less: Current assets not expected to be received at end of year			
- Deferred debtors	(1,715)	0	(1,715)
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	14 302,151	302,151	335,987
- Current portion of lease liabilities	11(b) 94,362	0	88,935
<b>Total adjustments to net current assets</b>	<b>(13,579,854)</b>	<b>(9,747,062)</b>	<b>(12,852,534)</b>
<b>Net current assets used in the Statement of Financial Activity</b>			
Total current assets	24,597,612	17,106,398	25,565,309
Less: Total current liabilities	(6,606,602)	(7,358,138)	(8,166,356)
Less: Total adjustments to net current assets	(13,579,854)	(9,747,062)	(12,852,534)
<b>Surplus or deficit after imposition of general rates</b>	<b>4,411,156</b>	<b>1,198</b>	<b>4,546,419</b>

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

**26. BORROWING AND LEASE LIABILITIES**

**(a) Borrowings**

Actual									Budget			
Purpose	Note	Principal at	New Loans	Principal	Principal at 30	New Loans	Principal	Principal at	Principal at 1	New Loans	Principal	Principal at
		1 July 2021	During 2021-22	Repayments During 2021-22	June 2022	During 2022-23	Repayments During 2022-23	30 June 2023			July 2022	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Council Administration Office Upgrade		1,788,881	0	(97,597)	1,691,284	0	(101,529)	1,589,755	1,691,284	0	(101,530)	1,589,754
Waste Collection Bin Purchase		93,481	0	(45,712)	47,769	0	(47,769)	(0)	47,769	0	(47,769)	0
PGB Community Centre		56,396	0	(9,917)	46,479	0	(10,556)	35,923	46,479	0	(10,556)	35,923
Capel Community Centre		266,061	0	(37,497)	228,564	0	(40,001)	188,563	228,563	0	(40,002)	188,561
Capel Community Centre		180,186	0	(20,632)	159,554	0	(22,138)	137,416	159,533	0	(22,138)	137,395
Dalyellup Sports Pavilion		79,619	0	(79,619)	0	0	0	0	0	0	0	0
Capel Recreation Ground Hard Courts		728,474	0	(27,048)	701,426	0	(28,529)	672,897	701,426	0	(28,529)	672,897
Capel Townscape		61,721	0	(61,721)	0	0	0	0	0	0	0	0
Capel Civic Precinct - Stages 1 & 2		1,632,454	0	(82,275)	1,550,179	0	(85,465)	1,464,714	1,550,179	0	(85,465)	1,464,714
Total		4,887,273	0	(462,019)	4,425,254	0	(335,987)	4,089,267	4,425,233	0	(335,989)	4,089,244
Borrowing Finance Cost Payments												
Purpose	Note	Loan Number	Institution	Interest Rate	Date final payment is due		Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022			
							\$	\$	\$			
Council Administration Office Upgrade		76	WATC	3.99%	16/06/2035		(66,313)	(77,613)	(82,137)			
Waste Collection Bin Purchase		93	WATC	4.45%	30/06/2023		(1,583)	(2,028)	(4,376)			
PGB Community Centre		63	WATC	6.34%	13/05/2026		(2,691)	(3,039)	(3,749)			
Capel Community Centre		64	WATC	6.57%	29/05/2027		(14,135)	(15,794)	(18,532)			
Capel Community Centre		65	WATC	7.17%	8/03/2028		(10,550)	(11,630)	(13,322)			
Dalyellup Sports Pavilion		74	WATC	4.96%			0	0	(2,509)			
Capel Recreation Ground Hard Courts		75	WATC	5.40%	30/06/2038		(37,484)	(42,214)	(44,065)			
Capel Townscape		72	WATC	4.96%	2/04/2022		0	0	(1,945)			
Capel Civic Precinct - Stages 1 & 2		89	WATC	3.84%	7/01/2036		(57,128)	(67,557)	(71,633)			
Total							(189,884)	(219,875)	(242,268)			
Total Finance Cost Payments							(189,884)	(219,875)	(242,268)			

