



**Shire of Derby /
West Kimberley**

AGENDA

Special Compliance and Strategic Review Committee Meeting

Thursday, 12 December 2019

**I hereby give notice that a Special Compliance and Strategic Review
Committee Meeting will be held on:**

Date: Thursday, 12 December 2019

Time: 4.30pm

**Location: Council Chambers
Clarendon Street
Derby**

Amanda O'Halloran

Chief Executive Officer



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1 DECLARATION OF OPENING, ANNOUNCEMENT OF VISITORS**2 ATTENDANCE VIA TELEPHONE/INSTANTANEOUS COMMUNICATIONS**

In accordance with regulation 14A of the Local Government (Administration) Regulations 1996 Council must approve (by Absolute Majority) the attendance of a person, not physically present at a meeting of Council, by audio contact. The person must be in a 'suitable place' as approved (by absolute majority) by Council. A 'suitable place' means a place that is located in a townsite or other residential area and 150km or further from the place at which the meeting is to be held.

3 ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION**4 DISCLOSURE OF INTERESTS**

Section 5.65 and 5.70 of the *Local Government Act 1995* requires an Elected Member or officer who has an interest in any matter to be discussed at a Committee/Council Meeting that will be attended by the Elected Member or officer must disclose the nature of the interest in a written notice given to the Chief Executive Officer before the meeting; or at the meeting before the matter is discussed.

An Elected Member who makes a disclosure under section 5.65 or 5.70 must not preside at the part of the meeting relating to the matter; or participate in; or be present during, any discussion or decision making procedure relating to the matter, unless allowed by the Committee/Council. If Committee/Council allow an Elected Member to speak, the extent of the interest must also be stated.

4.1 Declaration of Financial Interests**4.2 Declaration of Proximity Interests****4.3 Declaration of Impartiality Interests****5 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS****RECOMMENDATION**

That the Minutes of the Compliance and Strategic Review Committee Meeting held at the Council Chambers, Clarendon Street, Derby, on 5 December 2019 be CONFIRMED.

6 REPORTS

6.1 ANNUAL FINANCIAL REPORT 2018-19 AND ANNUAL REPORT 2018-19

File Number: 5151

Author: Myra Henry, Manager Finance

Responsible Officer: Amanda O'Halloran, Chief Executive Officer

Authority/Discretion: Executive

SUMMARY

For the Compliance and Strategic Committee to consider and accept the 2018-19 Annual Financial Report, Auditors Report and recommend adoption by Council.

The Auditors Report and the Annual Financial Statements of the Shire of Derby/West Kimberley for the financial year ended the 30 June 2019 have been received by the Shire in DRAFT on the 09 December 2019.

After receiving the auditor reports, the Compliance and Strategic Review Committee is to examine the report of the auditor and determine if any matters raised by the report require action to be taken and ensure appropriate action is taken in the future.

DISCLOSURE OF ANY INTEREST

Nil

BACKGROUND

As per the Terms of Reference adopted 25 March 2015, one of the principle objectives of the Compliance and Strategic Review Committee is to accept responsibility for the annual external audit and to liaise with the Auditor so that Council can be satisfied with the performance of the Local Government in managing its financial affairs. The Committee's duties and responsibilities in relation to the Annual financial Report and the external audit are clearly outlined in the Terms of Reference, (specifically item 9k) which requires the Committee to consider and recommend adoption of the Annual Financial Report to Council.

The Annual Financial Report for the period ending 30 June 2019 is presented to the Compliance and Strategic Review Committee for consideration and recommend adoption by Council. Shire staff along with consultants Moore Stephens have been working collectively to prepare the statements ready for presentation to the auditors.

Annual Financials

The Shires Finance Team have finalised the accounts for the 2018 – 2019 and prepared the Annual Financial Statements, which are then audited by the Office of the Auditor General (OAG).

In 2017 changes were made to the *Local Government Act 1995* to give effect to the Office of the Auditor General of Western Australia taking responsibility for financial and supplementary audits of local governments.

2018 – 2019 is the first year the Shire of Derby/West Kimberley was audited by the OAG and has resulted in the inclusion of some additional processes, including entry and exit meetings between the Compliance and Strategic Review Committee.

An entry meeting was held on the 18th April 2018 prior to commencing the Audit. An interim Audit was conducted during the week of the 27th May 2019 and the final Audit during the week of 7th of October 2019. The primary objective of the audit is to express an opinion to Council on whether the Shires Financial Statements as a whole are free from material misstatements and is prepared in accordance with the applicable Australian Accounting Standards, the *Local Government Act* and the *Local Government (Financial Management) Regulations*.

The Shires Auditors RSM Cameron have audited the 2018 – 2018 Annual Financial Statements on behalf of the Office of the Auditor General and have provided an independent Auditors report as required under the relevant provisions of the *Local Government Act 1995*. The Auditors Report and Annual Financial Statements are now presented to the Compliance and Strategic Review Committee for their information and review.

Annual Report

The 2018-19 Annual Report forms the main item of business discussed at the Annual General Meeting of Electors. Section 5.27 of the *Local Government Act 1995* requires that the Annual General Meeting of Electors is to be held on a day selected by the Local Government, but not more than 56 days after the Annual Report is accepted.

It is anticipated that Council will accept the Annual Report at its meeting to be held 12 December 2019.

Furthermore, section 5.29 of the *Local Government Act 1995* states that the Chief Executive Officer is to convene an Electors Meeting by giving at least 14 days public notice.

Should Council adopt the Annual Report at its meeting to be held 12 December 2019, the earliest date to issue local public notice is Thursday 16 January 2020, meaning that the earliest date the Annual General Meeting of Electors can be held is Friday 31 January 2020, with the last date being Wednesday 5 February 2020.

It is considered that the most appropriate date for holding the Annual General Meeting of Electors is Tuesday 4 February 2020 at 5.30pm. Elected Members are more likely to be available at this time due January recess and it also provides opportunity for the public to attend.

STATUTORY ENVIRONMENT

Section 6.4 of the *Local Government Act (1995)* requires all local governments to prepare an annual financial report for the preceding financial year.

The annual report is to contain a report from the Shire President, a report from the CEO, a report on the principal activities commenced or continued during the financial year and assessment of performance in relation to these activities, an overview of the principal activities proposed to commence or continue in the next financial year, and include the annual financial report or other matters of statutory compliance.

The annual financial report is required to be drawn up in accordance with the Act, *Local Government (Financial Management) Regulations*, the Australian Accounting Standards (including the Australian Accounting Interpretations) and International Financial Reporting Standards. The annual financial report is to be audited by the local government's auditors in accordance with the *Local Government (Audit) Regulations*.

Section 5.54 of the *Local Government Act 1995* required the annual report for a financial year to be accepted by the local government no later than 31 December after that financial year by absolute majority.

Section 5.27 of the *Local Government Act 1995* required that a local government is to hold a General Meeting of the Electors of its district once every financial year, but not more than 56 days after the Council accepts its financial statements for the previous financial year.

The *Local Government (Administration) Regulations* require that the annual financial report be the first item of business on the agenda at the annual meeting of electors, followed by general business.

At least 14 days' notice of the meeting is required to be given.

POLICY IMPLICATIONS

There are no policy implications that relate to this report.

FINANCIAL IMPLICATIONS

The Annual Financial Statements set out the operating results for the Shire for the year ended 30 June 2019 and the assets and liabilities as at that date, together with other relevant financial information.

- There has been a significant improvement in the operating fund from 2017/18 year. In the 2017/18 the Shire had a deficit of \$(5,128,250) left over to cover loans and capital expenditure compared to the 2018/19 year the Shire had a surplus of \$2,041,874 to be able to cover its loan and capital expenditure.
- There has been a prior year adjustment to our Waste facilities to now recognise a provisions for landfill.
- The Shire has a loan repayment of \$5.3 million to be made in December 2019.
- There has been no reserve transfers in or out.
- There has been no revaluation on Assets in the 18/19 year.

STRATEGIC IMPLICATIONS

GOAL	OUTCOME	STRATEGY
4: Good governance and an effective organisation Leadership that provides strategic direction for the community, supported by efficient and effective	4.1: Effective governance and leadership	4.1.3: Strengthen the governance role of Councillors by informing, resourcing, skilling and supporting their role
4: Good governance and an effective organisation Leadership that provides strategic direction for the community, supported by efficient and effective	4.1: Effective governance and leadership	4.1.4: Ensure governance policies and procedures are in accordance with legislative requirements

RISK MANAGEMENT CONSIDERATIONS

RISK	LIKELIHOOD	CONSEQUENCE	RISK ANALYSIS	MITIGATION
Legal & Compliance: Failure to prepare and adopt the Annual Financial Report would result in non-compliance with its statutory responsibilities under the Local Government Act 1995	Rare	Moderate	Low	Accept officer recommendation

CONSULTATION

Moore Stephens (WA) Pty Ltd - consultants

Shire Staff

RSM - Contracted Auditors for the Office of the Auditor General

There is no legislative requirement to consult on the preparation of the Annual Financial Report, but the Local Government Act 1995 requires a General Meeting of Electors to be held and the Shire's Annual Report, incorporating the Annual Financial Report, to be made available publicly.

COMMENT

The Auditor General using contractors RSM have completed their audit of Council's affairs for the financial year ended 30 June 2019.

The Shire of Derby/West Kimberley's 2018 – 2019 Annual Report includes the annual financial statements for the year and reports on the Shires progress and achievements over the period. It has been designed for dual use as a marketing tool for the Shire and a reporting mechanism to meet requirements of the Integrated Planning and Reporting Framework.

In addition to statutory information required under the *Local Government Act 1995*, the publication highlights various projects and initiatives from the financial year which contribute to achieving the communities' vision for the Shire. The report includes updates in relation to each of the focus areas in the Shires Strategic Plan. The annual report is not required to be audited.

The audit and review of the Financial Statements has been completed by the OAG however at the time of preparing this agenda report their final audit opinion was not yet available to the Shire, as RSM were finalising their processes. It is anticipated that the opinion will be received in time to carry out the exit meeting in the 5th December at the Compliance and Strategic Review Committee Meeting.

There are five primary financial statements which have been prepared to finalise the report for 2018/19:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of changes in equity

- Statement of cash flows
- Rate Setting Statement

Statement of Comprehensive Income

The Statement of Comprehensive Income shown on pages 3 and 4 of the Financial Statement shows the extent to which operating expenditure has exceeded Operating revenue during the financial year 2018/19, leaving an operating deficit of \$(5,944,142)

When capital grants and profit/ loss on disposal of assets are included, the net result is \$(52,804) compared to the net result of \$(37,794,886) in the previous financial year. The statement also accounts for \$26,238,957 which results in a total comprehensive surplus for the financial year 2018/2109.

Statement of Financial Position

The Statement of Financial Position income shown on pages 5 of the Financial Statement shows a net worth of \$198,301,083 for the 2018/19

Statement of changes in equity

The Statement of Changes in Equity shows the movement of Equity of the net result of \$(52,804) from the Statement of Comprehensive Income.

Statement of cash flows

The Statement of Cash Flows shown on page 7 of the Financial Statements a decrease in cash flow of \$416,942 over the financial year leaving a total balance of Cash and Cash equivalents being \$6,031,260.

Rate Setting Statement

The Rate Setting Statement shown on page 8 of the Financial Statements show a total surplus to be carried through to the 2019/20 year of \$4,019,736.

This is made up of our capital grant funding, reserve funds and unspent loan funding.

VOTING REQUIREMENT

Absolute majority

ATTACHMENTS

1. Exit Meeting Agenda [!\[\]\(e662c6fdc679f154c0e75d901761d894_img.jpg\)](#) [!\[\]\(e0657301a840725a62b5d9c03de7d165_img.jpg\)](#)
2. Closing Report for the year ended 30 June 2019 [!\[\]\(c84b30d7d5311af020af6bce6a2c548f_img.jpg\)](#) [!\[\]\(a9333260d8ffbbfeaa1095df6db7bccd_img.jpg\)](#)
3. Annexure A - Management Letter Points [!\[\]\(7910f03a1b4fed5edeef128d22723166_img.jpg\)](#) [!\[\]\(b2e06ff94cfb845aac4c9a6fbd66627f_img.jpg\)](#)
4. Annexure B - Effect of Adjustments and Misstatements [!\[\]\(1ee1d78a4d7340fd9a42bdb1c66e0ca1_img.jpg\)](#) [!\[\]\(ed354c28e6d10011d63b3c322fd62b41_img.jpg\)](#)
5. Draft Annual Financial Report 2018-19 [!\[\]\(cb0cc692eeb298cf086cd15d80e77b1c_img.jpg\)](#) [!\[\]\(ae57499e7684f0a7702b29c244a35685_img.jpg\)](#)
6. Draft 2018/19 Annual Report [!\[\]\(451ed6fde73e68afd0cf5fd4a7911c88_img.jpg\)](#) [!\[\]\(000c5cb9fad97c3b799aea711e403546_img.jpg\)](#)

RECOMMENDATION

That Compliance and Strategic Review Committee BY AN ABSOLUTE MAJORITY recommend to Council:

1. That the Audited 2018-2019 Annual Financial Statements be adopted subject to the receipt of the Office of the Auditor General's Audit Opinion.
2. That the Audit Opinion be included as the final page of the Annual Financial Statements upon receipt by the Shire.
3. Pursuant to section 5.54 of the Local Government Act 1995, ACCEPTS the Annual Report for the 2018-19 financial year;
4. NOTES the response from management to the items raised in the auditors Management Report.



