



**AGENDA**

**AUDIT AND RISK MANAGEMENT  
COMMITTEE**

**to be held on**

**Thursday, 11 March 2021**

**at 5:30 pm**



WESTERN AUSTRALIA'S  
WILDFLOWER COUNTRY

*'This meeting is being recorded on audio tape and to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of Morawa Meeting Procedures Local Law 2012 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.'*

**DISCLAIMER**

*No responsibility whatsoever is implied or accepted by the Shire of Morawa for any act, omission, statement or intimation occurring during Council or Committee Meetings. The Shire of Morawa disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission, and statement of intimation occurring during Council or Committee Meetings.*

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## DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

*Local Government Act 1995 – Section 5.65, 5.70 and 5.71 Local Government (Administration) Regulation 34C*

<i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Administration) Regulation 34C</i>			
Name of person declaring the interest			
Position			
Date of Meeting			
Type of Meeting (Please circle one)	Council Meeting/ Committee Meeting/ Special Council Meeting Workshop/ Public Agenda Briefing/ Confidential Briefing		
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality

**Signature:** \_\_\_\_\_

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

**Important Note:** Should you declare a **Financial** or **Proximity** Interest, in accordance with the Act and Regulations noted above, you are required to leave the room while the item is being considered. For an **Impartiality** Interest, you must state the following prior to the consideration of the item:

*“With regard to agenda item (read item number and title), I disclose that I have an impartiality interest because (read your reason for interest). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly.”*

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**Item 1 Opening of Meeting**

The Presiding Member to declare the meeting open.

**Item 2 Acknowledgement of Traditional Owners and Dignitaries**

The Presiding Member acknowledges the traditional custodians, the Yamatji people, and recognises the contribution of Yamatji elders past, present and future, in working together for the future of Morawa.

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**Item 3 Recording of Attendance****3.1 Attendance****Committee Members**

President Councillor Karen Chappel (Presiding Member)  
Deputy President Councillor Dean Carslake  
Councillor Jane Coaker  
Councillor Debbie Collins  
Councillor Yvette Harris  
Councillor Shirley Katona  
Councillor Ken Stokes

**Staff**

Chief Executive Officer	Scott Wildgoose
Deputy Chief Executive Officer	Gavin Treasure
Executive Manager Works and Assets	Paul Buist
Executive Assistant	Rondah Toms

**Members of the Public****3.2 Attendance by Telephone / Instantaneous Communications**

In accordance with section 14 of the *Local Government (Administration) Regulations 1996* "Meetings held by electronic means in public health emergency or state of emergency (Act s. 5.25(1)(ba))", the President to declare that this Meeting may take place via instantaneous communication. All Councillors and staff are to be available either via telephone (teleconference) or in person.

**3.3 Apologies****3.4 Approved Leave of Absence****3.5 Disclosure of Interests****Item 4 Applications for Leave of Absence**

**Item 5 Response to Previous Questions**

**Item 6 Questions from Members without Notice**

**Item 7 Announcements by Presiding Member without Discussion**

**Item 8 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting**

The Elected Members to declare that they had given due consideration to all matters contained in the agenda.

**Item 9 Confirmation of Minutes of Previous Meeting**

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#### **OFFICER'S RECOMMENDATION**

That the Audit Committee Meeting Minutes held on Thursday, 17 December 2020 are confirmed to be a true and correct record.

***SIMPLE MAJORITY VOTE REQUIRED***

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#### *Disclaimer*

*Members of the public are cautioned against taking any action on Council decisions, on items in this agenda in which they may have an interest, until formal notification in writing from the Shire has been received. Decisions made at this meeting can be revoked pursuant to the Local Government Act 1995.*

**Item 10 Reports of Officers****10.1 Report on Significant Matter raised in Annual Financial Report Audit Opinion**

**Author:** Chief Executive Officer

**Authorising Officer:** Chief Executive Officer

**Disclosure of Interest:** The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

**OFFICER'S RECOMMENDATION**

That the Audit Committee recommends that Council:

1. **Endorses the report (as attached) addressing the matter identified as significant by the auditor in the audit report relating to the Shire's Annual Financial Report 2019-2020**
2. **Endorses the CEO to distribute the report on the Shire website and to the Minister for Local Government in compliance with the Local Government Act.**

***SIMPLE MAJORITY VOTE REQUIRED***

**PURPOSE**

To ensure compliance with Section 7.12A of the Local Government Act 1995 the Shire of Morawa is required to prepare a report addressing the matters identified as significant by the Office of the Auditor General when auditing the Shire Annual Financial Report 2019-2020.

**DETAIL**

The Audit Committee held the Audit Close meeting for the 2019-2020 Financial Report on the 17 December 2020, with the Audit Report being signed off by the Office of the Auditor General (OAG) on the 21 December 2020.

At the audit close meeting the audit committee raised concerns around the significant matter raised by the OAG, being the adverse trends in two of the Shire's ratios (Asset Sustainability and Operating Surplus). After this the Shire President also wrote to the Auditor General, Ms Caroline Spencer, noting the Shire's objection to the adverse trends being seen in two ratios constituting a significant finding and suggesting that the Shire actually had a strong financial position when other factors such as debt levels and reserve balances were considered.

To maintain compliance with the Local Government Act the Shire is required to prepare a report addressing any significant matters raised by auditors. This report is to be sent to the minister within 3 months of the audit opinion being received. As such the attached report has been prepared addressing the significant matter raised by the OAG being the adverse trends in the Asset Sustainability and Operating Surplus Ratios.



The report essentially suggests four action areas in response to the findings:

1. Challenge the relevance/appropriateness of the Ratios
2. Undertake a review of the Shire's Long Term Financial Plan/Strategic Resource Plan including Asset Management Plans
3. Review operational expenditure
4. Review operating income

#### Challenge Relevance/Appropriateness of Ratios

This action is a continuation of the previous responses provided by the Shire in the audit close meeting and in the letter to the OAG. Whilst not stating a specific action to be undertaken by the Shire's administration it makes it clear to all that read the report that the Shire does not believe it has a significant adverse trend in its financial position and that the OAG having to raise a significant matter based on three years of non-compliance with the Department of Local Government, Sport and Cultural Industries pre-set ratios does not accurately reflect the work the Shire has done to manage its financial viability.

Essentially the Shire is unlikely to fix these ratios in the short term without drastic financial or organisational alterations and whether these changes are unlikely to be warranted based solely on ratio compliance.

The report highlights a few areas where the Shire of Morawa and other regional/remote areas will differ to metropolitan Councils and how having one size fits all ratios may not be appropriate. As such given this report is to be sent to the ministers office the report takes the opportunity to prompt the minister to work with key local government representatives to review the financial ratios and their relevance across the sector.

#### Undertake a review of the Shire's Long Term Financial Plan/Strategic Resource Plan including Asset Management Plans

The Shire has already established that it needs a review of it's long term financial planning and Moore Australia have been contracted to develop a revised long term financial plan taking into account asset management and other resource requirements. Moore will also look at compliance with ratios as part of long term planning.

By undertaking a long term financial plan review the Shire is able to see what impacts current spending, rates and asset deterioration is likely to have on the financial position of the Shire 10 years into the future. If the Shire is suffering from an adverse trend or declining financial position it is expected that this round of long term planning will identify modifications to alleviate this decline.

#### Review Operating Expenditure and Income

Whilst these are two separate action areas they represent two sides of the same process. With the arrival of a new CEO and EMCCS the Shire is well positioned to review its operational practices and to try and identify any efficiency gains. There may also be income areas that can be improved, although these have yet to be identified.

In terms of costs, it is proposed that a move to using more renewable energy at Shire assets should see future operating cost reductions or at least minimise cost increase, as utility providers are increasing rates above CPI each year.

## LEVEL OF SIGNIFICANCE

Medium – the non-completion of the attached report would represent non-compliance with the Act.

## CONSULTATION

Shire President  
Senior Management Team  
Office of the Auditor General

## LEGISLATION AND POLICY CONSIDERATIONS

*Local Government Act 1995*  
*Local Government (Audit) Regulations 1996*

## FINANCIAL AND RESOURCES IMPLICATIONS

The review of the long term financial plan has already been budgeted and reviews of operational areas will cost the Shire staff time but it is expected that no contractors will be needed.