\* WA Treasury Corporation

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

## 26. BORROWING AND LEASE LIABILITIES (Continued)

## (b) Lease Liabilities

Purpose	Note	Actual							Budget			
		Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	Principal at 1 July 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023
Administration Photocopiers		29,177	0	(17,317)	11,860	0	(11,860)	0	11,860	0	(11,860)	0
Wide Format Printer		4,646	0	(1,741)	2,905	0	(1,646)	1,259	2,905	0	(1,646)	1,259
Dalyellup Library lease		222,029	13,492	(56,964)	178,557	0	(52,367)	126,190	178,867	0	(58,274)	120,593
Library Photocopiers		3,928	0	(1,832)	2,096	0	(2,096)	0	2,096	0	(2,096)	0
Toro Groundmaster 3300 Rough Mower		0	44,325	(6,455)	37,870	0	(10,037)	27,833	37,870	0	(10,037)	27,833
Toro Groundmaster 4000D		0	0	0	0	97,655	(27,437)	70,218	0	0	0	0
<b>Total Lease Liabilities</b>	11(b)	259,780	57,817	(84,309)	233,288	97,655	(105,443)	225,500	233,598	0	(83,913)	149,685

## Lease Finance Cost Payments

Purpose	Note	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022	Lease Term
						\$	\$	\$	
Administration Photocopiers			De Lage Landen Pty	2.10%	30/04/2023	(108)	(114)	(405)	60 months
Wide Format Printer			De Lage Landen Pty	2.20%	31/03/2024	(47)	(47)	(82)	60 months
Dalyellup Library lease			Lease Equity Trust	2.30%	30/06/2025	(3,469)	(3,469)	(4,779)	84 months
Library Photocopiers			De Lage Landen Pty	2.10%	30/04/2023	(19)	(20)	(72)	60 months
Toro Groundmaster 3300 Rough Mower			De Lage Landen Pty	4.65%	1/11/2024	(1,518)	(1,518)	(1,248)	36 months
Toro Groundmaster 4000D			De Lage Landen Pty	6.95%	30/06/2025	(7,423)	0	0	36 months
<b>Total Finance Cost Payments</b>						(12,584)	(5,168)	(6,586)	

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

**27. RESERVE ACCOUNTS**

	2023 Actual Opening Balance	2023 Actual Transfer to	2023 Actual Transfer (from)	2023 Actual Closing Balance	2023 Budget Opening Balance	2023 Budget Transfer to	2023 Budget Transfer (from)	2023 Budget Closing Balance	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Restricted by legislation/agreement</b>												
(a) Specified Area Rate Dalyellup Reserve	746,396	883,926	(725,417)	904,905	745,429	843,878	(952,236)	637,071	681,861	728,171	(663,636)	746,396
(b) Dalyellup Community Facilities Reserve	1,177,087	0	0	1,177,087	1,177,087	0	0	1,177,087	1,177,087	0	0	1,177,087
(c) Dalyellup Infrastructure (Millenium) Reserve	127,745	0	0	127,745	127,745	0	0	127,745	127,745	0	0	127,745
(d) Capel Community Facilities Reserve	120,146	0	0	120,146	120,146	0	0	120,146	120,146	0	0	120,146
(e) Town Planning Scheme No 3 Reserve	187,756	0	0	187,756	168,756	1,000	(20,000)	149,756	187,756	0	0	187,756
(f) Infrastructure Development Reserve	955,111	36,787	0	991,898	985,817	67,893	0	1,053,710	921,768	33,343	0	955,111
	3,314,241	920,713	(725,417)	3,509,537	3,324,980	912,771	(972,236)	3,265,515	3,216,363	761,514	(663,636)	3,314,241
<b>Restricted by council</b>												
(g) Leave Reserve	732,414	28,231	0	760,645	732,897	5,496	0	738,393	735,222	2,192	(5,000)	732,414
(h) Waste Management Reserve	2,328,709	89,979	(460,979)	1,957,709	2,200,147	16,501	(636,070)	1,580,578	2,529,233	7,537	(208,061)	2,328,709
(i) Plant Reserve	622,177	782,273	(715,783)	688,667	621,184	699,508	(1,032,048)	288,644	834,129	335,791	(547,743)	622,177
(j) Infrastructure Asset Reserve	3,178,435	384,300	(695,155)	2,867,580	2,710,993	277,167	(1,105,503)	1,882,657	3,363,730	9,838	(195,133)	3,178,435
(k) Building Reserve	808,136	31,141	0	839,277	808,518	6,063	(43,705)	770,876	808,277	3,409	(3,550)	808,136
(l) Furniture and Equipment Reserve	437,154	116,868	(36,667)	517,355	336,232	102,521	(55,000)	383,753	481,586	99,557	(143,989)	437,154
(m) Property Value Revaluations Reserve	168,421	106,473	0	274,894	168,510	101,263	(195,000)	74,773	135,517	32,904	0	168,421
(n) Mosquito Management Reserve	40,764	9,403	0	50,167	42,607	1,555	(1,236)	42,926	42,515	115	(1,866)	40,764
(o) Climate Change, Adaption and Sustainability Reserve	3,671	28,822	(4,000)	28,493	0	29,000	(4,000)	25,000	2,286	1,385	0	3,671
(p) Carried Over Projects Reserve	422,789	1,232,198	(422,789)	1,232,198	422,789	0	(422,789)	0	166,872	422,789	(166,872)	422,789
(q) Strategic Initiatives Reserve	1,018,622	39,656	(118,020)	940,258	976,786	7,325	(289,879)	694,232	1,805,007	5,339	(791,724)	1,018,622
(r) Contaminated Sites Reserve	200,208	107,664	0	307,872	200,364	101,502	0	301,866	100,000	100,208	0	200,208
	9,961,500	2,957,008	(2,453,393)	10,465,115	9,221,027	1,347,901	(3,785,230)	6,783,698	11,004,374	1,021,064	(2,063,938)	9,961,500
	13,275,741	3,877,721	(3,178,810)	13,974,652	12,546,007	2,260,672	(4,757,466)	10,049,213	14,220,737	1,782,578	(2,727,574)	13,275,741