Audit Exit Meeting

FINANCIAL ATTEST AUDIT OF Shire of Derby/West Kimberley FOR THE YEAR ENDED 30 JUNE 2019

ATTENDEES:

Shire of Morawa:

Cr Geoff Haerewa	Shire President	Cr Keith Bedford	Councillor
Cr Paul White	Deputy Shire President	Amanda O'Halloran	Chief Executive Officer
Cr Geoff Davis	Councillor	Danielle Hurstfield	Manager Administration and Governance
Cr Chris Kloss	Councillor	Myra Henry	Manager Finance
Cr Andrew Twaddle	Councillor	Wayne Neate	Director Technical and Development Services
Cr Steve Ross	Councillor	Carlie McCulloch	Executive Services Coordinator
Cr Rowena Mouda	Councillor		
Cr Pat Riley	Councillor		

Office of the Auditor General:

Kellie Tonich Senior Director

RSM Australia Pty Ltd:

David Wall Director

Travis Bate Principal

Meeting Date & Time: Thursday 12 December 2019, 4:40pm

Location: Teleconference

Contact Number: 08 9261 9499

PIN Number: 225483#

Agenda

- 1 Introduction
- 2 Matters arising from the audit
 - 2.1 Financial statements - refer to Audit Closing Report
 - 2.2 Controls and legal compliance issues - refer to Audit Closing Report
- 3 Actions for next year audit
- 4 General and closing comments



ASSURANCE & ADVISORY SERVICES



SHIRE OF DERBY/WEST KIMBERLEY

Audit Closing Report – 30 June 2019



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1 EXECUTIVE SUMMARY

1.1 Purpose of the Audit Closing Report

The primary purpose of this Audit Closing Report is to brief the Audit Committee on the results of our substantially completed audit of the 30 June 2019 financial statements of Shire of Derby/West Kimberley (**Shire**). This report should be read in conjunction with our Audit Planning Memorandum (**APM**) presented to the Audit Committee at our entrance meeting on 16 May 2019.

1.2 Scope and approach

There have been no changes to the audit scope or approach set out in the APM.

1.3 Key deliverable

1.3.1 Annual financial statements audit report

The Auditor General is required to issue an opinion on the financial report of the Shire for the year ended 30 June 2019. The audit report will be addressed to the Councillors with a copy being forwarded to the Shire President, the Chief Executive Officer (**CEO**) and the Minister for Local Government in accordance with section 7.9(1) of the *Local Government Act 1995 (Act)*.

We expect to recommend to the Auditor General that an unqualified audit opinion is issued on the financial statements (refer section 2.1).

1.3.2 Other legal and regulatory requirements audit

The Auditor General is also required to report if she becomes aware of any instance where the Shire did not comply with the requirements of the Act or the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)* as they relate to the financial report.

We noted one ratio that indicated significant adverse trends in the financial position or the financial management practices of the Shire and two material matters indicating non-compliance with Part 6 of the Act, the Financial Management Regulations or applicable financial controls of any other written law. (refer section 2.3).

1.3.3 Management letters

Sixteen control weaknesses were identified during the 30 June 2019 audit of the Shire (refer section 2.4).

1.4 Independence

RSM Australia's audit methodology requires that we conduct regular evaluations of our independence. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interest.

2 AUDIT COMPLETION

2.1 Statutory financial statements and audit opinion

We have completed the audit fieldwork on the statutory financial report of the Shire for the year ended 30 June 2019. The financial report is a general purpose financial statement prepared in accordance with the Act, The Financial Management Regulations, and to the extent that they are not inconsistent with the Act, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standard Board (**AASB**) (including Australian interpretations).

We have discussed all significant auditing and accounting issues with management and these are discussed in this report. The audit and assurance procedures are designed to support the audit and assurance opinions and they cannot be expected to identify all weaknesses or inefficiencies in the Shire's systems and working practices.



Based on the evidence, which has been assessed during our audit, we expect to conclude that the financial report of the Shire:

- (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 2019 and its financial position at the end of that period in accordance with the Act, the Financial Management Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We expect to recommend to the Auditor General that an unqualified opinion is issued on the financial statements.

2.2 Emphasis of matter – basis of accounting

Note 9 to the financial report describe the basis of accounting for land under roads. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Financial Management Regulations does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. The audit opinion will not be modified in respect of this matter.

2.3 Audit opinion - other legal and regulatory requirements

We have completed the audit engagement fieldwork on the requirements of the *Local Government (Audit) Regulations 1996 (Audit Regulations)* and Part 6 of the Financial Management Regulations for the year ended 30 June 2019. Based on the evidence that has been assessed as part of our engagement, we expect to report the following exceptions in accordance with the Audit Regulations:

- (i) The following material matters indicate non-compliance with Part 6 of the Act, the Financial Management Regulations or applicable financial controls of any other written law:
 - (a) For approximately 30% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations was obtained to test the market and no documentation was available to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement.
 - (b) The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by regulation 50(1)(c) of the Financial Management Regulations as planned capital renewals and required capital renewals were not estimated in a long-term financial plan and asset management plan respectively.
- (ii) The following material matter indicates significant adverse trends in the financial position or the financial management practices of the Shire and are disclosed in Note 32 of the financial report:
 - (a) The Operating Surplus Ratio has been below the Department of Local Government, Sports and Cultural Industries standard for the last three years.

2.4 Management letter – control weaknesses

Our audit approach involves the use of a rotation approach when planning our test of controls. Consequently, not all control cycles are subject to testing and only certain transaction cycles are in audit scope each year. In accordance with the APM, we performed key management control testing over the revenue, purchases, cash and fixed asset cycles. We rotated out the control testing over the payroll cycle. Based on our testing, the following control weaknesses were identified during prior period audits and the 2018/19 audit:



2.4.1 Prior period audits

Nine matters were reported as open during the prior year audit:

Findings	Rating ¹	Current status
1. Significant adverse trends in financial position	Not reported	Audit report ²
2. Financial management practices	Not reported	Resolved
3. Asset Management Plan and Long-Term Financial Plan	Not reported	Resolved
4. Credit cards	Not reported	Resolved
5. Registers, including primary and annual returns	Not reported	Partially resolved ³
6. Annual Report	Not reported	Resolved
7. Budget	Not reported	Resolved
8. Tenders Register	Not reported	Resolved
9. Strategic Community Plan and Corporate Business Plan	Not reported	Resolved

1. The predecessor auditor did not assign risk ratings to the findings.
2. Significant adverse trends in financial position are reported separately in the audit report.
3. During the 2018/19 audit of the primary and annual returns of relevant persons, one annual return and one primary return were not able to be located by the Shire. We also noted that the Shire reported in its Compliance Audit Return 2018, one instance where one primary return was not completed within three months of the staff member's start date.



2.4.2 2018/19 preliminary and final audits

Sixteen matters were identified during the 2018/19 audit, which will be followed up during next years audit:

Findings	Rating	Status
1. Asset renewal funding ratio	Significant	Open
2. Non-compliance with internal purchasing policy	Significant	Open
3. Authorisation of purchase orders and payment of invoices	Moderate	Open
4. Journal entry supporting documentation	Moderate	Open
5. Backdating of purchase orders	Moderate	Open
6. Fixed asset management	Moderate	Open
7. Lack of a formal capitalisation policy	Moderate	Open
8. Recognition of depreciation expense	Moderate	Open
9. Completeness of payables	Moderate	Open
10. Bank reconciliations	Moderate	Open
11. Reconciliation of suspense accounts	Moderate	Open
12. Long Service Leave calculations	Moderate	Open
13. Overhead allocations	Moderate	Open
14. Primary and annual returns	Moderate	Open ¹
15. Related party declarations	Moderate	Open
16. Review of credit card statements	Minor	Open

1. Refer to finding 5 from prior period audits section 2.4.1

2.5 Compliance with laws and regulations

We have reviewed the Shire's controls that are in place to manage the risk of systemic failure to comply with relevant laws and regulations. We also reviewed Council and Audit Committee minutes of meetings throughout the year to identify any non-compliance with the relevant laws and regulations.

Other than the control weaknesses noted during the 2018/19 audit (refer section 2.4), nothing has come to our attention, within the scope of our engagement, which would indicate the controls are ineffective.

2.6 Unadjusted audit differences

The impact of unadjusted audit differences remaining at the end of the audit is illustrated in Annexure B.

The Shire assessed the audit differences as immaterial and did not make any adjustment to the financial statements. We concur with the Shire's assessment.



2.7 Summary of audit adjustments

Several audit adjustments were passed during the course of the audit. The impact of these adjustments is illustrated in Annexure B.

As disclosed in Note 29, Note 11 and Note 14 to the financial statements, the Shire has brought to account a landfill asset of \$6,850,131 and provision for landfill liability of \$8,807,999 as at 1 July 2017 as a prior period adjustment. These amounts relate to two licenced landfill sites:

1. Fitzroy Crossing Waste Management Facility (**Fitzroy**); and
2. Derby Waste Disposal Facility (**Derby**).

The Shire engaged ASK Waste Management Consultancy Services to prepare a Landfill Closure Management Plan for each site. The Fitzroy plan was finalised in June 2016, whereas the Derby plan was issued as draft in May 2014.

The Shire has determined that the recognition of the provision meets the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and has been properly brought to account as a prior period error in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. We concur with the Shire's accounting treatment.

2.8 Subsequent events

Management has represented that, other than those matters disclosed in the financial statements, there are no significant subsequent events between the end of the financial year and the date of this Audit Closing Report, which may significantly impact the results of the operations and the state of affairs of the Shire for the financial year.

2.9 Contingent liabilities and commitments

Management has represented to us that, other than those matters disclosed in the financial statements, there are no other outstanding or pending litigation, contingent liabilities or commitments.

We have received and reviewed all the solicitors' confirmations and, except for those matters detailed in the notes to the financial statements, we have not become aware of any other material contingent liabilities, pending litigation or commitments.

2.10 Issues relevant to next audit

Accounting standards AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* come into effect for Local Governments for the reporting year ending 30 June 2020. The implementation of these standards will need to be audited for the 2020 reporting year.

2.11 Outstanding audit matters

The audit opinion on the statutory financial statements is subject to the finalisation of our audit processes. The key matters still outstanding are:

- a) Updated financial statement and our final review of them;
- b) Receipt of signed management representation letter;
- c) Receipt of the signed financial report; and
- d) Performing our subsequent events review.



3 NEW ACCOUNTING STANDARD ADOPTED IN THE CURRENT YEAR

The Shire has applied AASB 9 *Financial Instruments* from 1 July 2018, which replaces components of AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Shire has elected to apply AASB 9 retrospectively, with any cumulative impact on adoption recognised as an opening balance adjustment to retained earnings at 1 July 2018.

On adoption of AASB 9, the Shire revised the allowance for impairment of receivables from the 'incurred loss' impairment model under the previous requirements of AASB139, to 'expected credit loss' impairment model under AASB 9. Although the impacts of this change in accounting policy are not material, the Shire has adjusted opening retained earnings.

The Shire has also reviewed its financial assets and financial liabilities and assessed the financial impact of adopting AASB 9. Except for some changes to the accounting policy and notes disclosure, the Shire's management has confirmed that there is no major financial impact to its financial statements.

We have reviewed the Shire's assessment of the impact of applying AASB 9 and concur with its assessment.