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

*Shire of Morawa Community Strategic Plan 2018-2028 (Desktop Review June 2020)*

**Outcome 4.3** A local government that is respected, professional and accountable.

## RISK MANAGEMENT CONSIDERATIONS

Medium – the attached report represents a compliance matter. The significant matter raised being the adverse trends, do not appear to raise a high risk to the Shire at this stage but need to be monitored moving forward.

## CONCLUSION

The attached report will ensure compliance with the Local Government Act and the actions proposed are in line with the Shire's commitment to its financial sustainability.

## ATTACHMENTS

*Attachment 1 – 10.1 Report on Significant Matter (Section 7.12A(4a) of the Local Government Act 1995)*

**10.2 2020 Compliance Audit Return**

**Author:** Deputy Chief Executive Officer

**Authorising Officer:** Chief Executive Officer

**Disclosure of Interest:** The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

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**OFFICER'S RECOMMENDATION**

**That with respect to the Local Government Compliance Audit Return 2020 for the Shire of Morawa, the Audit Committee recommend that Council:**

- 1. Note and accept the Compliance Audit Return (Attachment 1) for the local government of the Shire of Morawa for the period 1 January 2020 to 31 December 2020; and**
- 2. Request the Chief Executive Officer to submit a certified copy of the Compliance Audit Return to the Director General of the Department of Local Government Sport and Cultural Industries by 31 March 2021.**

***SIMPLE MAJORITY VOTE REQUIRED***

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**PURPOSE**

The Department of Local Government, Sport and Cultural Industries (the Department) has distributed the 2020 Compliance Audit Return for completion by the Shire of Morawa. The Compliance Audit Return is one of the tools that allow Council to monitor how the organisation is functioning. The Compliance Audit Return is required to be presented to Council for adoption before its submission to the Department.

Each local government is to carry out a compliance audit for the period 1 January to 31 December 2020 against the requirements included in the 2020 Compliance Audit Return (Return).

**DETAIL**

The Return places emphasis on the need to bring to Council's attention cases of non-compliance or where full compliance was not achieved. In addition to explaining or qualifying cases of non-compliance. The return also requires Council to endorse any remedial action taken or proposed to be taken in relation to instances of non-compliance.

This year's Return has again been prepared by electronic means and will be submitted electronically to the Department.

The Compliance Audit Report for 2020 for the Shire of Morawa will be presented for review at the ordinary meeting of Council being held on 18 March 2021.

## LEVEL OF SIGNIFICANCE

Medium – requirement under *Local Government Act 1995* administered by the Department.

## CONSULTATION

- Chief Executive Officer
- Executive Managers
- Senior Staff

## LEGISLATION AND POLICY CONSIDERATIONS

- *Local Government Act 1995*
- *Local Government (Administration) Regulations 1996*
- *Local Government (Rules of Conduct) Regulations 2007*
- *Local Government (Audit) Regulations 1996*

### 14. *Compliance audits by local governments*

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
  - (a) presented to the council at a meeting of the council; and*
  - (b) adopted by the council; and*
  - (c) recorded in the minutes of the meeting at which it is adopted.*

*[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]*

### 15. *Compliance audit return, certified copy of etc. to be given to Executive Director*

- (1) *After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —*
  - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
  - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Executive Director by 31 March next following the period to which the return relates.*
- (2) *In this regulation —*

**certified** *in relation to a compliance audit return means signed by —*

  - (a) the mayor or president; and*
  - (b) the CEO.*

*[Regulation 15 inserted in Gazette 23 Apr 1999 p. 1725.]*

## FINANCIAL AND RESOURCES IMPLICATIONS

Nil

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2018-2028

**Outcome 1.1** A local government that is respected, professional and accountable.

**Outcome 1.2** Long term financial viability.

## RISK MANAGEMENT CONSIDERATIONS

*Shire of Morawa Risk Management Governance Framework*

Appropriate governance of risk management within the Shire of Morawa provides:

- Transparency of decision making
- Clear identification of the roles and responsibilities of the risk management functions
- An effective Governance Structure to support the risk framework

## CONCLUSION

The Return was completed by the Acting Deputy Chief Executive Officer. There were several areas identified as non-compliant. These are indicated below:

- 1) S5.76, Admin Reg 23, Form 3 – Submission of Annual Returns  
Although all Annual Returns were submitted by relevant persons, three were lodged after the 31<sup>st</sup> August 2020 due date.  
Proposed action to rectify – **Seek timely lodgement of Annual Returns from all relevant persons (Councillors & officers) in 2021.**
- 2) S5.89A(6)&(7) – Maintenance of Gifts Register  
Gift register records (entries) are still being kept for relevant persons (i.e. staff officers) who have since left the organisation.  
Proposed action to rectify – **Remove from the Gift Register all records relating to those persons who have left the Shire and keep these records for a period of at least five years commencing from the date that person departed.**
- 3) Elect Regs 30G(1)(2)(3)(4)(5)(6) – Electoral Gift Register  
There is no Shire specific Electoral Gift Register.  
Proposed action to rectify – **Establish and maintain a Shire Electoral Gift Register, including publishing a copy of the same on the Shire website.**
- 4) Financial Management Reg 5(2)(c) – Review of Financial Management Systems & Procedures  
Shire CEO must undertake a review of the appropriateness and effectiveness of the local government's financial management systems and procedures within 3 years prior to 31 December 2020. Last year's Compliance Audit Return indicated an intent to conduct this review in April 2020, but this has not eventuated.  
Proposed action to rectify – **Undertake a review of the appropriateness and effectiveness of the local government's financial management systems and procedures during 2021.**

5) S5.127 – Councillor Training

Shire must prepare a report on the training completed by council members in the 2019/20 financial year and publish the report on the Shire website by 31 July 2020.

Proposed action to rectify – **Shire councillors to provide details on any training undertaken during 2019/20 for Shire officers to prepare a report to publish on Shire website.**

6) F&G Reg 17 – Tender Register

Shire must ensure that the Tender Register is available for public inspection and publish it on the official Shire website.

Proposed action to rectify – **Publish Shire Tender Register onto Shire website.**

**ATTACHMENTS**

*Attachment 1 – 10.2 Compliance Audit Return 2020*

**Item 11 Motions of Which Previous Notice Has Been Given**

**Item 12 New Business of an Urgent Nature**

**Item 13 Closure**

There being no further business, the Presiding Member to declare the meeting closed.



**Shire of Morawa**

**Annual Financial Report Audit for Year Ended 30 June 2020**

**Report on Significant Matter (Section 7.12A (4a) of the Local  
Government Act 1995)**



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## Background

The Shire of Morawa (Shire) is required to prepare an audited Annual Financial Report each year under the Local Government Act 1995 (the Act). The Shire's auditor is the Office of the Auditor General (OAG).

The Shire's Annual Financial Report for the period ended 30 June 2020 was completed in December 2020 and signed Independent Auditors Report (**Appendix A**) was dated 21 December 2020.

Section 7.12A (4a) states that a Local Government must prepare a report addressing any matters identified as significant by the auditor in the audit report, stating what action the local government has taken or intends to take with respect to each of those matters.

The OAG Independent Auditor's Report shown in **Appendix A** identifies one matter identified as significant through the audit of the Shire's annual financial report. As stated below:

### Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
  - a. The Asset Sustainability and Operating Surplus Ratios have been below the Department of Local Government, Sport and Cultural Industries' standard for the last three years. The financial ratios are reported at note 32 of the annual financial report.

As such this report has been prepared to meet the requirements of Section 7.12A and to address the significant adverse trend identified by the OAG.

## Summary of Ratios

Regulation 50 of the Local Government (Financial Management) Regulations 1996 requires the inclusion of seven ratios in the Annual Financial Report.

### Regulation 50: Financial ratios to be included in annual financial report

The annual financial report is to include, for the financial year covered by the annual financial report and the 2 preceding financial years –

1. the current ratio; and
2. the asset consumption ratio; and
3. the asset renewal funding ratio; and
4. the asset sustainability ratio; and
5. the debt service cover ratio, and
6. the operating surplus ratio; and
7. the own source revenue coverage ratio.