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

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

**27. RESERVE ACCOUNTS (Continued)**

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:

<b>Name of reserve account</b>	<b>Purpose of the reserve account</b>
<b>Restricted by legislation/agreement</b>	
(a) Specified Area Rate Dalyellup Reserve	Used to maintain parks, gardens and public open space in Dalyellup. Local Government Act S6.37 2(b)
(b) Dalyellup Community Facilities Reserve	Used to fund community facilities in Dalyellup.
(c) Dalyellup Infrastructure (Millenium) Reserve	Used to fund capital projects within Dalyellup.
(d) Capel Community Facilities Reserve	Used to fund development of facilities in Capel.
(e) Town Planning Scheme No 3 Reserve	Used to fund drainage and related infrastructure works for TPS 3 Amendments.
(f) Infrastructure Development Reserve	Used to fund infrastructure works associated with development.
<b>Restricted by council</b>	
(g) Leave Reserve	Used to fund leave entitlements for redundancy, retirement, leave transfers to other local governments and leave entitlements paid each year.
(h) Waste Management Reserve	Used to maintain transfer sites, refuse sites, waste collection & disposal services within the Shire & waste site rehabilitation & regional waste services.
(i) Plant Reserve	Used for the replacement of plant, equipment and motor vehicles.
(j) Infrastructure Asset Reserve	Used for the preservation of roads, bridges and drainage infrastructure.
(k) Building Reserve	Used for the construction of and additions to Council buildings.
(l) Furniture and Equipment Reserve	Used for the purchase of major items of office equipment.
(m) Property Value Revaluations Reserve	Used to fund the three yearly revaluation of GRV properties.
(n) Mosquito Management Reserve	Used to fund mosquito control activities.
(o) Climate Change, Adaption and Sustainability Reserve	Used to fund the organisation's climate change and sustainability priorities.
(p) Carried Over Projects Reserve	Used to preserve the future use unexpected capital, project and other funds.
(q) Strategic Initiatives Reserve	Used to collect municipal funds to fund future new asset purchases or services and strategic projects of either a capital or operating nature.
(r) Contaminated Sites Reserve	Used to fund remediation of contaminated sites.



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

**28. TRUST FUNDS**

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

	<b>1 July 2022</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>30 June 2023</b>
	\$	\$	\$	\$
Cash in lieu of Public Open Space	794,134	22,827	0	816,961
	794,134	22,827	0	816,961