4 AREAS OF AUDIT EMPHASIS

As mentioned in the APM, our audit focus was on those areas where we assessed there to be a higher risk of material misstatement in the financial statements. We designed and performed procedures to be able to conclude, with reasonable assurance, whether each significant area is free from material misstatement. The following is a summary of the significant balances for the past three financial years:

Significant area	30 June 2019 \$	30 June 2018 \$	30 June 2017 \$
Revenue and receivables cycle			
• Rates	6,861,475	6,809,136	6,793,582
• Fees and charges	3,874,461	3,686,387	2,583,861
• Trade and other receivables	4,178,303	5,739,441	1,852,169
Purchases and payment cycle			
• Materials and contracts	6,242,158	13,788,476	8,687,297
• Property, plant and equipment (additions)	1,369,661	5,142,408	1,442,103
• Infrastructure (additions)	9,362,389	4,833,285	3,938,349
Fixed assets cycle			
• Property, plant and equipment	40,839,716	39,715,409	35,323,222
• Infrastructure	163,369,168	160,617,158	136,427,036

4.1 Audit conclusion on the areas of audit emphasis

Significant area	Key risks	Free from material misstatement
Revenue and receivables cycle <ul style="list-style-type: none"> • Rates • Fees and charges • Trade and other receivables 	Rates revenue is material and is high-risk due to the multifaceted method of calculation, the high dependency on information systems and the significant regulatory compliance regime.	✓



Significant area	Key risks	Free from material misstatement
Purchases and payment cycle <ul style="list-style-type: none"> Materials and contracts Property, plant and equipment (additions) Infrastructure (additions) 	These expenditure items are high-risk due to the materiality of the amounts, the different cost allocation methods, the strict and complex requirements of the Shire's purchasing policy and the risk of management override of controls.	✓
Fixed assets cycle <ul style="list-style-type: none"> Property, plant and equipment Infrastructure 	<p>Property, plant and equipment and Infrastructure are material assets in the Statement of Financial Position.</p> <p>Under regulation 17A of the Financial Management Regulations, the Shire's Property, plant and equipment and Infrastructure is to be carried at fair value less accumulated depreciation and accumulated impairment losses.</p> <p>The Shire did not revalue any Property, plant and equipment or Infrastructure during the financial year. However, the Shire conducted an impairment review of its fixed assets and formed an opinion that the fair value of fixed asset is unlikely to be materially different from its carrying amount.</p> <p>Effective from 1 July 2018, regulation 17A(5) of the Financial Management Regulations provides that an asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000. The Shire has complied with this requirement. As disclosed in Note 9(a) to the financial report, the Shire has complied with this requirement and has written off the relevant assets.</p>	✓

5 OTHER CRITICAL DISCLOSURES IN THE FINANCIAL STATEMENTS

We also audited the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed:

Critical disclosure	Key risks	Comply with accounting standards
Related party	Disclosures of key management personnel remuneration and related party transactions are not in accordance with AASB 124 <i>Related Party Disclosures</i> .	✓
Financial Ratios	The underlying data is incomplete or inaccurate and the calculations of the ratios are incorrect and not in accordance with Financial Management Regulations.	✓



6 FRAUD RISK

Under Australian Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error. To address our responsibilities relating to fraud we designed and implemented audit procedures to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud. Two of those procedures and the results of those procedures are detailed below:

6.1 Management override of control

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare a fraudulent financial report by overriding controls that otherwise appear to be operating effectively. Management override can occur in areas such as journal entries and accounting estimates and judgements.

Except for the finding in relation to journal entry supporting documentation (refer section 2.4.2), based on our work, nothing has come to our attention to indicate that the Shire does not have proper processes and controls to manage the risk of management override of controls and that material key estimates and judgments are properly assessed and brought to account. Our audit did not detect any instances of fraud.

6.2 Element of unpredictability

We also incorporated an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting.

6.3 Fraud incidences during the audit

We have made enquiries of the Chair of the Audit Committee, the CEO and management regarding whether they have knowledge of any incidences of material fraud during the financial year. Based on our enquiries and other audit procedures, we did not become aware of any fraud incidences during the audit.

7 NEW ACCOUNTING STANDARDS NOT YET ADOPTED

7.1 Potential impact on new accounting standards

The Shire has assessed the potential impact on the relevant new accounting standards and conclude that there is no material impact on the Shire's financial statements. We have obtained and reviewed the Shire's impact assessments and concur with the conclusions.

The following table illustrates the applicable standards and interpretations, which have been issued but are not yet effective, which may impact the Shire in the period of initial application:

Reference	Summary	Effective date	Shire's assessment
AASB 15 Revenue from Contracts with Customers	Replaces AASB 118 <i>Revenue</i> which covers contracts for goods and services, and AASB 111 <i>Construction Contracts</i> which covers construction contracts. Establishes the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard is not applicable to the Shire until the reporting year ending 30 June 2020.	1 July 2019	The adoption of AASB15 is expected to increase contract assets by \$2,338,350 and contract liabilities by \$426,418 recognised in the statement of financial position at the date of initial application (1 July 2019).
AASB 1058 Income of Not-for-Profit Entities	AASB 1058 has made complementary changes to the existing AASB 1004 <i>Contributions</i> and has also added new guidance AASB 15 <i>Revenue from Contracts with Customers</i> to clarify its application in the not for profit sector. The standard is not applicable to the Shire until the reporting year ending 30 June 2020.	1 July 2019	The adoption of AASB 1058 is expected to increase contract liabilities by \$682,509.
AASB 16 Leases	AASB 16 introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard is not applicable to the Shire until the reporting year ending 30 June 2020.	1 July 2019	The Shire has assessed that, based on the number of operating leases held by the Shire, the impact is not expected to be material.



ANNEXURE A: 2018/19 AUDIT MANAGEMENT LETTER

DRAFT



ANNEXURE B: EFFECT OF ADJUSTMENTS AND MISSTATEMENTS

DRAFT

THE POWER OF BEING UNDERSTOOD

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ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1 Asset renewal funding ratio	✓		
2 Non compliance with internal purchasing policy	✓		
3 Authorisation of purchase orders and payment of invoices		✓	
4 Journal entry supporting documentation		✓	
5 Backdating of purchase orders		✓	
6 Fixed asset management		✓	
7 Lack of a formal capitalisation policy		✓	
8 Recognition of depreciation expense		✓	
9 Completeness of payables		✓	
10 Bank reconciliations		✓	
11 Reconciliation of suspense accounts		✓	
12 Long Service Leave calculations		✓	
13 Overhead allocations		✓	
14 Primary and annual returns		✓	
15 Related party declarations		✓	
16 Review of credit card statements			✓

KEY TO RATINGS

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

ATTACHMENT***SHIRE OF DERBY / WEST KIMBERLEY*****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT**

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****1. Asset renewal funding ratio****Finding:**

The asset renewal funding ratio for the years ended 30 June 2019, 2018 and 2017 has not been included in the financial report.

Rating: Significant**Implication:**

Failing to report the asset renewal funding ratio in the financial report is a breach of regulation 50(1)(c) of the *Local Government (Financial Management) Regulations 1996*.

Recommendation:

The asset renewal funding ratio should be included in future financial reports.

Management Comment:

This ratio is a measure of the ability of a local government to fund its projected asset renewal / replacements in the future.

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.

The Shire has only recently updated the Long Term Financial Plan in the 19/20 year and will move towards developing an Asset Management plan where the ratio can then be calculated in line with regulation 50(1)(c) of the *Local Government (Financial Management) Regulations 1996*.

Issues such as these have arisen from difficulties resourcing the department and the inability to retain appropriately skilled Staff, with the change in CEO there is a renewed effort to review the structure and an emphasis has been placed on improving retention in this area.

Responsible Person: Manager Finance/CEO**Completion Date: December 2020**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****2. Non-compliance with internal purchasing policy****Findings:**

The Shire's purchasing policy requires that purchases within prescribed threshold amounts must comply with certain conditions relating to the form and number of quotations obtained as well as authorised supplier sources.

During our testing of compliance with the purchasing policy, from a sample of 88 purchase transactions, 26 instances (30%) were identified where there was insufficient evidence of compliance with the form and number of quotations purchasing policy requirements.

Rating: Significant**Implication:**

Non-compliance with the Shire's purchasing policy increases the risk of breaching Part 4 of the *Local Government (Functions and General) Regulations 1996* and regulation 11 of the *Local Government (Financial Management) Regulations 1996*. There is a further risk of not achieving the objectives of 'Value for Money' as stated in section 1.3 of the Shire's purchasing policy.

Recommendation:

The Shire should develop, document and implement guidance on the proper application of the purchasing policy. The guidance should include a requirement for appropriate documentation to be filed with each authorised purchase order and sufficient notation to be made on the authorised purchase order to verify compliance with the purchasing policy.

The Shire should also consider developing, documenting and implementing a policy to require a secondary, independent review and approval of purchase orders by a member of the Finance Department to help ensure compliance with the Shire's purchasing policy.

Management Comment:

As this issue was highlighted in the interim audit report, the Finance and Administration team have reviewed the purchasing policy and made changes giving greater internal control. It is noted that in some categories the commercial makeup of the Shire of Derby/West Kimberley limits the Shire's options of suppliers and ability to gain the required number of quotes. This has been factored in where necessary.

The new purchasing policy will go to Council for review at the December 2019 Compliance and Strategic Committee with a recommendation for adoption at the December 2019 Ordinary Meeting of Council.

It is anticipated that from February 2020 all Staff will be trained and using the new policy.

Responsible Person: Manager Finance and Manager Governance**Completion Date: February 2020**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****3. Authorisation of purchase orders and payment of invoices****Findings:**

During our risk assessment procedures over the purchases, payables and payments transaction cycle, it was noted that the Shire's purchasing policy does not restrict an authorised employee from both initiating / approving a purchase order and then subsequently approving the related invoice(s) for payment.

Rating: Moderate**Implication:**

Permitting the same employee to initiate / approve a purchase order as well as approve the related invoice(s) for payment increases the risk of fraud, errors and omissions relating to purchases remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with *Regulation 5(2)(a)* of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

Recommendation:

The Shire should develop, document and implement a policy to segregate the function of purchase order initiation / approval from the function of approving the related invoice(s) for payment.

Management Comment:

The Finance and Administration Team are currently implementing internal controls that will provide for improved compliance in this area. The Internal controls have been bench marked with a number of Shires similar in size and resourcing to provide systems that will be achievable.

Responsible Person: Manager Finance**Completion Date: 30 August 2019**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****4. Journal entry supporting documentation****Finding:**

It was noted that supporting documentation for five of the seven accounting journal entries selected for testing was not maintained.

Rating: Moderate**Implication:**

Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be supported by appropriate supporting documentation. The absence of appropriate supporting documentation or calculations for such journals, increases the risk of incorrect financial reporting and, in adverse cases, fraud.

Recommendation:

To help maintain the integrity of the accounting information system, supporting documentation should be maintained for all journals.

Management Comment:

Issues such as these have arisen from difficulties resourcing the department and the inability to retain appropriately skilled Staff, with the change in CEO there is a renewed effort to review the structure and an emphasis has been placed on improving retention in this area.

The Finance Team are currently implementing internal controls that will provide for improved compliance in this area. The Internal controls have been bench marked with a number of Shire's similar in size and resourcing to provide systems that will be achievable.

Controls include things such as one person preparing and one person reviewing and posting. A register has been created for General Journals and supporting documentation filed. This procedure will also be implemented with Rates Journals.

Responsible Person: Manager Finance**Completion Date: March 2020**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****5. Backdating of purchase orders****Finding:**

During our risk assessment procedures over the purchases, payables and payments transaction cycle, it was noted that the SynergySoft accounting system permits purchase orders to be backdated and invoices to be applied to purchase orders authorised after the invoice date.

Rating: Moderate**Implication:**

Permitting purchase orders to be backdated increases the risk of breaching *Local Government (Functions and General) Regulations 1996 Part 4* and *Local Government (Financial Management) Regulation 11*. There is a further risk of not achieving the objectives of 'Value for Money' as stated in the Shire's purchasing policy.

Recommendation:

The Shire should either eliminate the ability in SynergySoft to backdate a purchase order or develop, document and implement a policy to require an explanation to be provided on each backdated purchase order. The Shire should also develop, document and implement a policy to require a monthly review of invoices dated before the purchase order date. The results of the review should be reported to the Chief Executive Officer for appropriate action to be taken.

Management Comment:

The Finance and Administration Team are currently implementing internal controls that will provide for improved compliance in this area. The Internal controls have been bench marked with a number of Shires similar in size and resourcing to provide systems that will be achievable. This will also provide the Finance Officers with the ability to direct paperwork where inconsistencies present back to the Management Team, for further explanation and management.

Responsible Person: Manager Finance**Completion Date: 30 August 2019**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****6. Fixed Asset Management****Finding:**

During our risk assessment procedures over the fixed assets transaction cycle, the following issues were noted:

- a. The Shire does not perform a monthly review and reconciliation of the fixed asset register (**FAR**) to the general ledger;
- b. There is no control in place to ensure fixed asset additions are recognised in the FAR in a timely manner;
- c. There is no control in place to ensure fixed asset disposals are properly authorised and recognised in a timely manner; and
- d. There is no formal policy to ensure the existence of fixed assets, such as physical asset tagging and regular stock takes.

Rating: Moderate**Implication:**

The above matters could result in:

- a. Errors and omissions remaining undetected;
- b. Understated depreciation expense; and
- c. Undetected theft or misplacement.

These matters could in turn lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with *Regulation 5(2)(a) of the Local Government (Financial Management) Regulations 1996* which requires the Chief Executive Officer to ensure that the resources of the local government are effectively and efficiently managed.

Recommendation:

The Shire should develop, document and implement policies and procedures whereby:

- a. The FAR is regularly reviewed and reconciled to the general ledger by the Finance Manager, with evidence of the review recorded and maintained.
- b. Controls in the SynergySoft accounting system should alert the team member responsible for management of the fixed asset register that a purchase has been coded to a fixed asset account. A similar alert should go to the Finance Manager to help ensure proper classification of purchases that have been coded to a fixed asset account.
- c. All disposals of fixed assets, regardless of the nature of the disposal, should be initiated through an asset disposal request form, which is appropriately authorised. The authorised form should be provided to the team member responsible for management of the FAR. This employee should sign the form once the fixed asset disposal has been entered in SynergySoft. The Finance Manager should review the information entered and sign the form to approve before the fixed asset disposal is recognised in the FAR.
- d. Fixed assets should be tagged and regular fixed asset stocktakes should be conducted to help ensure the completeness and accuracy of the FAR.

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****Management Comment:**

The Shire has ensured that the Asset Register Reconciliation including asset additions and disposal are carried out on an annual basis.