The OAG has identified that the Shire's Asset Sustainability and Operating Surplus Ratios have been below the Department of Local Government, Sport and Cultural Industries' (DLGSCI) standard for the last three years. For more information regarding Financial Ratio's and their purpose see the DLGSCI's Operational Guideline Number 18 Financial Ratios as included at **Appendix B**.

## Shire of Morawa's Position

The following ratios have been taken from the Annual Financial Statements for the year ending. The green colour coding indicates compliance with the prescribed and red indicates non-compliance.

Ratios	Years						
	2015	2016	2017	2018	2019	2020	
Current	3.55	2.21	1.75	2.95	4.29	3.43	
Asset Consumption				0.52	0.62	0.50	
Asset Renewal funding				0.87	0.84	0.92	
Asset Sustainability	0.89	0.99	1.89	0.64	0.77	0.72	
Debt Service Cover	- 11.32	- 1.92	22.76	1.66	10.47	19.99	
Operating Surplus	- 0.81	0.67	0.19	- 0.54	- 0.32	- 0.51	
Own source revenue coverage	0.37	0.39	0.34	0.42	0.35	0.45	

Table 1: Colour coded ratio analysis 2015-2020 from Annual Financial Statements (Shire of Morawa)

As shown in Table 1, the Asset Sustainability and Operating Surplus Ratios have been non-compliant for at least three consecutive years as referenced in the OAG's report. To provide a broader context to the financial health of the Shire it is important to highlight other areas of the Shire's position.

The Shire has an advanced standard for its debt service cover ratio and is in the position to borrow funds for suitable capital investments if required. This indicates that the Shire is unlikely to face significant financial impacts from being unable to repay its debts and is evident by the Shire's positive current ratio. The Shire typically takes a cautious and conscientious approach to expenditure and the use of rate payer funds, which is highlighted by the Shire's reserve management practices supported by associated policies.

For the financial year ended 30 June 2020 the Shire had a reserve fund balance of \$5.2m, around 2.7 times the Shire's annual rates income. The Shire is confident of its financial health even if the two highlighted ratios indicate a significant adverse trend.

## Addressing the Significant Matter

The Shire plans to address the significant matter identified by the OAG in the following ways.

1. Challenge the relevance/appropriateness of the Ratios
2. Undertake a review of it's Long Term Financial Plan/Strategic Resource Plan including Asset Management Plans
3. Review operational expenditure
4. Review operating income

### 1. Challenge the relevance/appropriateness of the Ratios

As part of the Audit Committee close meeting the Shire indicated to the OAG that it believed that the findings relating to the ratios need to be taken in context and do not necessarily represent a significant matter.

The Morawa Shire President wrote to the OAG highlighting how the two ratios alone misrepresents the financial position of the Shire by suggesting a significant adverse trend.

The calculation of the ratio's place regional local governments at a disadvantage. Work on unsealed gravel roads is classed as operational road maintenance and not asset renewal but as most roads in the Shire are unsealed, this forms a large part of the Shire's expenditure. This is not applicable for

metropolitan Local Governments who have a majority of sealed roads and class resealing as asset renewal works. Road maintenance at the Shire represents approximately \$800,000 in operational expenditure each year, this is 42% of rates income and this level of expenditure is going to be similar across most rural areas.

If the Shire were to recognize road maintenance done on gravel roads as asset renewal expenditure instead of operating expenditure it would have a positive effect on both the Asset Sustainability and Operating Surplus Ratios. The Asset Sustainability Ratio for the audited period would increase from 0.72 to 1.14 which would not be an adverse trend.

Untied road grants such as Financial Assistance Grants (FAG) are not included in Operating Surplus Ratio calculations. For remote and regional locations FAG funding is imperative to operations and it would be unviable to impose large rate increases to ensure financial independence whilst these grants are available. If FAG funding was included in the Operating Surplus Ratio calculation then the Shire's position would improve.

The Operating Surplus Ratio uses operating expenses in its calculation and not net operating expenses which is used in the Debt Service Cover Ratio, with the main difference being depreciation. In the net operating expense, depreciation has been excluded but it is not excluded from the Operating Surplus Ratio.

It is challenged as to whether the purpose of the ratio to measure a local government's ability to cover its operational costs and have revenue available for capital funding or other purposes is aligned to the inclusion of a non-cash expense such as depreciation. In general, the renewal of assets is done through non-operating expenditure not year to year small scale maintenance.

The Shire urges the department to consider undertaking a review of the relevance of the financial ratios and the components used within them in partnership with WALGA, LG Professionals and the OAG.

## 2. Undertake a review of Long-Term Financial Plan

The Shire has instigated a review of its long term Financial plan and contracted this service from Moore Australia. This would be the third iteration of the Shire's Long Term Financial Plan with previous plans in 2012 and 2016.

A review of the Shire's long term financial plan may identify further areas where refinements can be made, but it should be noted that in both the 2012 and 2016 versions of the Long Term Financial Plan the Shire expected both the Operating Surplus Ratio and Asset Sustainability Ratio ratios to be below the DLGSCI's standard/baseline, this was not seen as detrimental to the Shire's financial viability.

In terms of long term financial planning the Shire will also be reviewing its depreciation rates. Since 2016 the Shire's total asset base has only increased by 3% but its annual depreciation has increased by 30%, indicating a higher depreciation for assets year on year or some newly purchased assets having short useful lives. The Shire's asset replacement and renewal expenditure has remained relatively consistent at \$1.4m per year. Whilst depreciation and ratios may suggest a higher level of capital renewal and replacement is required this needs to be balanced against the level of usage of assets.

Over the next 12 months the Shire will undertake a review of asset useful lives within the asset register and see if any assets can be written off or disposed of. Disposal of assets however, could be

difficult due to lack of market to purchase the asset and the expectation of the community for the Shire to manage assets of community/cultural significance.

### 3. Review Operating Expenditure

It should be noted that the Shire's general operating expenditure is at a very similar position as it was in 2016 when the Long Term Financial Plan was last revised which demonstrates the Shire's prudent approach towards expenditure.

One of the Shire's biggest expenditure areas is transport, specifically road maintenance which is necessary to support the agricultural economy. As such it is unlikely many savings will be achievable in this area.

One area the Shire is looking to save funds is on utilities, given utility providers continue to increase charge rates year on year. It is being planned to complete asset upgrades on Shire properties in the form of Solar Panels to reduce power consumption. Implementing solar will incur significant capital expenditure but this would be part of asset renewal and as such will improve the Asset Sustainability Ratio and in the longer term the Operating Surplus Ratio.

The continuation of prudent financial management and cost rationalization should see improvement of the Shire's Operating Surplus Ratio over time.

### 4. Review Operating Income

One of the main factors affecting the Shire's ability to invest in asset renewal and improve its Operating Surplus Ratio is income.

Since 2016 the Shire's total income from rates has increased from \$1.3m to \$1.9m, with no increase in population. Although the Shire could impose significant rate increases to improve its ratios, this would not be in the best interest of the community while the Shire is still financially viable and maintaining reserve funds. Rates will need to continue to increase by more than inflation and wage increases to maintain the Shire's ability to cover its operational expenditure and asset renewal needs but large increases are unlikely.

Another way to increase the potential income from rates is by substantially increasing the Shire's population and property development. The Shire's population has declined over a number of years and much of the land in the townsite is undeveloped. The Shire's strategic community plan and previously the Regeneration Morawa initiative has placed an emphasis on population growth and economic development. The Shire continues to invest in this area, but it is unlikely the Shire will see marked improvements in the short term but over the longer term it is envisaged that growth will positively contribute to financial sustainability.

Other income components have been largely negative. Interest income from the Shire's reserve and bank accounts dropped by 65% (2016-2020) and is expected to be even lower in coming financial years with the effects of COVID-19 on interest rates. The interest rates for term deposits have dropped from over 1% early 2020 to 0.15% early 2021. This effect is expected to continue for several years.

Income from Fees and Charges seems a consistent factor although we have yet to see the full effects from the COVID-19 restrictions. Early signs indicate a 10-15% decrease in FY20/21 compared to previous years. The Shire could consider reviewing its fees and charges and implementing a significant increase but must consider the community impacts when undertaking this course of

action. Many of Shire's fees are legislated or have been set based on expenditure. Other areas are deemed to be a community service such as the swimming pool, so the charge does not cover costs.