Issues such as these have arisen from difficulties resourcing the department and the inability to retain appropriately skilled Staff, with the change in CEO there is a renewed effort to review the structure and look to improving retention in this area.

It is intended that once resourcing has been sourced this will allow for monthly reconciliation, correct process for additions and disposals being implemented formally through internal department procedures and checklists.

SDWK to review the policy's on Assets and include capitalisation thresholds and other asset issues such as stock and asset labelling.

Contract resourcing planned for July, August and September will provide an opportunity to work on this area in more depth and formulate policies to be provided to Council for their consideration and direction.

Responsible Person: Manager Finance**Completion Date: Review 30 September 2019 ** Dependent on resourcing**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****7. Lack of a formal capitalisation policy****Finding:**

During our risk assessment procedures over the fixed assets transaction cycle, it was noted that the Shire does not have a formal policy for the capitalisation of assets with extended useful lives.

Rating: Moderate**Implication:**

Failing to maintain a formal policy for the capitalisation of assets with extended useful lives increases the risk of theft or misplacement as well misstatements in the Shire's financial reporting.

Recommendation:

The Shire should develop, document and implement a formal policy to require assets with extended useful lives.

Management Comment:

SDWK to review the policy's on Assets and include capitalisation thresholds and other asset issues.

Contract resourcing planned for July, August and September will provide an opportunity to work on this area in more depth and formulate policies to be provided to Council for their consideration and direction.

Responsible Person: Manager Finance**Completion Date: 30 September 2019**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****8. Recognition of depreciation expense****Finding:**

During our risk assessment procedures over the fixed assets transaction cycle, it was noted that there is no formal policy that requires depreciation expense to be brought to account at each month end. The following exceptions show the inconsistent posting of depreciation journals:

- Depreciation for July, August and September 2018 was posted as one journal in November 2018.
- Three depreciation journals were entered prior to the end of the month.
- Two months did not have any depreciation posted at the date of the review.

Rating: Moderate**Implication:**

Failure to recognise depreciation expense at each month end can result in inaccurate monthly financial reporting. There is a further risk of non-compliance with *Regulation 5(2)(a)* of the *Local Government (Financial Management) Regulations 1996* which requires the Chief Executive Officer to ensure that the resources of the local government are effectively and efficiently managed.

Recommendation:

The Shire should develop, document and implement a policy that requires depreciation expense to be recognised at each month end.

Management Comment:

SDWK to review the policy's on Assets and include capitalisation thresholds and other asset issues.

Contract resourcing planned for July, August and September will provide an opportunity to work on this area in more depth and formulate policies to be provided to Council for their consideration and direction.

Responsible Person: Manager Finance**Completion Date: 30 September 2019**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****9. Completeness of payables****Finding:**

During our risk assessment procedures over the purchases, payables and payments transaction cycle, it was noted that invoices that have not yet been approved for payment, including disputed invoices, are not entered or accrued in SynergySoft and are therefore not recognised as a liability. There is also no formal policy to regularly review the status of open purchase orders.

Rating: Moderate**Implication:**

Failing to recognise a liability for invoices received but not approved for payment and failing to recognise an accrual for goods received and serviced rendered but not yet invoiced results in an understatement of liabilities in the monthly reporting package to Council. There is a further risk of non-compliance with *Regulation 5(2)(a) of the Local Government (Financial Management) Regulations 1996* which requires the Chief Executive Officer to ensure that the resources of the local government are effectively and efficiently managed.

Failing to review and address open purchase orders increases the potential for purchases of goods, services or works to be made without appropriate authorisation as the related invoice can be applied to an old purchase order for which the goods, services or works was not originally intended.

Recommendation:

The Shire should develop, document and implement a policy to recognise a general journal at each month end to accrue all invoices received but not yet approved for payment.

The Shire should develop, document and implement a policy to require a monthly review of purchase orders by authorised officers to certify that all goods received and services rendered have been properly applied to each authorised purchase order.

The Shire should also consider developing and implementing a policy to require a monthly review of purchase orders by the Finance Department to identify and address long outstanding purchase orders.

Management Comment:

The Finance and Administration Team are currently implementing internal controls that will provide for improved compliance in this area. The Internal controls have been bench marked with a number of Shires similar in size and resourcing to provide systems that will be achievable. This will also provide the Finance Officers with the ability to direct paperwork where inconsistencies present back to the Management Team, for further explanation and management.

The procedures will include further direction in this area to improve outcomes.

Issues such as these have arisen from difficulties resourcing the department and the inability to retain appropriately skilled Staff, with the change in CEO there is a renewed effort to review the structure and look to improving retention in this area.

Responsible Person: Manager Finance**Completion Date: 30 September 2019**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****10. Bank Reconciliations****Finding:**

Bank reconciliations are an essential control in managing the accuracy and completeness of the Shire's accounting records and financial statements. Bank reconciliations are also a key aspect of internal controls over cash resources.

During our review of bank reconciliations, it was noted that the Municipal Fund Account March 2019 bank account had transactions processed after the reconciliation had been performed by the Shire. However, the bank reconciliations were not subsequently updated.

Furthermore, it was also noted that there were long outstanding reconciling items dating back to 2014.

Rating: Moderate**Implication:**

Adjustments after period closure, and long outstanding reconciling items that have not been adequately explained or resolved, increases the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with *Regulation 5(2)(a)* of the *Local Government (Financial Management) Regulations 1996* which requires the Chief Executive Officer to ensure that the resources of the local government are effectively and efficiently managed.

Recommendation:

The Shire should ensure that bank reconciliations are updated and reviewed to reflect any transactions that have been processed after it has been reconciled.

The Shire should also review the long outstanding reconciling items listed on period-end bank reconciliations and adequately explain or resolve these items.

Management Comment:

Issues such as these have arisen from difficulties resourcing the department and the inability to retain appropriately skilled Staff, with the change in CEO there is a renewed effort to review the structure and look to improving retention in this area.

It is intended that once resourcing allows reconciliations will be better managed and issues arising from the past can be considered for materiality and implications to the council as a whole and reported to Council for their decision and consideration.

Responsible Person: Manager Finance**Completion Date: 30 September 2019**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****11. Reconciliation of suspense accounts****Finding:**

During our audit of creditor balances, we noted several suspense accounts where the Shire was unable to provide reconciliations.

Rating: Moderate**Implication:**

Failure to maintain enough evidence of the preparation and review of statement of financial position reconciliations increases the risk of errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting.

Recommendation:

All monthly reconciliations should be prepared in a timely manner and signed by an independent senior officer, with evidence of the review maintained by the Shire.

Management Comment:

Issues such as these have arisen from difficulties resourcing the department and the inability to retain appropriately skilled Staff, with the change in CEO there is a renewed effort to review the structure and an emphasis has been placed on improving retention in this area.

This project is a part of the Finance Managers key performance indicators in which they will reconcile and clean up these accounts.

Responsible Person: Manager Finance**Completion Date: June 2020**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****12. Long service leave calculations****Finding:**

During our testing over long service leave balances, we noted that the methodology applied by the Shire splits employees across cost centres.

From our sample of three employees selected for testing, we noted for one employee, that this approach resulted in different probability, inflation and discount rates being applied to components of the employee's long service leave provision, due to the differing length of service of the employee in each cost centre.

This has resulted in the employee's long service leave balance being understated by \$9,824.

Rating: Moderate**Implication:**

Incorrectly calculated employee entitlement liability provisions could lead to the financial statements being misstated.

Recommendation:

The Shire should update its methodology for the calculation of long service leave to ensure leave balances are correctly determined.

Management Comment:

The Shire notes this has occurred and has fixed the issue in the calculation used.

Issues such as these have arisen from difficulties resourcing the department and the inability to retain appropriately skilled Staff, with the change in CEO there is a renewed effort to review the structure and an emphasis has been placed on improving retention in this area.

Responsible Person: Manager Finance**Completion Date: June 2020**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****13. Overhead allocations****Finding:**

Regulation 14 of the *Local Government (Financial Management) Regulations 1996* requires local government to disclose by program the classification of operating revenue and expenses in the Statement of Comprehensive Income. This requires the allocation of operating revenue and expenses by nature to the programs prescribed by Schedule 1, Part 1 of the *Local Government (Financial Management) Regulations 1996*.

During audit testing of expense allocations, it was noted that labour overheads, plant recovery costs and administration overheads had not been fully allocated for the year ended 30 June 2019. This resulted in other property and services program expenditure being overstated by \$690,000.

Under-allocation of these expenses does not affect the operating results of the Shire and, on this occasion, it was determined that the under allocations are not material and no adjustment to the disclosures in the Statement of Comprehensive Income has been made.

Rating: Moderate**Implication:**

Failure to correctly allocate expenses to programs disclosed in the Statement of Comprehensive Income increases the risk of incorrect reporting and non-compliance with Regulation 14 of the *Local Government (Financial Management) Regulations 1996*.

Recommendation:

The Shire should review its procedures for the allocation of operating expenses to programs and ensure procedures are in place to check that such allocations are correct and made in full on a monthly basis.

Management Comment:

The Shire notes this has occurred, and it is planned that the indirect cost will be reviewed as a part of the Chart of Accounts project.

Issues such as these have arisen from difficulties resourcing the department and the inability to retain appropriately skilled Staff, with the change in CEO there is a renewed effort to review the structure and an emphasis has been placed on improving retention in this area.

Responsible Person: Manager Finance**Completion Date: June 2020**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****14. Primary and annual returns****Finding:**

Section 5.75 of the *Local Government Act 1995 (ACT)* requires that elected members and designated employees (relevant person) must lodge with the Chief Executive Officer a primary return in the prescribed form within three months of the start day.

Section 5.76 of the Act requires that relevant persons must disclose changes that have occurred to the status of information disclosed in a previous return and any new interests obtained during the return period must be disclosed in the annual return.

During our review of the primary and annual returns of relevant persons, one annual return and one primary return were not able to be located by the Shire.

We also note that the Shire reported in its Compliance Audit Return 2018, an instance where one primary return was not completed within three months of the staff member's start date.

Rating: Moderate**Implication:**

Non-compliance with sections 5.75 and 5.76 of the *Local Government Act 1995*.

Recommendation:

A relevant person must lodge a primary return in the prescribed form within 3 months of the start date with the Chief Executive Officer (the Chief Executive Officer must lodge with the Shire President).

A relevant person must lodge an annual return in the prescribed form by 31 August of that year with the Chief Executive Officer (the Chief Executive Officer must lodge with the Shire President).

In accordance with section 5.77, the Chief Executive Officer or Shire President should give the person submitting the return written acknowledgement of having received the return.

The Chief Executive Officer, as the principal officer of a local government, has a legal duty and responsibility to report any breaches under Part 5, Division 6 of the Act in accordance with section 28 of the *Corruption and Crime Commission Act 2003*.

Management Comment:

The Shire notes this has occurred and has implemented the ATTAIN Governance Management System to improve Governance across the Organisation and for Elected Members. The system supports completion of Primary and Annual Returns, Financial Interests and delegation reporting. The system is online and is accessible to all Councillors and authorised Staff. The system has forcing functions to ensure no fields are left blank and forces responses when required.

Responsible Person: Manager Administration and Governance**Completion Date: 30 June 2019**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****15. Related party declarations****Finding:**

Two related party declarations were not completed by employees who were key management personnel within the Shire during the 2019 financial year.

Rating: Moderate**Implication:**

Potential non-compliance with the requirements of AASB 124 *Related Party Disclosures*.

Recommendation:

Shire councillors and key management staff must complete Related Party Disclosure forms for any period that they held office or were employed by the Shire during a financial year. The declarations must clearly indicate the period covered.

The Shire must therefore ensure that the completion of Related Party Disclosure forms are part of the exit protocol for all councillors leaving office or key management personnel leaving its employment.

Management Comment:

The Shire acknowledges that this has occurred and believes that these are one off occurrences.

Key Management Personnel one had left the Shires employment prior to declarations needing to be completed as this process is an end of financial year process. Going forward we have added this to the terminating employee checklist.

Key Management Personnel two was missed from the attain system as this works on delegations and their role had changed in the course of the year. Management will take steps in making sure that in future in instances such this a manual declaration will be completed.

Responsible Person: Manager Finance and Manager Governance/Administration**Completion Date: June 2020**

ATTACHMENT**SHIRE OF DERBY / WEST KIMBERLEY****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****16. Review of credit card statements****Finding:**

During our controls testing, it was noted that monthly credit card statements are generally reviewed by a senior employee who is independent of the preparer. This practice accords with the recommendations of the Western Australian Auditor General's Report *Controls Over Corporate Credit Cards* issued 7 May 2018.

However, from our sample of four credit card statements, it was noted that one statement had not been dated by the reviewer as evidence that the review had been conducted in a timely manner.

Rating: Minor**Implication:**

Failure to review monthly credit card statements in a timely manner increases the Shire's risk of fraud or misuse of the corporate credit card.

Recommendation:

Corporate credit card statements should be reviewed and signed by a senior employee who is independent of the preparer in a timely manner.

Management Comment:

Improved resourcing in the department will support improved oversight in this area. The Shire is committed to working within the recommendations of the Western Australian Auditor General's Report *Controls Over Corporate Credit Cards* issued 7 May 2018.

Responsible Person: Manager Finance**Completion Date: 30 September 2019**

ANNEXURE B

Summary of corrected adjusting journal entries

Account Name	Effect: Increase (Decrease)					
	Assets	Liabilities	Equity	Revenue	Expenses	Net Income (Loss)
Prior Period Adjustment – 2017						
1. <i>Bring to account provision for landfill</i>	6,850,131	8,807,999	(1,957,868)			
Prior Period Adjustment – 2018						
2. <i>Bring to account provision for landfill</i>	(282,909)	437,638	(720,547)			
Current Year Adjustments						
3. <i>Correction to accrued wages</i>		139,307			(139,307)	
4. <i>Correct cash, sundry debtor and creditors and bonds transferred out of trust</i>	(918,169)	(861,240)		(56,929)		(56,929)
5. <i>Bring to account depreciation on Wharf infrastructure</i>	(186,556)				186,556	(186,556)
6. <i>Bring to account provision for landfill</i>	(282,909)	1,055,398			1,338,307	1,338,307
<i>Total corrected adjusting journal entries</i>	5,179,588	9,300,488	2,678,415	(56,929)	1,385,556	1,442,485
Cumulative equity misstatements			4,120,900			

Summary of uncorrected financial report misstatements, including disclosure deficiencies

Account Name	Assets DR/(CR)	Liabilities DR/(CR)	Retained Earnings DR/(CR)	Other Equity DR/(CR)	Income Statement DR/(CR)	Total DR/(CR)
Known Misstatements						
<i>Factual misstatement in Long Service Leave Provision</i>		(9,824)			9,824	-
Likely Misstatements						
<i>Projected misstatement in Long Service Leave Provision</i>		(46,221)			46,221	-
Carry forward effects of prior year misstatements						
<i>N/A</i>						-
Total		(56,045)			56,045	-

SHIRE OF DERBY/WEST KIMBERLEY
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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**SHIRE OF DERBY/WEST KIMBERLEY
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Derby/West Kimberley for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Derby/West Kimberley at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the _____ day of _____ 2019

Chief Executive Officer

Amanda O'Halloran
Name of Chief Executive Officer

SHIRE OF DERBY/WEST KIMBERLEY
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	21(a)	6,861,475	6,716,700	6,809,136
Operating grants, subsidies and contributions	2(a)	6,374,913	3,417,300	6,417,947
Fees and charges	2(a)	3,874,461	3,754,500	3,686,387
Interest earnings	2(a)	391,058	306,500	269,044
Other revenue	2(a)	382,048	290,200	908,314
		17,883,955	14,485,200	18,090,828
Expenses				
Employee costs		(6,309,034)	(6,420,600)	(6,477,899)
Materials and contracts		(6,242,158)	(14,296,900)	(13,788,476)
Utility charges		(1,056,843)	(1,011,300)	(884,086)
Depreciation on non-current assets	9(b)	(6,855,338)	(9,018,200)	(8,995,235)
Interest expenses	2(b)	(239,119)	(244,300)	(144,835)
Insurance expenses		(958,257)	(989,000)	(888,991)
Other expenditure		(2,123,558)	(1,097,200)	(1,486,303)
Amortisation of waste landfill	11	(282,909)	0	(282,909)
		(24,067,216)	(33,077,500)	(32,948,734)
		(6,183,261)	(18,592,300)	(14,857,906)
Non-operating grants, subsidies and contributions	2(a)	6,130,032	9,979,700	13,318,649
Profit on asset disposals	9(a)	425	0	79,362
(Loss) on asset disposals	9(a)	0	0	(2,334,991)
		6,130,457	9,979,700	11,063,020
Net result for the period		(52,804)	(8,612,600)	(3,794,886)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	10	0	0	30,033,843
Total other comprehensive income for the period		0	0	30,033,843
Total comprehensive income for the period		(52,804)	(8,612,600)	26,238,957

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

SHIRE OF DERBY/WEST KIMBERLEY
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Governance		29,183	62,100	120,754
General purpose funding		11,535,985	9,028,200	11,230,951
Law, order, public safety		43,957	46,500	275,036
Health		544,244	527,600	294,242
Education and welfare		149,189	400,000	455,304
Housing		11,444	18,100	35,556
Community amenities		1,871,351	1,877,300	1,982,068
Recreation and culture		255,204	295,700	365,038
Transport		3,271,069	2,076,700	2,646,607
Economic services		109,609	89,000	304,987
Other property and services		62,720	64,000	380,285
		17,883,955	14,485,200	18,090,828
Expenses				
Governance		(1,807,246)	(1,405,100)	(1,371,169)
General purpose funding		(484,615)	(301,000)	(282,868)
Law, order, public safety		(393,999)	(463,400)	(419,114)
Health		(802,307)	(905,800)	(885,111)
Education and welfare		(571,760)	(713,700)	(763,955)
Housing		(183,097)	(157,500)	(84,999)
Community amenities		(5,149,986)	(4,032,900)	(4,571,522)
Recreation and culture		(3,657,362)	(4,347,500)	(3,767,335)
Transport		(8,813,711)	(18,212,000)	(17,777,766)
Economic services		(542,995)	(702,800)	(765,363)
Other property and services		(1,421,019)	(1,591,500)	(2,114,697)
		(23,828,097)	(32,833,200)	(32,803,899)
Finance Costs				
Governance		0	0	(8,091)
General purpose funding		(369)	(1,000)	(21,323)
Housing		(64,970)	(65,600)	(69,581)
Recreation and culture		(3,031)	(3,900)	(7,445)
Transport		(153,325)	(156,400)	(20,021)
Economic services		(17,424)	(17,400)	(18,374)
	2(b)	(239,119)	(244,300)	(144,835)
		(6,183,261)	(18,592,300)	(14,857,906)
Non-operating grants, subsidies and contributions	2(a)	6,130,032	9,979,700	13,318,649
Profit on disposal of assets	9(a)	425	0	79,362
(Loss) on disposal of assets	9(a)	0	0	(2,334,991)
		6,130,457	9,979,700	11,063,020
Net result for the period		(52,804)	(8,612,600)	(3,794,886)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	10	0	0	30,033,843
Total other comprehensive income for the period		0	0	30,033,843
Total comprehensive income for the period		(52,804)	(8,612,600)	26,238,957

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

SHIRE OF DERBY/WEST KIMBERLEY
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 Restated *	1 July 2017 Restated *
CURRENT ASSETS				
Cash and cash equivalents	3	6,031,260	6,448,202	5,702,964
Trade receivables	5	4,178,303	5,739,441	1,852,169
Inventories	6	93,038	125,656	116,553
TOTAL CURRENT ASSETS		10,302,601	12,313,299	7,671,686
NON-CURRENT ASSETS				
Trade receivables	5	101,680	37,994	37,994
Property, plant and equipment	7	40,839,716	39,715,409	35,323,222
Infrastructure	8	163,369,168	160,617,158	143,277,167
Rehabilitation assets	11	6,284,313	6,567,222	0
TOTAL NON-CURRENT ASSETS		210,594,877	206,937,783	178,638,383
TOTAL ASSETS		220,897,478	219,251,082	186,310,069
CURRENT LIABILITIES				
Trade and other payables	12	3,977,715	3,099,057	2,393,662
Borrowings	13(a)	5,556,320	176,969	141,083
Employee related provisions	14	752,496	935,639	971,092
TOTAL CURRENT LIABILITIES		10,286,531	4,211,665	3,505,837
NON-CURRENT LIABILITIES				
Borrowings	13(a)	1,900,665	7,426,905	1,882,179
Employee related provisions	14	108,164	151,973	138,109
Other provisions	15	10,301,035	9,245,637	8,807,999
TOTAL NON-CURRENT LIABILITIES		12,309,864	16,824,515	10,828,287
TOTAL LIABILITIES		22,596,395	21,036,180	14,334,124
NET ASSETS		198,301,083	198,214,902	171,975,945
EQUITY				
Retained surplus		65,878,010	65,791,829	69,438,717
Reserves - cash backed	4	1,552,654	1,552,654	1,700,652
Revaluation surplus	10	130,870,419	130,870,419	100,836,576
TOTAL EQUITY		198,301,083	198,214,902	171,975,945

* See note 29 for details regarding the restatement as a result of an error

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

SHIRE OF DERBY/WEST KIMBERLEY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		71,396,585	1,700,652	100,836,576	173,933,813
Correction of error	29	(1,957,868)	0	0	(1,957,868)
Restated total equity at the beginning of the financial year		69,438,717	1,700,652	100,836,576	171,975,945
Comprehensive income					
Net result for the period		(3,794,886)	0	0	(3,794,886)
Other comprehensive income	10	0	0	30,033,843	30,033,843
Total comprehensive income		(3,794,886)	0	30,033,843	26,238,957
Transfers from/(to) reserves		147,998	(147,998)	0	0
Balance as at 30 June 2018		65,791,829	1,552,654	130,870,419	198,214,902
Change in accounting policy	26 (c)	138,985	0	0	138,985
Restated total equity at the beginning of the financial year		65,930,814	1,552,654	130,870,419	198,353,887
Comprehensive income					
Net result for the period		(52,804)	0	0	(52,804)
Other comprehensive income	10	0	0	0	0
Total comprehensive income		(52,804)	0	0	(52,804)
Transfers from/(to) reserves		0	0	0	0
Balance as at 30 June 2019		65,878,010	1,552,654	130,870,419	198,301,083

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

SHIRE OF DERBY/WEST KIMBERLEY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		6,418,114	6,716,700	6,230,547
Operating grants, subsidies and contributions		8,422,145	8,504,100	3,422,564
Fees and charges		3,874,461	3,754,500	3,686,387
Interest received		391,058	306,500	269,044
Goods and services tax received		1,812,020	1,620,090	827,818
Other revenue		382,048	290,200	908,314
		21,299,846	21,192,090	15,344,674
Payments				
Employee costs		(6,563,735)	(6,420,600)	(6,467,520)
Materials and contracts		(4,247,735)	(14,983,100)	(12,064,492)
Utility charges		(1,056,843)	(1,011,300)	(884,086)
Interest expenses		(239,119)	(244,300)	(1,204,495)
Insurance paid		(958,257)	(989,000)	(888,991)
Goods and services tax paid		(1,779,454)	(1,620,090)	(1,141,118)
Other expenditure		(2,123,558)	(1,097,200)	(1,048,665)
		(16,968,701)	(26,365,590)	(23,699,367)
Net cash provided by (used in) operating activities	16	4,331,145	(5,173,500)	(8,354,693)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,369,661)	(2,319,400)	(5,142,408)
Payments for construction of infrastructure		(9,362,389)	(6,985,900)	(4,833,285)
Non-operating grants, subsidies and contributions		6,130,032	9,979,700	13,318,649
Proceeds from sale of property, plant & equipment		820	419,500	176,363
Net cash provided by (used in) investment activities		(4,601,198)	1,093,900	3,519,319
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(146,889)	(160,700)	(130,588)
Proceeds from new borrowings		0	0	5,711,200
Net cash provided by (used in) financing activities		(146,889)	(160,700)	5,580,612
Net increase (decrease) in cash held		(416,942)	(4,240,300)	745,238
Cash at beginning of year		6,448,202	6,453,200	5,702,964
Cash and cash equivalents at the end of the year	16	6,031,260	2,212,900	6,448,202

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

SHIRE OF DERBY/WEST KIMBERLEY
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	22(b)	6,725,949	3,626,300	2,606,280
		6,725,949	3,626,300	2,606,280
Revenue from operating activities (excluding rates)				
Governance		29,183	62,100	120,754
General purpose funding		4,674,510	2,311,500	4,421,815
Law, order, public safety		43,957	46,500	275,036
Health		544,669	527,600	358,498
Education and welfare		149,189	400,000	455,304
Housing		11,444	18,100	35,556
Community amenities		1,871,351	1,877,300	1,982,068
Recreation and culture		255,204	295,700	365,038
Transport		3,271,069	2,076,700	2,646,607
Economic services		109,609	89,000	304,987
Other property and services		62,720	64,000	395,391
		11,022,905	7,768,500	11,361,054
Expenditure from operating activities				
Governance		(1,807,246)	(1,405,100)	(1,379,260)
General purpose funding		(484,984)	(302,000)	(304,191)
Law, order, public safety		(393,999)	(463,400)	(664,965)
Health		(802,307)	(905,800)	(885,111)
Education and welfare		(571,760)	(713,700)	(800,297)
Housing		(248,067)	(223,100)	(154,580)
Community amenities		(5,149,986)	(4,032,900)	(4,774,259)
Recreation and culture		(3,660,393)	(4,351,400)	(5,032,872)
Transport		(8,967,036)	(18,368,400)	(18,318,709)
Economic services		(560,419)	(720,200)	(854,784)
Other property and services		(1,421,019)	(1,591,500)	(2,114,697)
		(24,067,216)	(33,077,500)	(35,283,725)
Non-cash amounts excluded from operating activities	22(a)	8,224,710	9,018,200	11,985,275
Amount attributable to operating activities		1,906,348	(12,664,500)	(9,331,116)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		6,130,032	9,979,700	13,318,649
Proceeds from disposal of assets	9(a)	820	419,500	176,363
Purchase of property, plant and equipment	7(a)	(1,369,661)	(2,319,400)	(5,142,408)
Purchase and construction of infrastructure	8(a)	(9,362,389)	(6,985,900)	(4,833,285)
Amount attributable to investing activities		(4,601,198)	1,093,900	3,519,319
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(146,889)	(160,700)	(130,588)
Proceeds from borrowings	13(c)	0	0	5,711,200
Transfers to reserves (restricted assets)	4	0	(1,287,900)	(304,122)
Transfers from reserves (restricted assets)	4	0	6,302,500	452,120
Amount attributable to financing activities		(146,889)	4,853,900	5,728,610
Surplus/(deficit) before imposition of general rates		(2,841,739)	(6,716,700)	(83,187)
Total amount raised from general rates	21(a)	6,861,475	6,716,700	6,809,136
Surplus/(deficit) after imposition of general rates	22(b)	4,019,736	0	6,725,949