As part of the 2021/22 review of the Shire's fees and charges schedule the Shire will investigate if any fees can be increased to increase revenue.

## Conclusion

The significant adverse trend in the Shire's financial position identified by the OAG in response to three consecutive years of below par performance for the Asset Sustainability Ratio and Operating Surplus Ratio is not something that can be easily fixed during one financial year.

The Shire of Morawa is committed to exploring avenues to increase operating revenues and rationalize costs, however as an organization with a strategic vision to create a welcoming and inclusive community with a vibrant and growing economy, all operational changes must be reviewed in a strategic context in terms of the longer term effects it might have on our community.

A review of long term financial planning should highlight any areas of financial concern and allow the Shire to adapt its practices to maintain financial viability. Funds held in reserve are designed for strategic benefit but still provide the Shire with capacity to invest in asset renewal if necessary.

No obvious quick wins are evident to improve the Shire's financial ratios, however it is debated as to whether the two ratios alone represent a significant adverse trend in the Shire's position. The Shire has very minimal debt and holds money in reserve and has limited chance of encountering financial hardship in the near future.

The Shire encourages the Minister for Local Government to engage with the OAG, WALGA and LG Professionals to review the Department's financial ratios and their relevance to regional/remote communities and the different operational environments in which they operate.

## Appendix A – Independent Auditors Report 2019-2020



# Auditor General

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Morawa

### Report on the Audit of the Financial Report

#### **Opinion**

I have audited the annual financial report of the Shire of Morawa which comprises the Statement of Financial Position as at 30 June 2020, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Morawa:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

#### **Basis for Opinion**

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

#### **Emphasis of Matter – Basis of Accounting**

I draw attention to Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

#### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error. In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

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



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

The objectives of my audit are to obtain reasonable assurance about whether the annual 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 annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

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

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
  - a. The Asset Sustainability and Operating Surplus Ratios have been below the Department of Local Government, Sport and Cultural Industries' standard for the last three years. The financial ratios are reported at note 32 of the annual financial report.
- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:
  - a. The Shire has not developed formal policies and supporting procedures for the proper control of the payroll function. For 1 employee, there was no signed employment contract in the Shire's records.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

### **Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the Shire of Morawa for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
21 December 2020

## Appendix B - DLGSCI Financial Ratios Guidelines



Government of **Western Australia**  
Department of **Local Government and Communities**

# Local Government Operational Guidelines

Number 18 – June 2013

## Financial Ratios

## 1. Introduction

This guideline is intended to provide a clear explanation of each ratio required to be included in the annual financial report under section 6.4(2) of the *Local Government Act 1995* and Regulation 50 of the *Local Government (Financial Management) Regulations 1996*.

An explanation of the purpose of each ratio is included to ensure staff and elected members are able to interpret what the ratio result means for the local government.

Definitions are included to fully describe what is meant by the terms used in the ratios.

## 2. Purpose

The guideline is designed to assist local government officers in preparing financial ratios, and provide elected members and officers with an understanding of each ratio.

Financial ratios are designed to provide users of annual financial reports with a clearer interpretation of the performance and financial results of a local government and a comparison of trends over a number of years.

On occasions, there have been inconsistencies in the calculation and interpretation of financial ratios. If information is to be meaningful, it should be prepared accurately and consistently. Ratios may be disclosed as a percentage or a factor of one.

These indicators provide a short term measure of the financial sustainability of local governments and complement the national criteria endorsed by the Local Government and Planning Ministers' Council. They provide for a comprehensive

tool for monitoring the financial sustainability of local governments.

## 3. Legislation

Financial ratios are included in the notes to the annual financial report. These ratios provide users with key indicators of the financial performance of a local government and include comparisons with two prior years.

Under regulation 50 of the *Local Government (Financial Management) Regulations 1996*, the annual financial report is to include, for the financial year covered by the annual financial report and the two preceding financial years, the following:

- a) current ratio;
- b) asset consumption ratio;
- c) asset renewal funding ratio;
- d) asset sustainability ratio;
- e) debt service cover ratio;
- f) operating surplus ratio; and
- g) own source revenue coverage ratio.

As several of the ratios are to be reported for the first time in the 2012/13 financial year, local governments are expected to make reasonable efforts to calculate the ratios for the two prior years. However comparatives for 2010/11 and 2011/12 are not required for the assets consumption ratio or asset renewal funding ratio.

This guideline analyses each of these ratios according to the information they provide. The ratios are classified under the following headings:

- (i) liquidity ratio;
- (ii) debt ratio;
- (iii) coverage ratio;
- (iv) financial performance ratio; and
- (v) asset management ratios.

## 4. Ratios

### 4.1 Liquidity Ratio

Liquidity refers to how quickly and cheaply an asset can be converted into cash. A local government's liquidity is measured by the 'Current Ratio'. This ratio provides information on the ability

of a local government to meet its short-term financial obligations out of unrestricted current assets. The calculation of this ratio is explained as follows:

Current Ratio	
Current Ratio =	$\frac{(\text{Current Assets MINUS Restricted Assets})}{(\text{Current Liabilities MINUS Liabilities Associated with Restricted Assets})}$
Purpose:	This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions.
Standards	The standard is not met if the ratio is lower than 1:1 (less than 100%) The standard is met if the ratio is greater than 1:1 (100% or greater) A ratio less than 1:1 means that a local government does not have sufficient assets that can be quickly converted into cash to meet its immediate cash commitments. This may arise from a budget deficit from the past year, a Council decision to operate an overdraft or a decision to fund leave entitlements from next year's revenues.
<b>Definitions:</b>	
'Current Assets'	Means the total current assets as shown in the balance sheet.
'Current Liabilities'	Means the total current liabilities as shown in the balance sheet.
'Restricted Asset'	Means an asset the use of which is restricted, wholly or partly, by a law made or a requirement imposed outside of the control of the local government, where the restriction is relevant to assessing the performance, financial position or financing and investment of the local government. This includes all section 6.11 cash reserves as these are restricted by the Act '... by a law made ...', unspent specific grants and other restricted cash identified by the local government, as these are restricted by '... a requirement imposed outside of the control of the local government ...'
'Liabilities Associated with Restricted Assets'	Means the lesser value of a current liability or the cash component of restricted assets held to fund that liability. Commonly this is the cash reserve for long service leave, annual leave and other employee entitlements. Ideally the cash reserve amount should be the same as the provision amount but this is rarely the case. <ul style="list-style-type: none"> <li>• Only make a deduction if there is a cash reserve.</li> <li>• If the cash reserve is greater than the provision amount, only deduct the amount of the provision.</li> <li>• If the provision amount is greater than the cash reserve, only deduct the amount of the cash reserve.</li> <li>• If the cash reserve is for the purpose of long service leave (or other specific leave) then only adjust for that specific leave provision and not the total of all leave provisions.</li> </ul>

## 4.2 Debt Ratio

A local government's ability to service debt is measured by the 'Debt Service Cover Ratio'. This is the measurement of a local government's ability to produce enough cash to cover its debt payments.

Debt Service Cover Ratio	
Debt Service Cover Ratio =	$\frac{\text{Annual Operating Surplus BEFORE Interest and Depreciation}}{\text{Principal and Interest}}$
Purpose:	This ratio is the measurement of a local government's ability to repay its debt including lease payments. The higher the ratio is, the easier it is for a local government to obtain a loan.
Standards	A <b>Basic</b> standard is achieved if the ratio is greater than or equal to two. An <b>Advanced</b> standard is achieved if the ratio is greater than five.
<b>Definitions:</b>	
'Annual Operating Surplus Before Interest and Depreciation'	Means operating revenue minus net operating expense.
'Operating Revenue'	Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.
'Net Operating Expense'	Means operating expense excluding interest and depreciation.
'Interest'	Means interest expense for moneys borrowed, credit obtained or financial accommodation arranged under section 6.20 of the Act.
'Depreciation'	Has the meaning given in the AAS.
'Principal and Interest'	Means all principal and interest for moneys borrowed, credit obtained or financial accommodation arranged under section 6.20 of the Act.

### 4.3 Coverage Ratio

A local government's ability to cover its costs through its own taxing and revenue efforts is measured by the 'Own Source Revenue Coverage Ratio'.

Own Source Revenue Coverage Ratio	
Own Source Revenue Coverage Ratio =	$\frac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$
Purpose:	<p>This ratio is the measurement of a local government's ability to cover its costs through its own revenue efforts.</p> <p>Different standards have been established to recognise the varying revenue raising capacities across the sector, where some rural and remote local governments have limited rate bases and revenue raising capacity, whereas others such as major metropolitan and regional local governments have significant rate bases and other own source revenues.</p>
Standards	<p>A <b>Basic</b> standard is achieved if the ratio is between 40% and 60% (or 0.4 and 0.6).</p> <p>An <b>Intermediate</b> standard is achieved if the ratio is between 60% and 90% (or 0.6 and 0.9).</p> <p>An <b>Advanced</b> standard is achieved if the ratio is greater than 90% (or &gt; 0.9).</p>
<b>Definitions:</b>	
'Own Source Operating Revenue'	Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries *, interest income and profit on disposal of assets.
'Operating Expense'	Means the expense that is operating expense for the purposes of the AAS.

\*Note: Typically local governments disclose, in their annual financial statements, a nature or type classification described as 'Reimbursements and Recoveries, Contributions and Donations' (or similar). In order to calculate the value of own source revenue, it is essential that reimbursements and recoveries are disclosed separately from contributions and donations. This can be by way of note.

#### 4.4 Financial Performance Ratio

A key indicator of a local government's financial performance is measured by the 'Operating Surplus Ratio'. If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having regard to asset management and the community's service level needs, then it is considered financially sustainable.

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt.

A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

Operating Surplus Ratio	
Operating Surplus Ratio =	$\frac{(\text{Operating Revenue MINUS Operating Expense})}{\text{Own Source Operating Revenue}}$
Purpose:	This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.
Standards:	<b>Basic</b> Standard between 1% and 15% (0.01 and 0.15) <b>Advanced</b> Standard > 15% (>0.15).
<b>Definitions:</b>	
'Operating Revenue'	Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.
'Operating Expense'	Means the expense that is operating expense for the purposes of the AAS.
'Own Source Operating Revenue'	Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries *, interest income and profit on disposal of assets.

\***Note:** Typically local governments disclose in their annual financial statements, a nature or type classification described as 'Reimbursements and Recoveries, Contributions and Donations' (or similar). In order to calculate the value of own source revenue, it is essential that reimbursements and recoveries are disclosed separately from contributions and donations. This can be by way of note.



## 4.5 Asset Consumption Ratio

This ratio seeks to highlight the aged condition of a local government's stock of physical assets.

If a local government is responsibly maintaining and renewing / replacing its assets in accordance with a well prepared

asset management plan, then the fact that its Asset Consumption Ratio may be relatively low and/or declining should not be cause for concern – providing it is operating sustainably.

Asset Consumption Ratio	
Asset Consumption Ratio=	$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$
Purpose:	This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.
Standards:	Standard is met if the ratio can be measured and is 50% or greater (0.50 or >). Standard is improving if the ratio is between 60% and 75% (0.60 and 0.75).
<b>Definitions:</b>	
'Depreciated Replacement Cost of Assets'	Has the meaning given in the AAS. AASB 136 paragraph Aus 6.2 defines depreciated replacement cost as '... the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.'
'Current Replacement Cost'	In AASB 136 paragraph Aus 32.2 'The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.'  In addition, AASB 13 paragraph B8 provides 'The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost)'. More detailed explanation is included in AASB 13 paragraph B9.
'Current Replacement Cost of Depreciable Assets'	Means the cost of replacing assets at current prices.

Note that the values for depreciated replacement cost of depreciable assets and the current replacement cost of depreciable assets are not amounts disclosed in the annual financial statements and the calculations involved should be discussed with auditors.

## 4.6 Asset Sustainability Ratio

This ratio is an approximation of the extent to which assets managed by a local government are being replaced as these reach the end of their useful lives. It is calculated by measuring capital expenditure on **renewal** or **replacement** of assets, relative to depreciation expense. Expenditure on new or additional assets is excluded.

Depreciation expense represents an estimate of the extent to which the assets have been consumed during that period. Measuring assets at fair value is critical to the calculation of a valid depreciation expense value.

Asset Sustainability Ratio	
Asset Sustainability Ratio =	$\frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation}}$
Purpose:	This ratio indicates whether a local government is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.
Standards:	Standard is met if the ratio can be measured and is 90% (or 0.90) Standard is improving if this ratio is between 90% and 110% (or 0.90 and 1.10).
<b>Definitions:</b>	
'Capital Renewal and Replacement Expenditure'	Means expenditure to renew or replace existing assets. In other words, it is expenditure on an existing asset to return the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure. As it reinstates existing service potential it may reduce operating and maintenance costs.
'Depreciation'	Has the meaning given in the AAS. Under AASB 116 paragraph 6, ' <b>Depreciation</b> is the systematic allocation of the depreciable amount of an asset over its useful life.' In other words, depreciation represents the allocation of the value of an asset (its cost less its residual value) over its estimated useful life to the local government. Depreciation expense can be sourced from the audited annual financial report.
'Depreciable Amount'	Under AASB 116 paragraph 6, 'Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.'
'Residual Value'	Under AASB 116 paragraph 6, 'The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.'
'Useful Life'	Under AASB 116 paragraph 6, 'Useful life is: (a) the period over which an asset is expected to be available for use by an entity; or (b) the number of production or similar units expected to be obtained from the asset by an entity.'

## 4.7 Asset Renewal Funding Ratio

This ratio indicates whether the local government has the financial capacity to fund asset renewal as required, and can continue to provide existing levels of services in future, without additional operating income; or reductions in operating expenses.

The ratio is calculated from information included in the local government's Long Term Financial Plan and Asset Management Plan; **not** the Annual Financial Report. For the ratio to be meaningful, a consistent discount rate should generally be applied in Net Present Value (NPV) calculations.

Asset Renewal Funding Ratio	
Asset Renewal Funding Ratio =	$\frac{\text{NPV of Planned Capital Renewals over 10 years}}{\text{NPV of Required Capital Expenditure over 10 years}}$
Purpose:	This ratio is a measure of the ability of a local government to fund its projected asset renewal / replacements in the future.
Standards:	Standard is met if the ratio is between 75% and 95% (or 0.75 and 0.95). Standard is improving if the ratio is between 95% and 105% (or 0.95 and 1.05), and the ASR falls within the range 90% to 110%, and ACR falls within the range 50% to 75%.
<b>Definitions:</b>	
'NPV'	Means Net Present Value.
'Planned Capital Renewals'	Means capital renewal and replacement expenditure as estimated in the long-term financial plan.
'NPV of Planned Capital Renewals' is therefore	The total of all capital expenditures on renewals and replacement included in the 10-year long term financial plan, expressed in current year values.
'Required Capital Expenditure'	Means capital renewal and replacement expenditure as estimated in the asset management plan.
'NPV of Required Capital Expenditure' is therefore	The total of all required capital expenditures on renewals in the 10-year forecast period as indicated in the asset management plans or asset forecasts, expressed in current year values.

## 5. Ratio Calculations

Detailed calculations of each of the seven ratios are included in this section. The calculations are based on the extracts of financial information from annual financial statements or long-term and asset management plans included at section six (6) of this guideline.