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

1. BASIS OF PREPARATION

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

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 to these financial statements.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	4,269,697	1,970,000	4,145,545
Health	489,835	492,000	482,485
Education and welfare	127,399	362,000	412,543
Community amenities	0	0	2,025
Recreation and culture	26,710	34,300	50,925
Transport	1,452,490	551,000	1,195,755
Economic services	0	0	36,478
Other property and services	8,782	8,000	92,191
	6,374,913	3,417,300	6,417,947
Non-operating grants, subsidies and contributions			
Law, order, public safety	0	231,000	231,000
Recreation and culture	158,789	168,800	41,211
Transport	5,971,243	9,579,900	13,046,438
	6,130,032	9,979,700	13,318,649
Total grants, subsidies and contributions	12,504,945	13,397,000	19,736,596

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES

(a) Revenue (Continued)

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	281,581	0	9,949
Other	100,467	290,200	898,365
	382,048	290,200	908,314
Fees and Charges			
Governance	16,686	37,600	22,670
General purpose funding	13,755	15,000	14,845
Law, order, public safety	18,766	25,200	18,369
Health	45,705	30,000	38,539
Education and welfare	0	4,000	4,471
Housing	11,444	16,100	35,400
Community amenities	1,871,351	1,877,300	1,980,043
Recreation and culture	137,733	213,400	123,607
Transport	1,694,960	1,436,500	1,364,422
Economic services	21,186	47,100	44,515
Other property and services	42,875	52,300	39,506
	3,874,461	3,754,500	3,686,387
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Rates instalment and penalty interest (refer Note 21(c))	282,488	211,500	221,684
Other interest earnings	108,570	95,000	47,360
	391,058	306,500	269,044

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

(b) Expenses

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report *	42,197	65,000	46,903
- Other services	78,250	85,000	20,232
- Audit fees associated with grant acquittals	24,090	0	16,060
	144,537	150,000	83,195
* Indicative fee for the Audit of the 2019 Financial report is \$65,000.			
Interest expenses (finance costs)			
Borrowings (refer Note 13(b))	188,915	243,300	115,596
Other	49,835	1,000	0
Interest on overdraft	369	0	29,239
	239,119	244,300	144,835

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		4,478,606	6,448,202
Term deposits		1,552,654	0
		6,031,260	6,448,202
Comprises:			
- Unrestricted cash and cash equivalents		2,229,405	1,298,588
- Restricted cash and cash equivalents		3,801,855	5,149,614
		6,031,260	6,448,202
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Leave reserve	4	452,441	452,441
Office Building Reserve	4	814,511	814,511
Airport Reserve	4	28,456	28,456
Derby Wharf Maintenance Reserve	4	3,721	3,721
Economic Development Reserve	4	19,936	19,936
Fitzroy Crossing Recreation Hall Reserve	4	46,771	46,771
Staff Housing Reserve	4	159,965	159,965
Energy Developments Ltd West Kimberley Cement I	4	26,853	26,853
		1,552,654	1,552,654
Other restricted cash and cash equivalents			
Unspent grants/contributions	20	1,108,927	2,373,615
Unspent loans	13(c)	781,371	1,223,345
Bonds and deposits held in payables	24	358,903	0
Total restricted cash and cash equivalents		3,801,855	5,149,614

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave reserve	452,441	0	0	452,441	452,400	0	0	452,400	452,441	950	(950)	452,441
(b) Unspent Grants and Contributions Reserve	0	0	0	0	5,375,500	286,300	(5,375,500)	286,300	0	0	0	0
(c) Office Building Reserve	814,511	0	0	814,511	814,500	0	(50,000)	764,500	583,330	301,034	(69,853)	814,511
(d) Airport Reserve	28,456	0	0	28,456	28,500	0	(28,500)	0	28,456	60	(60)	28,456
(e) Derby Wharf Maintenance Reserve	3,721	0	0	3,721	3,700	0	(3,700)	0	3,721	8	(8)	3,721
(f) Economic Development Reserve	19,936	0	0	19,936	19,900	0	(19,900)	0	19,935	42	(41)	19,936
(g) Fitzroy Crossing Recreation Hall Reserve	46,771	0	0	46,771	46,800	0	0	46,800	46,771	98	(98)	46,771
(h) Staff Housing Reserve	159,965	0	0	159,965	160,000	0	0	160,000	159,965	1,120	(1,120)	159,965
(i) Capital Works Building Reserve	0	0	0	0	0	1,001,600	(798,000)	203,600	0	0	0	0
(j) Admin Building Construction Reserve	0	0	0	0	0	0	0	0	299,180	462	(299,642)	0
(k) Energy Developments Ltd West Kimberley Cement Donations Reserve	26,853	0	0	26,853	26,900	0	(26,900)	0	106,853	348	(80,348)	26,853
	1,552,654	0	0	1,552,654	6,928,200	1,287,900	(6,302,500)	1,913,600	1,700,652	304,122	(452,120)	1,552,654

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave reserve	ongoing	To be used to fund annual and long service leave requirements
(b) Unspent Grants and Contributions Reserve	ongoing	To be used to quarantine unspent grant funds and contributions at the end of each financial year
(c) Office Building Reserve	ongoing	To be used to fund the new Derby administration building
(d) Airport Reserve	ongoing	To be used to fund airport capital works, primarily bitumen resealing
(e) Derby Wharf Maintenance Reserve	ongoing	To be used to carry out major wharf maintenance
(f) Economic Development Reserve	ongoing	To promote economic development within the Shire
(g) Fitzroy Crossing Recreation Hall Reserve	ongoing	To be used to quarantine funds received from the lease of the FX Recreation Hall to be utilised for any upgrade works
(h) Staff Housing Reserve	ongoing	To be used for the construction of staff housing
(i) Capital Works Building Reserve	ongoing	To help with the construction/maintenance of major capital works
(j) Admin Building Construction Reserve	30.6.2018	To be used to fund the new Derby administration building
(k) Energy Developments Ltd West Kimberley Cement Donations Reserve	ongoing	To administer the funds provided by Energy Developments Limited to create lasting value throughout the West Kimberley by contributing to not-for-profit projects or activities that benefit the Shire of Derby West/Kimberley

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

5. TRADE RECEIVABLES

Current

	2019	2018
	\$	\$
Rates receivable	2,784,435	2,404,760
Sundry receivables	1,416,485	3,426,543
GST receivable	487,183	519,749
Allowance for impairment of receivables	(556,959)	(655,249)
Other receivables	47,159	43,638
	4,178,303	5,739,441

Non-current

Pensioner's rates and ESL deferred	101,680	37,994
	101,680	37,994

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:-

Rates outstanding

Includes:

Past due and not impaired

- 1 to 3 months	3,145	6,470
- 3 months to one year	36,173	45,283
- 1 to 5 years	2,037,494	1,358,815
- more than 5 years	679,165	455,081

Sundry debtors

Includes:

Past due and not impaired

- up to one month	44,520	41,337
- 1 to 3 months	6,653	9,050
- 3 months to one year	213,316	25,933
- 1 to 5 years	179,929	31,582
- more than 5 years	0	35,941

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Classification and subsequent measurement

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

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

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

6. INVENTORIES

Current

Fuel and materials

	2019	2018
	\$	\$
	93,038	125,656
	93,038	125,656
	125,656	116,553
Inventories expensed during the year	(176,613)	(148,813)
Additions to inventory	143,995	157,916
	93,038	125,656

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

Carrying amount at 30 June

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Computer equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	3,543,000	3,543,000	29,972,857	29,972,857	33,515,857	27,260	1,697,608	82,497	35,323,222
Additions	0	0	4,655,209	4,655,209	4,655,209	0	418,560	68,639	5,142,408
(Disposals)	0	0	0	0	0	0	(97,001)	0	(97,001)
Depreciation (expense)	0	0	(777,390)	(777,390)	(777,390)	(3,674)	(269,475)	(27,056)	(1,077,595)
Transfers	0	0	424,375	424,375	424,375	0	0	0	424,375
Carrying amount at 30 June 2018	3,543,000	3,543,000	34,275,051	34,275,051	37,818,051	23,586	1,749,692	124,080	39,715,409
Comprises:									
Gross carrying amount at 30 June 2018	3,543,000	3,543,000	35,113,066	35,113,066	38,656,066	30,704	2,405,271	193,384	41,285,425
Accumulated depreciation at 30 June 2018	0	0	(838,015)	(838,015)	(838,015)	(7,118)	(655,579)	(69,304)	(1,570,016)
Carrying amount at 30 June 2018	3,543,000	3,543,000	34,275,051	34,275,051	37,818,051	23,586	1,749,692	124,080	39,715,409
Additions	0	0	1,268,859	1,268,859	1,268,859	0	100,802	0	1,369,661
(Disposals)	0	0	0	0	0	0	(395)	0	(395)
Depreciation (expense)	0	0	(839,616)	(839,616)	(839,616)	(3,673)	(274,848)	(31,403)	(1,149,540)
Transfers	0	0	904,581	904,581	904,581	0	0	0	904,581
Carrying amount at 30 June 2019	3,543,000	3,543,000	35,608,875	35,608,875	39,151,875	19,913	1,575,251	92,677	40,839,716
Comprises:									
Gross carrying amount at 30 June 2019	3,543,000	3,543,000	37,286,506	37,286,506	40,829,506	30,705	2,505,643	193,385	43,559,239
Accumulated depreciation at 30 June 2019	0	0	(1,677,631)	(1,677,631)	(1,677,631)	(10,792)	(930,392)	(100,708)	(2,719,523)
Carrying amount at 30 June 2019	3,543,000	3,543,000	35,608,875	35,608,875	39,151,875	19,913	1,575,251	92,677	40,839,716

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	Level 2	Market approach using recent observable market data for similar properties / income approach using discounted cash flow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate
Buildings	Level 2	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuer	June 2017	Perth based construction rates with appropriate district allowance applied to each location
Furniture and equipment	Level 2	Market approach using recent observable market data for similar items	Independent valuer	August 2016	Observable market data
Plant and equipment	Level 2	Market approach using recent observable market data for similar items	Independent valuer	August 2016	Open market values of similar items adjusted for condition and comparability
Computer equipment	Level 2	Market approach using recent observable market data for similar items	Independent valuer	August 2016	Observable market data

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

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

8. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads	Other infrastructure - drainage	Other infrastructure - footpaths	Other infrastructure - lands & parks	Other infrastructure - wharf	Other infrastructure - airports	Other infrastructure - street furniture	Other infrastructure - other structures	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	109,250,142	5,939,431	1,541,023	2,100,307	3,077,857	8,665,695	55,039	5,797,542	136,427,036
Additions	373,222	69,040	63,008	0	897,755	1,266,428	0	2,163,832	4,833,285
(Disposals)	(46,282)	0	0	(531,441)	0	0	0	(1,757,268)	(2,334,991)
Revaluation increments / (decrements) transferred to revaluation surplus	16,589,372	390,445	192,005	767,114	0	9,427,280	0	2,667,627	30,033,843
Depreciation (expense)	(5,569,721)	(692,117)	(153,936)	(128,750)	(96,000)	(755,330)	0	(521,786)	(7,917,640)
Transfers	(519,633)	0	500,000	(577,830)	(402,348)	(287,100)	(55,039)	917,575	(424,375)
Carrying amount at 30 June 2018	120,077,100	5,706,799	2,142,100	1,629,400	3,477,264	18,316,973	0	9,267,522	160,617,158
Comprises:									
Gross carrying amount at 30 June 2018	120,077,100	5,706,799	2,142,100	1,629,400	3,477,264	18,316,973	0	9,267,522	160,617,158
Accumulated depreciation at 30 June 2018	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2018	120,077,100	5,706,799	2,142,100	1,629,400	3,477,264	18,316,973	0	9,267,522	160,617,158
Additions	8,485,159	2,161	231,524	0	441,974	19,414	0	182,157	9,362,389
Depreciation (expense)	(3,049,587)	(670,025)	(64,246)	(122,108)	(186,556)	(1,058,908)	0	(554,368)	(5,705,798)
Transfers	12,774	0	191,231	0	0	(1,281,651)	0	173,065	(904,581)
Carrying amount at 30 June 2019	125,525,446	5,038,935	2,500,609	1,507,292	3,732,682	15,995,828	0	9,068,376	163,369,168
Comprises:									
Gross carrying amount at 30 June 2019	128,575,032	5,708,960	2,564,855	1,629,400	3,919,238	17,054,736	0	9,622,744	169,074,965
Accumulated depreciation at 30 June 2019	(3,049,586)	(670,025)	(64,246)	(122,108)	(186,556)	(1,058,908)	0	(554,368)	(5,705,797)
Carrying amount at 30 June 2019	125,525,446	5,038,935	2,500,609	1,507,292	3,732,682	15,995,828	0	9,068,376	163,369,168