### Ratio Calculations are for the year 200Y

<b>a) Current Ratio</b>	$\frac{\text{(Current Assets MINUS Restricted Assets)}}{\text{(Current Liabilities MINUS Liabilities Associated with Restricted Assets)}}$
=	$\frac{\begin{matrix} \text{[1]} & \text{[2]} \\ \underline{(8,156,143 - 6,728,955)} \\ \text{[3]} & \text{[4]} \\ (2,033,690 - 644,160) \end{matrix}}{\begin{matrix} \text{[5]} & \text{[6]} \\ \underline{1,427,188} \\ \text{[7]} & \text{[8]} \\ 1,389,530 \end{matrix}} = \mathbf{1.03:1} \\ \mathbf{(or 103\%)}$

[Numbers taken from statement of financial position and cash and cash equivalents note]

<b>b) Debt Service Cover Ratio</b>	$\frac{\text{Annual Operating Surplus BEFORE Interest and Depreciation}}{\text{Principal and Interest}}$
=	$\frac{\begin{matrix} \text{[5]} & \text{[6]} & \text{[7]} & \text{[8]} \\ \underline{(20,707,319+44,048) - ((21,365,583+50,000} \\ +98,325) - (6,907,407+96,257)) \\ \text{[9]} & \text{[10]} & \text{[11]} \\ \underline{(70,597 + 96,257)} \\ \text{[12]} & \text{[11]} \end{matrix}}{\begin{matrix} \text{[13]} & \text{[14]} \\ \underline{6,241,123} \\ \text{[15]} & \text{[16]} \\ 166,854 \end{matrix}} = \mathbf{37.4}$

[Numbers taken from statement of comprehensive income by nature or type and rate setting statement]

<b>c) Own Source Revenue Coverage Ratio</b>	$\frac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$
=	$\frac{\begin{matrix} \text{[13]} & \text{[14]} & \text{[15]} & \text{[16]} & \text{[6]} \\ \underline{(8,165,843+4,999,717+498,964+55,200+44,048)} \\ \text{[7]} & \text{[9]} & \text{[8]} \\ (21,365,583+98,325+50,000) \end{matrix}}{\begin{matrix} \text{[18]} \\ \underline{13,763,772} \\ \text{[17]} \\ 21,513,908 \end{matrix}} = \mathbf{0.64} \\ \mathbf{(or 64\%)}$

[Numbers drawn from statement of comprehensive income by nature or type]

### Ratio Calculations are for the year 200Y

<b>d) Operating Surplus Ratio</b>	$\frac{\text{(Operating Revenue MINUS Operating Expense)}}{\text{Own Source Operating Revenue}}$				
=	$\frac{\overset{[5]}{(20,707,319+44,048)} - \overset{[6]}{(21,513,908)}}{\underset{[18]}{13,763,772}}$	=	$\frac{-762,541}{13,763,772}$	=	<b>-5.5%</b> <b>(or</b> <b>-0.055)</b>

[Numbers drawn from statement of comprehensive income by nature or type and Own Source Operating Revenue same as in c) above]

<b>e) Asset Consumption Ratio</b>	$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$				
=	$\frac{\overset{[19]}{(18,847,904+183,226,214)}}{\underset{[21]}{(29,284,194+283,543,863)}}$	=	$\frac{202,074,118}{312,828,057}$	=	<b>64.6%</b> <b>(or 0.646)</b>

[Numbers drawn from notes 7a. and 8a.]

<b>f) Asset Sustainability Ratio</b>	$\frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation Expense}}$				
=	$\frac{\overset{[23]}{660,185*} + \overset{[24]}{2,031,457} + \overset{[25]}{46,798} + \overset{[26]}{2,976,240}}{\underset{[10]}{6,907,407}}$	=	$\frac{5,714,680}{6,907,407}$	=	<b>82.7%</b> <b>(or 0.827)</b>

\*Note: while described as land and building in the rate setting statement, for the purpose of this example the expenditure is assumed to all relate to buildings.

[Numbers drawn from rate setting statement]

<b>g) Asset Renewal Funding Ratio</b>	$\frac{\text{NPV of Planned Capital Renewals over 10 years}}{\text{NPV of Required Capital Expenditure over 10 years}}$			
NPV Planned from LTF Plan NRV Required from AM Plan	=	$\frac{\overset{[27]}{67,398}}{\underset{[28]}{73,099}}$	=	<b>92.2%</b> <b>(or 0.922)</b>

[Numbers drawn from Long Term Financial Plan (planned renewals) and Asset Management Plan (required renewals)]

## 6. Extracts of Financial Information from which ratios are calculated

### 6.1 Annual Financial Statements Extracts

Statement Of Financial Position For The Year Ended 30 June 201Y			
	NOTE	Current Actual \$	Prior Actual \$
<b>Current Assets</b>			
Cash and Cash Equivalents	3	6,781,850	6,005,704
Investments	4	190,000	0
Trade and Other Receivables		527,980	594,914
Inventories		656,313	590,852
<b>Total Current Assets</b>		<b>8,156,143</b> (1)	<b>7,191,470</b>
<b>Non-Current Assets</b>			
Receivables		475,355	461,669
Inventories		2,878,873	2,000,000
Property, Plant and Equipment		31,578,071	31,445,812
Infrastructure		183,226,214 (20)	181,334,195
<b>Total Non-Current Assets</b>		<b>218,158,483</b>	<b>215,241,676</b>
<b>Total Assets</b>		<b>226,314,626</b>	<b>222,433,146</b>
<b>Current Liabilities</b>			
Trade and Other Payables		1,126,295	893,304
Long Term Borrowings		83,612	64,886
Provisions	11	823,783	924,356
<b>Total Current Liabilities</b>		<b>2,033,690</b> (3)	<b>1,882,546</b>
<b>Non-Current Liabilities</b>			
Long Term Borrowings		2,358,215	419,894
Provisions	11	459,277	648,258
<b>Total Non-Current Liabilities</b>		<b>2,817,492</b>	<b>1,068,152</b>
<b>Total Liabilities</b>		<b>4,851,182</b>	<b>2,950,698</b>
<b>Net Assets</b>		<b>221,463,444</b>	<b>219,482,448</b>
<b>Equity</b>			
Retained Surplus		113,817,172	112,717,798
Reserves - Cash/Investment Backed	12	5,162,318	3,530,196
Reserves - Asset Revaluation		102,483,954	103,234,454
<b>Total Equity</b>		<b>221,463,444</b>	<b>219,482,448</b>

**Statement Of Comprehensive Income  
By Nature Or Type  
For The Period Ended 30 June 201Y**

	NOTE	201Y Actual \$		201Y Budget \$	201X Actual \$
<b>Revenue</b>					
Rates	24	8,165,843	(13)	8,074,469	7,633,920
Operating Grants, Subsidies and Contributions	30	6,987,595		5,548,348	5,609,425
Fees and Charges	29	4,999,717	(14)	4,253,486	4,165,652
Service Charges	26	0		0	0
Interest Earnings	2(a)	498,964	(15)	385,100	413,708
Other Revenue		55,200	(16)	27,304	30,435
		<b>20,707,319</b>	(5)	<b>18,288,707</b>	<b>17,853,140</b>
<b>Expenses</b>					
Employee Costs		(8,896,802)		(8,772,958)	(7,826,475)
Materials and Contracts		(4,120,422)		(3,926,230)	(3,064,784)
Utilities		(443,972)		(435,600)	(404,245)
Depreciation	2(a)	(6,907,407)	(10)	(7,100,000)	(7,435,789)
Interest Expenses	2(a)	(96,257)	(11)	(399,441)	(37,753)
Insurance		(336,390)		(333,163)	(326,578)
Other Expenditure		(564,333)		(828,951)	(512,377)
		<b>(21,365,583)</b>	(7)	<b>(21,796,343)</b>	<b>(19,608,001)</b>
		(658,264)		(3,507,636)	(1,754,861)
Non-Operating Grants, Subsidies and Contributions	30	3,494,037		5,856,328	4,933,510
Fair Value Adjustments to financial assets at fair value through profit and loss	2(a)	(50,000)	(8)	0	0
Profit on Asset Disposals	21	44,048	(6)	2,333,736	96,518
Loss on Asset Disposal	21	(98,325)	(9)	(49,155)	(43,985)
		<b>3,389,760</b>		<b>8,140,909</b>	<b>4,986,043</b>
<b>Net Result</b>		<b>2,731,496</b>		<b>4,633,273</b>	<b>3,231,182</b>
<b>Other Comprehensive Income</b>					
Changes on revaluation of non-current assets	13	(750,500)		0	0
<b>Total Other Comprehensive Income</b>		<b>(750,500)</b>		<b>0</b>	<b>0</b>
<b>Total Comprehensive Income</b>		<b>1,980,996</b>		<b>4,633,273</b>	<b>3,231,182</b>