SHIRE OF DERBY/WEST KIMBERLEY
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FOR THE YEAR ENDED 30TH JUNE 2019

8. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - roads	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - drainage	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - footpaths	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - lands & parks	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - wharf	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - airports	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - street furniture	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - other structures	Level 3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2018	Perth based construction rates with appropriate district allowance applied to each location

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

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 *Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	0	0	0	0	292,500	292,500	0	0	0	0	0	0
Plant and equipment	395	820	425	0	127,000	127,000	0	0	97,001	176,363	79,362	0
Infrastructure - roads	0	0	0	0	0	0	0	0	46,282	0	0	(46,282)
Other infrastructure - lands & parks	0	0	0	0	0	0	0	0	531,441	0	0	(531,441)
Other infrastructure - other structures	0	0	0	0	0	0	0	0	1,757,268	0	0	(1,757,268)
	395	820	425	0	419,500	419,500	0	0	2,431,992	176,363	79,362	(2,334,991)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Health				
Trailer	395	820	425	0
	395	820	425	0

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings	839,616	770,000	777,390
Furniture and equipment	3,673	32,000	3,674
Plant and equipment	274,848	270,000	269,475
Computer equipment	31,403	0	27,056
Infrastructure - roads	3,049,587	5,550,000	5,569,721
Other infrastructure - drainage	670,025	695,000	692,117
Other infrastructure - footpaths	64,246	145,000	153,936
Other infrastructure - lands & parks	122,108	1,556,200	128,750
Other infrastructure - wharf	186,556	0	96,000
Other infrastructure - airports	1,058,908	0	755,330
Other infrastructure - other structures	554,368	0	521,786
	6,855,338	9,018,200	8,995,235

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	25 to 50 years
Furniture and equipment	10 years
Plant and equipment	3 to 10 years
Paintings and sculptures	100 years
Drainage	5 to 50 years
Parks and ovals	10 to 50 years
Footpaths	50 years
Bridges	50 years
Roads	20 to 40 years
Other infrastructure	10 to 50 years

Depreciation (Continued)

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

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

SHIRE OF DERBY/WEST KIMBERLEY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	12,218,340	0	0	0	12,218,340	12,218,340	0	0	0	12,218,340
Plant and equipment	538,090	0	0	0	538,090	538,090	0	0	0	538,090
Infrastructure - roads	93,004,330	0	0	0	93,004,330	76,414,958	16,589,372	0	16,589,372	93,004,330
Other infrastructure - drainage	5,076,353	0	0	0	5,076,353	4,685,908	390,445	0	390,445	5,076,353
Other infrastructure - footpaths	192,005	0	0	0	192,005	0	192,005	0	192,005	192,005
Other infrastructure - lands & parks	2,327,966	0	0	0	2,327,966	1,560,852	767,114	0	767,114	2,327,966
Other infrastructure - airports	14,845,708	0	0	0	14,845,708	5,418,428	9,427,280	0	9,427,280	14,845,708
Other infrastructure - other structures	2,667,627	0	0	0	2,667,627	0	2,667,627	0	2,667,627	2,667,627
	130,870,419	0	0	0	130,870,419	100,836,576	30,033,843	0	30,033,843	130,870,419

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11. REHABILITATION ASSETS

Non-current

Waste Landfill

Less: Accumulated amortisation

2019 Actual	2018 Actual
\$	\$
7,571,317	7,571,317
(1,287,004)	(1,004,095)
6,284,313	6,567,222

Movements in carrying amounts of waste landfill assets during the financial year are shown as follows:-

	Rehabilitation Asset
	\$
Balance at 1 July 2017	6,850,131
Amortisation (expense)	(282,909)
Carrying amount at 30 June 2018	6,567,222
Comprises:	
Gross carrying amount at 30 June 2018	7,571,317
Accumulated amortisation at 30 June 2018	(1,004,095)
Carrying amount at 30 June 2018	6,567,222
Amortisation (expense)	(282,909)
Carrying amount at 30 June 2019	6,284,313
Comprises:	
Gross carrying amount at 30 June 2019	7,571,317
Accumulated amortisation at 30 June 2019	(1,287,004)
Carrying amount at 30 June 2019	6,284,313

SHIRE OF DERBY/WEST KIMBERLEY
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2019

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 ATO liabilities
 Other payables
 Accrued expenses

2019	2018
\$	\$
2,856,921	2,703,417
159,396	187,145
520,923	123,820
440,475	84,675
3,977,715	3,099,057

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

13. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	5,556,320	176,969
Non-current	1,900,665	7,426,905
	7,456,985	7,603,874

(b) Repayments - Borrowings

				30 June 2019				30 June 2019				30 June 2019				30 June 2018			
				Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual			
				Principal	Principal	Interest	Principal	Principal	Principal	Principal	Principal	New	Principal	Interest	Principal				
				1 July 2018	repayments	repayments	outstanding	1 July 2018	repayments	repayments	outstanding	1 July 2017	Loans	repayments	repayments	outstanding			
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
Particulars																			
Housing																			
Staff Housing	136	WATC	6.56%	137,301	19,355	8,562	117,946	117,962	22,400	5,200	95,562	155,446	0	18,145	9,904	137,301			
Staff Housing	146	WATC	6.33%	692,935	40,055	43,239	652,880	689,308	37,600	45,700	651,708	730,570	0	37,635	45,659	692,935			
Staff Housing	148	WATC	4.49%	314,632	8,194	7,063	306,438	326,707	15,900	14,700	310,807	330,485	0	15,853	14,663	314,632			
Recreation and culture																			
Civic Centre Renovations	135	WATC	5.42%	79,639	30,584	3,835	49,055	79,362	30,600	3,900	48,762	108,631	0	28,992	7,445	79,639			
Transport																			
Wharf Fenders, Boat Ramp	145	WATC	6.87%	274,877	21,350	18,524	253,527	274,878	0	67,300	274,878	285,024	0	10,147	19,551	274,877			
Derby Airport Infrastructure	150	WATC	2.33%	5,315,200	0	92,883	5,315,200	3,194,085	0	74,300	3,194,085	0	5,315,200	0	0	5,315,200			
Derby Wharf Infrastructure	151	WATC	3.02%	396,000	17,108	5,980	378,892	395,898	0	14,800	395,898	0	396,000	0	0	396,000			
Derby Wharf Infrastructure	152	WATC		0	0	0	0	2,119,748	33,500	0	2,086,248	0	0	0	0	0			
Economic services																			
Derby Visitors Centre	149	WATC	4.49%	393,290	10,243	8,829	383,047	382,891	20,700	17,400	362,191	413,106	0	19,816	18,374	393,290			
				7,603,874	146,889	188,915	7,456,985	7,580,839	160,700	243,300	7,420,139	2,023,262	5,711,200	130,588	115,596	7,603,874			

* WA Treasury Corporation

All other loan repayments were financed by general purpose revenue.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

13. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Borrowings

Particulars	Date	Unspent Balance	Borrowed	Expended	Unspent
	Borrowed	1 July 2018	During Year	During Year	Balance 30 June 2019
		\$	\$	\$	\$
Derby Wharf revitalisation	01 Jun 18	1,223,345	0	(441,974)	781,371
* WA Treasury Corporation		1,223,345	0	(441,974)	781,371

(d) Undrawn Borrowing Facilities

	2019	2018
	\$	\$
Credit Standby Arrangements		
Credit card limit	50,000	50,000
Credit card balance at balance date	(2,203)	(13,074)
Total amount of credit unused	47,797	36,926
Loan facilities		
Loan facilities - current	5,556,320	176,969
Loan facilities - non-current	1,900,665	7,426,905
Total facilities in use at balance date	7,456,985	7,603,874
Unused loan facilities at balance date	781,371	1,223,345

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Risk
Information regarding exposure to risk can be found at Note 23.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	554,680	380,959	935,639
Non-current provisions	0	151,973	151,973
	554,680	532,932	1,087,612
 Additional provision	194,570	17,640	212,210
Amounts used	(391,738)	(47,424)	(439,162)
Balance at 30 June 2019	357,512	503,148	860,660
 Comprises			
Current	357,512	394,984	752,496
Non-current	0	108,164	108,164
	357,512	503,148	860,660
 Amounts are expected to be settled on the following basis:	2019	2018	
	\$	\$	
Less than 12 months after the reporting date	752,496	935,639	
More than 12 months from reporting date	108,164	151,973	
	860,660	1,087,612	

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

15. OTHER PROVISIONS

	Provision for Remediation	
	Costs	Total
	\$	\$
Opening balance at 1 July 2017		
Non-current provisions	8,807,999	8,807,999
	8,807,999	8,807,999
Additional provision	437,638	437,638
Balance at 30 June 2018	9,245,637	9,245,637
Comprises		
Non-current	9,245,637	9,245,637
Balance at 30 June 2018	9,245,637	9,245,637
		\$
Additional provision	1,055,398	1,055,398
Balance at 30 June 2019	10,301,035	10,301,035
Comprises		
Non-current	10,301,035	10,301,035
Balance at 30 June 2018	10,301,035	10,301,035

Provision for remediation costs

Under the licence for the operation of the Derby Waste landfill site and the Fitzroy Crossing Waste landfill, the Shire has a legal obligation to restore the site.

A provision for remediation is recognised when:

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

The estimated future obligations include the costs of restoring the affected areas and continued monitoring of the site.

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

Amounts which are reliably expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligation is unable to be reliably estimated as it is dependent on the remaining life of the waste facility.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	6,031,260	2,212,900	6,448,202
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(52,804)	(8,612,600)	(3,794,886)
Non-cash flows in Net result:			
Depreciation	6,855,338	9,018,200	8,995,235
(Profit)/loss on sale of asset	(425)	0	2,255,629
Amortisation on waste landfill	282,909	0	282,909
Changes in assets and liabilities:			
(Increase)/decrease in receivables	1,636,437	5,086,800	(3,887,272)
(Increase)/decrease in inventories	32,618	35,800	(9,103)
Increase/(decrease) in payables	878,658	(722,000)	705,395
Increase/(decrease) in provisions	828,446	0	416,049
Non operating grants and contributions for the development of assets	(6,130,032)	(9,979,700)	(13,318,649)
Net cash from operating activities	4,331,145	(5,173,500)	(8,354,693)

SHIRE OF DERBY/WEST KIMBERLEY
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2019

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	3,677,600	2,434,729
General purpose funding	6,782,654	3,523,282
Law, order, public safety	690,484	733,882
Health	465,485	486,513
Education and welfare	1,385,794	1,371,150
Housing	7,982,896	8,081,691
Community amenities	11,198,034	7,853,046
Recreation and culture	16,434,061	17,806,997
Transport	163,966,798	168,965,949
Economic services	5,560,108	5,184,134
Other property and services	2,753,564	2,809,709
	220,897,478	219,251,082

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

18. CONTINGENT LIABILITIES

The Shire of Derby West Kimberley has in compliance with the *Contaminated Sites Act 2003* section 11 listed sites to be possible sources of contamination - details of those sites:

Derby Airport
Myalls Bore
Fitzroy Crossing Works Depot
Derby Works Depot
Derby Cemetery
Fitzroy Crossing Cemetery
Camballin Cemetery
Camballin Landfill Sites

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the Department of Environment Regulation the need and criteria for remediation on a risk based approach. The amount of the contingent liability is unknown. This approach is consistent with the Department of Environment Regulation Guidelines.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the President.