### Rate Setting Statement For The Period Ended 30 June 201Y

	NOTE	201Y Actual \$	201Y Budget \$	201X Actual \$
<b>Revenue</b>				
Governance		108,566	93,221	81,376
General Purpose Funding (Excl Rates)		4,104,679	3,970,416	3,855,332
Law, Order, Public Safety		686,829	556,802	864,126
Health		262,378	176,240	175,879
Education and Welfare		1,660,935	1,416,806	1,291,279
Housing		520	600	460
Community Amenities		1,688,168	1,803,650	1,324,894
Recreation and Culture		1,328,903	2,171,562	1,403,700
Transport		4,783,531	3,960,367	5,365,366
Economic Services		503,702	387,060	385,897
Other Property and Services		1,000,611	3,916,478	499,839
		<b>16,128,822</b>	<b>18,453,202</b>	<b>15,248,148</b>
<b>Expenses</b>				
Governance		(826,169)	(908,185)	(763,010)
General Purpose Funding		(171,816)	(158,077)	(154,898)
Law, Order, Public Safety		(1,137,630)	(1,349,794)	(928,250)
Health		(356,604)	(331,717)	(296,011)
Education and Welfare		(1,743,528)	(1,682,025)	(1,495,536)
Housing		(1,657)	(1,500)	(1,432)
Community Amenities		(2,859,238)	(3,057,906)	(2,755,017)
Recreation and Culture		(4,259,938)	(4,243,523)	(3,800,603)
Transport		(8,641,626)	(8,380,666)	(8,156,823)
Economic Services		(616,182)	(598,183)	(469,186)
Other Property and Services		(899,520)	(1,133,922)	(831,220)
		<b>(21,513,908)</b>	<b>(21,845,498)</b>	<b>(19,651,986)</b>
<b>Net Result Excluding Rates</b>		<b>(5,385,086)</b>	<b>(3,392,296)</b>	<b>(4,403,838)</b>
<b>Adjustments for Cash Budget Requirements: Non-Cash Expenditure and Revenue</b>				
(Profit)/Loss on Asset Disposals	21	54,277	(2,284,581)	(52,533)
Movements in Assets/Liabilities		2,077	0	104,502
Depreciation on Assets	2(a)	6,907,407	7,100,000	7,435,789
<b>Net Non-Cash Expenditure/Revenue</b>		<b>6,963,761</b>	<b>4,815,419</b>	<b>7,487,758</b>



### Rate Setting Statement For The Period Ended 30 June 201Y

	NOTE	201Y Actual \$	201Y Budget \$	201X Actual \$
<b>Capital Expenditure/Revenue</b>				
Purchase of Land Held for Resale		(2,056,759)	(4,076,189)	(702,227)
Purchase Land and Buildings	20	(660,185)	(1,787,479)	(957,226)
Purchase Plant and Equipment	20	(2,031,457)	(2,686,903)	(2,165,913)
Purchase Furniture and Equipment	20	(46,798)	0	0
Infrastructure Assets	20	(2,976,240)	(3,704,824)	(6,319,171)
Infrastructure Assets – New		(3,710,100)	(7,500,000)	0
Repayment of Debentures	23(a)	(70,597)	(70,597)	(68,526)
Proceeds from Disposal of Assets	21	759,429	5,904,712	655,232
Proceeds from New Debentures	23	2,027,644	2,188,452	350,000
SS Loan Principal Income	23	24,393	24,393	48,098
Transfers to Reserves	12	(3,376,061)	(1,478,584)	(2,952,482)
Transfers from Reserves	12	1,743,939	2,447,854	1,883,320
ADD Surplus/(Deficit) July 1 B/F	24(b)	1,841,049	1,290,473	1,351,004
LESS Surplus/(Deficit) June 30 C/F	24(b)	1,163,514	0	1,841,049
<b>Amount Required to be Raised from Rates</b>	<b>24(a)</b>	<b>(8,116,582)</b>	<b>(8,025,569)</b>	<b>(7,635,020)</b>

### 3 Cash And Cash Equivalents

	NOTE	201Y \$	201X \$
Cash - Unrestricted Muni		52,895	850,416
Cash - Restricted		6,728,955 (2)	5,155,288
	14(a)	6,781,850	6,005,704
<b>The following restrictions have been imposed by regulations or other externally imposed requirements:</b>			
Land Purchase and Development Reserve	12	941,906	434,375
Plant Reserve	12	1,175,544	806,956
Building Reserve	12	1,777,669	1,224,785
Sanitation Services Reserve	12	623,039	406,750
Employee Entitlements	12	644,160 (4)	657,330
<b>Total Reserves</b>		<b>5,162,318</b>	<b>3,530,196</b>
Unspent Grants	2(d)	1,566,637	1,625,092
<b>Total Unspent Grants and Loans</b>		<b>1,566,637</b>	<b>1,625,092</b>
<b>Total Restricted Cash</b>		<b>6,728,955</b>	<b>5,155,288</b>

7a Property, Plant and Equipment (PP&E)		
	201Y \$	201X \$
Land – Fair Value	12,730,167	12,457,362
Less Accumulated Depreciation	0	0
	12,730,167	12,457,362
Buildings – Fair Value	15,081,793	14,694,413
Less Accumulated Depreciation	(3,746,056)	(3,379,285)
	11,335,737	11,315,128
Furniture and Equipment – Fair Value	895,174	1,426,495
Less Accumulated Depreciation	(638,235)	(1,115,109)
	256,939	311,386
Plant and Equipment – Fair Value	2,865,445	2,814,165
Less Accumulated Depreciation	(2,123,703)	(1,950,728)
	741,742	863,437
Plant and Equipment Under Lease	2,270,110	2,037,911
Less Accumulated Depreciation	(595,703)	(401,210)
	1,674,407	1,636,701
Road Construction Plant – Fair Value	8,171,672	7,920,130
Less Accumulated Amortisation	(3,332,593)	(3,058,332)
	4,839,079	4,861,798
<b>Depreciated Cost of PP&amp;E at Fair Value</b>	<b>31,578,071</b>	<b>31,445,812</b>
<b>Current Replacement Cost</b> of Depreciated PP&E at Fair Value	29,284,194 (21)	28,893,114
<b>Less</b> Accumulated Depreciation	(10,436,290)	(9,904,664)
<b>Depreciated Replacement Cost</b> of Depreciated PP&E at Fair Value	18,847,904 (19)	18,988,450
<b>Land</b> (Non-Depreciable)	12,730,167	12,457,362
<b>Depreciated Cost of PP&amp;E at Fair Value</b>	<b>31,578,071</b>	<b>31,445,812</b>

8a	Infrastructure	
	201Y \$	201X \$
Roads – Fair Value	260,058,298	253,772,740
Less Accumulated Depreciation	(88,538,837)	(83,677,423)
	<u>171,519,461</u>	<u>170,095,317</u>
Drainage – Fair Value	2,832,873	2,711,180
Less Accumulated Depreciation	(1,044,492)	(976,459)
	<u>1,788,381</u>	<u>1,734,721</u>
Bridges – Fair Value	861,642	811,414
Less Accumulated Depreciation	(285,302)	(244,299)
	<u>576,340</u>	<u>567,115</u>
Footpaths and Cycleways – Fair Value	4,701,608	4,305,552
Less Accumulated Depreciation	(1,352,095)	(1,207,616)
	<u>3,349,513</u>	<u>3,097,936</u>
Parks and Gardens – Fair Value	6,518,991	6,258,991
Less Accumulated Depreciation	(5,009,798)	(4,696,849)
	<u>1,509,193</u>	<u>1,562,142</u>
Airports – Fair Value	2,398,359	2,178,649
Less Accumulated Depreciation	(483,853)	(422,827)
	<u>1,914,506</u>	<u>1,755,822</u>
Sewerage – Fair Value	4,576,113	4,506,113
Less Accumulated Depreciation	(3,388,338)	(3,275,685)
	<u>1,187,775</u>	<u>1,230,428</u>
Other – Fair Value	1,595,979	1,461,034
Less Accumulated Depreciation	(214,934)	(170,320)
	<u>1,381,045</u>	<u>1,290,714</u>
	<b><u>183,226,214</u></b>	<b><u>181,334,195</u></b>
<b>Current Replacement Cost</b> of Infrastructure at Fair Value	<b>283,543,863</b> (22)	<b>276,005,673</b>
<b>Less</b> Accumulated Depreciation	<b>(100,317,649)</b>	<b>(94,671,478)</b>
<b>Depreciated Replacement</b> Cost of Infrastructure	<b>183,226,214</b> (20)	<b>181,334,195</b>

<b>11 Provisions</b>		<b>201Y</b>	<b>201X</b>
		<b>\$</b>	<b>\$</b>
<b>Current</b>			
Provision for Annual Leave		668,540	756,421
Provision for Long Service Leave		155,243	167,935
		<b>823,783</b>	<b>924,356</b>
<b>Non-Current</b>			
Provision for Long Service Leave		459,277	648,258
		<b>459,277</b>	<b>648,258</b>

<b>12f Reserves – Cash/Investment Backed</b>		<b>201Y</b>	<b>201X</b>
		<b>\$</b>	<b>\$</b>
<b>Employee Entitlements</b>			
Purpose: To be used to fund Annual and Long Service Leave			
Opening Balance		657,330	427,366
Amount Set Aside / Transfer to Reserve		171,082	260,529
Amount Used / Transfer from Reserve		(184,252)	(30,565)
		<b>644,160</b>	<b>657,330</b>

## 6.2 Long-term Financial Plan and Asset Management Plan Extracts

<b>Renewals / Upgrades</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>Long Term Financial Plan</b>										
Buildings	570	600	700	750	800	850	1,500	1,500	1,500	1,500
Motor Vehicles	182	200	215	220	250	235	260	270	270	280
Plant and Equipment	885	385	290	930	790	390	1,045	790	545	1,050
Infrastructure Roads	7,184	6,359	6,728	7,100	4,744	5,084	5,426	5,772	6,119	6,221
Infrastructure Other	1,235	250	350	400	750	750	800	800	850	850
<b>Total Planned Renewals</b>	<b>10,056</b>	<b>7,794</b>	<b>8,283</b>	<b>9,400</b>	<b>7,334</b>	<b>7,309</b>	<b>9,031</b>	<b>9,132</b>	<b>9,284</b>	<b>9,901</b>
<b>Asset Management Plan</b>										
Buildings	600	650	750	800	850	875	1,700	1,700	1,800	1,800
Motor Vehicles	182	200	215	220	250	235	260	270	270	280
Plant and Equipment	885	385	290	930	790	390	1,045	790	545	1,050
Infrastructure Roads	7,500	7,700	7,900	8,000	5,200	5,400	5,700	6,000	6,400	6,500
Infrastructure Other	1,250	250	380	420	800	800	850	850	900	900
<b>Total Required Renewals</b>	<b>10,417</b>	<b>9,185</b>	<b>9,535</b>	<b>10,370</b>	<b>7,890</b>	<b>7,700</b>	<b>9,555</b>	<b>9,610</b>	<b>9,915</b>	<b>10,530</b>

Discount Rate = 0.05

NPV Planned Renewals 67,398 (27)

NPV Required Renewals 73,099 (28)

Ratio = 67,398/73,099 92.2%

These guidelines are also available on the Department's website at [www.dlgc.wa.gov.au](http://www.dlgc.wa.gov.au)



### About the Guideline series

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance requirement. The content is based on Department officer knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

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## Morawa - Compliance Audit Return 2020

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of the relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A		Scott Wildgoose
2	s3.59(2)(b) F&G Regs 7,8,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2020?	N/A		Scott Wildgoose
3	s3.59(2)(c) F&G Regs 7,8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2020?	N/A		Scott Wildgoose
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2020?	N/A		Scott Wildgoose
5	s3.59(5)	During 2020, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Scott Wildgoose



<b>Delegation of Power/Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes		Scott Wildgoose
2	s5.16	Were all delegations to committees in writing?	Yes		Scott Wildgoose
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes		Scott Wildgoose
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Scott Wildgoose
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	Yes	Reviewed 16 July 2020	Scott Wildgoose
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Scott Wildgoose
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Scott Wildgoose
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Scott Wildgoose
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Scott Wildgoose
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes		Scott Wildgoose
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Scott Wildgoose
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	Yes	July 2020	Scott Wildgoose
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		Scott Wildgoose

<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Scott Wildgoose





No	Reference	Question	Response	Comments	Respondent
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	Yes		Scott Wildgoose
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		Scott Wildgoose
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Scott Wildgoose
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?	No	Three annual returns were lodged after 31 August	Scott Wildgoose
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Scott Wildgoose
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Scott Wildgoose
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Scott Wildgoose
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Scott Wildgoose
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Scott Wildgoose
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Scott Wildgoose
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Scott Wildgoose
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	No	Need to review register and remove old employees	Scott Wildgoose



No	Reference	Question	Response	Comments	Respondent
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	No	None have been removed.	Scott Wildgoose
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	Yes		Scott Wildgoose
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11 (2) was the nature of the interest recorded in the minutes?	Yes		Scott Wildgoose
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Scott Wildgoose
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A		Scott Wildgoose
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		Scott Wildgoose
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes		Scott Wildgoose
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Scott Wildgoose

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes		Scott Wildgoose
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes		Scott Wildgoose



<b>Elections</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	No	Electoral gift register to be established - no elections in 2020	Scott Wildgoose
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	No	Electoral gift register to be established	Scott Wildgoose
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	No	Electoral gift register to be established	Scott Wildgoose

<b>Finance</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Scott Wildgoose
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	No delegated powers	Scott Wildgoose
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	The Office of the Auditor General now performs/contracts out the performance of the Shire's audits	Scott Wildgoose
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	N/A	OAG	Scott Wildgoose
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	Yes		Scott Wildgoose
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9(1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes		Scott Wildgoose



No	Reference	Question	Response	Comments	Respondent
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	Yes	Report due to Department by 21 March 2021 - currently being finalized for council review	Scott Wildgoose
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	Not yet due	Scott Wildgoose
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A	Not yet due	Scott Wildgoose
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	Yes		Scott Wildgoose
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes		Scott Wildgoose

**Integrated Planning and Reporting**

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	18 June 2020	Scott Wildgoose
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	21 November 2019	Scott Wildgoose
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Scott Wildgoose



<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	Yes		Scott Wildgoose
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	Yes		Scott Wildgoose
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	Yes		Scott Wildgoose
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	Yes		Scott Wildgoose
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	Yes		Scott Wildgoose
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Scott Wildgoose

<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	Yes	CEO	Scott Wildgoose
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)?	Yes		Scott Wildgoose
3	s5.121(2)	Does the complaints register include all information required by section 5.121 (2)?	Yes		Scott Wildgoose
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes		Scott Wildgoose

<b>Optional Questions</b>					



No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	No	Scheduled to occur in Financial Year 21/22 now new CEO and EMCCS are in place.	Scott Wildgoose
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes	16 April 2020	Scott Wildgoose
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	Yes		Scott Wildgoose
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	Yes		Scott Wildgoose
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes		Scott Wildgoose
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Scott Wildgoose
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Scott Wildgoose
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes		Scott Wildgoose
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	No	To be prepared for 2020/2021	Scott Wildgoose
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes		Scott Wildgoose



<b>Tenders for Providing Goods and Services</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Scott Wildgoose	
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Scott Wildgoose	
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Scott Wildgoose	
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Scott Wildgoose	
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	N/A		Scott Wildgoose	
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	N/A		Scott Wildgoose	
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Scott Wildgoose	
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes	Tender register needs to be published on Shire Website. This is being rectified.	Scott Wildgoose	
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A		Scott Wildgoose	



No	Reference	Question	Response	Comments	Respondent
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		Scott Wildgoose
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		Scott Wildgoose
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A	No EOJ called in line with F&G 21 and 22	Scott Wildgoose
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		Scott Wildgoose
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	N/A		Scott Wildgoose
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	N/A		Scott Wildgoose
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		Scott Wildgoose
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A		Scott Wildgoose
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Scott Wildgoose
19	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		Scott Wildgoose
20	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		Scott Wildgoose





Department of  
**Local Government, Sport  
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
21	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Scott Wildgoose
22	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Scott Wildgoose
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Scott Wildgoose
24	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	N/A		Scott Wildgoose

I certify this Compliance Audit Return has been adopted by council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor/President, Morawa

\_\_\_\_\_  
Signed CEO, Morawa