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	145,875	148,500	149,103
President's allowance	62,727	50,000	26,629
Deputy President's allowance	9,604	0	9,604
Travelling expenses	0	0	5,540
Telecommunications allowance	9,333	12,000	0
Other allowances	2,347	0	11,789
	229,886	210,500	202,665

Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	1,434,335	1,174,622
Post-employment benefits	142,008	115,256
Other long-term benefits	109,388	169,660
Termination benefits	39,555	43,754
	1,725,286	1,503,292

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

19. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

	2019 Actual	2018 Actual
The following transactions occurred with related parties:	\$	\$
Purchase of goods and services	65,445	113,477
Commercial leasing	200	200
Amounts outstanding from related parties:		
Trade and other receivables	14,681	13,834
Amounts payable to related parties:		
Trade and other payables	3,603	0

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

SHIRE OF DERBY/WEST KIMBERLEY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
Governance							
Landcorp - street numbering	21,440	0	0	21,440	0	0	21,440
Law, order, public safety							
WA Police	0	361,000	(216,621)	144,379	38,699	0	183,078
Health							
Office of Aboriginal Health	216,920	497,326	(591,099)	123,147	487,668	(452,162)	158,653
Department of Health	0	408,948	(77,010)	331,938	38,200	(132,948)	237,190
Department of Health	20,849	979	(3,792)	18,036	2,166	(11,067)	9,135
Education and welfare							
Department of Local Government	7,245	0	(7,245)	0	0	0	0
Dept Corrective Services	8,800	0	(8,800)	0	0	0	0
Dept Corrective Services	3,436	0	(3,436)	0	0	0	0
Dept of PM & Cabinet	292,868	477,080	(769,948)	0	0	0	0
Dept of PM & Cabinet	11,377	0	(11,377)	0	0	0	0
Kimberley Development Commission	50,000	0	(50,000)	0	0	0	0
Dept of Sport & Recreation	35,000	0	(35,000)	0	0	0	0
Community amenities							
Dept of Planning	11,586	2,025	(13,611)	0	0	0	0
Dept of Planning	19,128	0	(19,128)	0	0	0	0
Recreation and culture							
Children's Book Council	4,132	0	(4,132)	0	4,500	(4,500)	0
Lotterywest	22,466	0	(22,466)	0	0	0	0
Dept of Sport & Recreation	9,910	0	(9,910)	0	0	0	0
Kimberley Development Commission	15,795	0	(15,795)	0	0	0	0
Dept of Sport & Recreation	27,693	0	(27,693)	0	0	0	0
Country Local Government Fund	69,368	0	(69,368)	0	0	0	0
Kimberley Development Commission	50,000	41,211	(41,211)	50,000	0	(50,000)	0
Transport							
Regional Road Group RC035	0	272,404	(119,768)	152,636	963,679	(1,036,793)	79,522
Main Roads WA	82,447	203,867	(82,447)	203,867	43,617	(247,484)	0
Dept of Parks & Wildlife	180,000	35,295	(215,295)	0	0	0	0
RADS - Fitzroy Crossing Airport	50,000	399,217	(449,217)	0	0	0	0
WALGGC Aboriginal Access Roads	338,285	264,000	0	602,285	314,027	(869,717)	46,595
MRWA Aboriginal Access Roads	170,063	51,280	0	221,343	285,792	(483,836)	23,299
Dept of Parks & Wildlife	0	239,540	(105,489)	134,051	100,000	(114,005)	120,046
Dept of Infrastructure R2R	0	951,758	(616,758)	335,000	818,877	(1,153,877)	0
Main Roads Black Spot	0	35,493	0	35,493	69,476	(15,000)	89,969
Department of Industry, Innovation and Science	0	0	0	0	140,000	0	140,000
Total	1,718,808	4,241,423	(3,586,616)	2,373,615	3,306,701	(4,571,389)	1,108,927

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value	2018/19 Actual Rate Revenue	2018/19 Actual Interim Rates	2018/19 Actual Back Rates	2018/19 Actual Total Revenue	2018/19 Budget Total Revenue	2017/18 Actual Total Revenue
Differential general rate / general rate			\$	\$	\$	\$	\$	\$	\$
Gross rental valuations									
GRV General	0.126200	1,515	37,375,152	4,716,745	9,763	0	4,726,508	4,649,100	4,620,568
Unimproved valuations									
UV Pastoral	0.064434	41	14,635,938	943,052	0	0	943,052	941,300	927,039
UV Mining	0.268233	98	2,833,053	759,918	6,150	0	766,068	687,100	827,189
UV Other *	0.216939	10	972,000	259,676	0	0	259,676	279,600	256,092
Sub-Total		1,664	55,816,143	6,679,391	15,913	0	6,695,304	6,557,100	6,630,888
Minimum payment									
Gross rental valuations									
GRV General	969	163	687,398	157,947	0	0	157,947	157,000	163,476
Unimproved valuations									
UV Pastoral	969	3	18,500	2,907	0	0	2,907	2,900	3,824
UV Mining	969	77	82,792	74,613	0	0	74,613	74,600	82,216
Sub-Total		243	788,690	235,467	0	0	235,467	234,500	249,516
		1,907	56,604,833	6,914,858	15,913	0	6,930,771	6,791,600	6,880,404
Discounts (refer Note 21(b))							(69,296)	(74,900)	(71,268)
Total amount raised from general rate							6,861,475	6,716,700	6,809,136
Concessions (refer Note 21(b))							(204,881)	(208,600)	(271,829)
Totals							6,656,594	6,508,100	6,537,307

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

* 2018/19 budget disclosed UV Other under four separate categories. As the rate in the dollar is the same for all categories, they are considered as one rating Category under the *Local Government (Financial Management) Regulations 1996 s.39*, so have been disclosed under UV Other. The categories include:-

RATE TYPE	Rate in \$
UV Island	0.216939
UV Other locations	0.216939
UV Concessions raised	0.216939
UV Commercial	0.216939

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

21. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee			2019	2019	2018	
Discount Granted	Discount	Discount	Actual	Budget	Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	\$	
Discount	2.00%	0	69,296	74,900	71,268	A discount is offered to ratepayers whose payment of the full amount, including arrears and other charges is received on or before 35 days after the date appearing on the rate notice. The discount will apply to interim rates issued after the billing date.
			69,296	74,900	71,268	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount	Discount	2019	2019	2018
		%	\$	Actual	Budget	Actual
				\$	\$	\$
Rates concessions	concession		176,289	176,289	151,600	168,026
Royal Flying Doctor Service	Waiver		18,110	18,110	55,000	103,203
Community organisations 50% of facility hire fees	Waiver	50.00%		10,482	2,000	600
				204,881	208,600	271,829

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Rates concessions	Concession to a vacant island which is minimum rates, two parcels of land outside the town boundary which are minimum rated and one rural property which is rated on the basis of a reduced area.	To allow for limited services provided and cultural related matters.	
Royal Flying Doctor Service	100% of landing fees incurred by Royal Flying Doctor Service	To retain the RFDS services in the community and acknowledge the vital community service.	
Community organisations 50% of facility hire fees	50% of use for some community organisations and shire staff.	To support clubs for contributions made to the community and to protect the health and lifestyle of shire staff.	

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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21. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	15/10/2018	0.00	0.00%	11.00%
Option Two				
First instalment	15/10/2018	0.00	0.00%	11.00%
Second instalment	17/12/2018	10.00	5.50%	11.00%
Option Three				
First instalment	15/10/2018	0.00	0.00%	11.00%
Second instalment	17/12/2018	10.00	5.50%	11.00%
Third instalment	18/02/2019	10.00	5.50%	11.00%
Fourth instalment	23/04/2019	10.00	5.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	260,057	190,000	201,465
Interest on instalment plan	22,431	21,500	20,219
Charges on instalment plan	0	10,500	10,430
	282,488	222,000	232,114

SHIRE OF DERBY/WEST KIMBERLEY
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FOR THE YEAR ENDED 30TH JUNE 2019

22. RATE SETTING STATEMENT INFORMATION

		2018/19 (30 June 2019 Carried Forward) \$	2018/19 Budget (30 June 2019 Carried Forward) \$	2018/19 (1 July 2018 Brought Forward) \$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	9(a)	(425)	0	(79,362)
Less: Change in accounting policy	26(c)	138,985	0	0
Movement in pensioner deferred rates (non-current)		(63,686)		
Movement in employee benefit provisions (non-current)		(43,809)	0	13,864
Movement in other provisions (non-current)		1,055,398	0	437,638
Add: Loss on disposal of assets	9(a)	0	0	2,334,991
Add: Depreciation on assets	9(b)	6,855,338	9,018,200	8,995,235
Add: Amortisation of intangible asset		282,909		282,909
Non cash amounts excluded from operating activities		8,224,710	9,018,200	11,985,275
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets as per the balance sheet				
Less: Reserves - restricted cash	3	(1,552,654)	(1,913,600)	(1,552,654)
Add: Borrowings	13(a)	5,556,320	5,556,320	176,969
Current liabilities not expected to be cleared at the end of the year		0	929,400	0
Total adjustments to net current assets		4,003,666	4,572,120	(1,375,685)
Net current assets used in the Rate Setting Statement				
Total current assets		10,302,601	4,302,900	12,313,299
Less: Total current liabilities		(10,286,531)	(8,875,020)	(4,211,665)
Less: Total adjustments to net current assets		4,003,666	4,572,120	(1,375,685)
Net current assets used in the Rate Setting Statement		4,019,736	0	6,725,949

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	1.02%	6,031,261	1,552,654	4,295,184	183,423
2018					
Cash and cash equivalents	0.80%	6,448,202	0	6,383,146	65,056

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	60,312	64,482

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.08%	0.48%	1.03%	31.18%	
Gross carrying amount	39,117	1,154,792	547,797	1,042,728	2,784,434
Loss allowance	31	5,338	5,350	329,081	339,800
01 July 2018					
Rates receivable					
Expected credit loss	0.04%	0.25%	0.48%	35.99%	
Gross carrying amount	45,164	999,289	437,564	922,742	2,404,760
Loss allowance	18	2,498	2,100	320,433	325,050

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.12%	0.21%	1.41%	37.24%	
Gross carrying amount	989,846	45,334	6,775	374,531	1,416,486
Loss allowance	1,188	95	96	215,780	217,159
01 July 2018					
Sundry Receivables					
Expected credit loss	0.09%	0.16%	1.08%	81.34%	
Gross carrying amount	3,166,793	41,337	9,050	209,364	3,426,543
Loss allowance	2,850	66	98	188,200	191,214

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	3,977,715	0	0	3,977,715	3,977,715
Borrowings	5,765,893	1,003,869	1,430,723	8,200,485	7,456,985
	9,743,608	1,003,869	1,430,723	12,178,200	11,434,700
2018					
Payables	3,099,057	0	0	3,099,057	3,099,057
Borrowings	551,005	2,634,303	4,842,930	8,028,238	7,603,874
	3,650,062	2,634,303	4,842,930	11,127,295	10,702,931

SHIRE OF DERBY/WEST KIMBERLEY
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FOR THE YEAR ENDED 30TH JUNE 2019

24. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are detailed below. In the current year, there has been a reclassification of some trust monies which are now included as Restricted Cash at Note 3 and shown as a current liability at Note 12.

	1 July 2018	Amounts Received	Amounts Paid	Reclassified (to)/from Restricted Cash	30 June 2019
	\$	\$	\$	\$	\$
Pre-paid/overpaid rates	2,216	0	0	(2,216)	0
Deposits halls	9,145	7,100	(8,700)	(7,545)	0
Deposits other	324,404	23,707	(11,630)	(336,481)	0
BCITF training levy	418	865	(865)	(418)	0
Nomination fees	240	0	0	(240)	0
BRB levy	34	4,679	(3,425)	(1,288)	0
FX Visitors centre tour groups	110,047	267,717	(360,034)	(17,730)	0
Sale of art	3,315	6,661	(7,418)	(2,558)	0
Cemetery publications	956	0	0	(956)	0
Grants	91	0	0	(91)	0
Parking/footpath/streets contrib.	285,361	0	0	10,620	295,981
	736,227	310,729	(392,072)	(358,903)	295,981

SHIRE OF DERBY/WEST KIMBERLEY
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25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No subsequent events were noted that require disclosure.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

	Adjustments	01 July 2018
	\$	\$
Assets		
Trade receivables	(a),(b)	(138,985)
Total Assets		(138,985)
Total adjustments on Equity		
Accumulated surplus/(deficit)	(a),(b)	(138,985)
		(138,985)

The nature of these adjustments are described below:

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(a) Classification and measurement (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire did not designate any financial assets as at fair value through profit and loss.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Shire recognised a reduced impairment on the Shire's Trade receivables of \$138,985 which resulted in an increase in accumulated surplus/(deficit) of \$138,985 as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	ECL under AASB 9 as at 01 July 2018
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	655,249	(138,985)	516,264
	655,249	(138,985)	516,264

(c) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2018 is as follows:

	Adjustments	2018
	\$	\$
Retained surplus - 30 June 2018		65,791,829
Adjustment to retained surplus from adoption of AASB 9	138,985	138,985
Retained surplus - 1 July 2018		65,930,814

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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28. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

	AASB 118 carrying amount		AASB 15 carrying amount	
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Contract assets		0	2,338,350	2,338,350
Contract liabilities - current				
Unspent grants, contributions and reimbursements		0	426,418	426,418
Adjustment to retained surplus from adoption of AASB 15	28(d)		1,911,932	

(b) Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019.

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount and discounted using the lessee's incremental borrowing rate.

At the 30 June 2019 the Shire had no leases required to be recognised.

- The Shire does not have any leases as at 30 June 2019.

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

28. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

(c) Income For Not-For-Profit Entities

The Shire will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes will occur to the following financial statement line items by application of AASB 1058 as compared to AASB 1004 Contributions before the change:

		AASB 1004 carrying amount		AASB 1058 carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Contract liabilities - current				
Unspent non operating grants, contributions and reimbursements		0	682,509	682,509
Adjustment to retained surplus from adoption of AASB 1058	28(d)		(682,509)	

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

(d) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2019 is as follows:

	Note	Adjustments	2019
		\$	\$
Retained surplus - 30 June 2019			65,878,010
Adjustment to retained surplus from adoption of AASB 15	28(a)	1,911,932	
Adjustment to retained surplus from adoption of AASB 1058	28(c)	682,509	2,594,441
Retained surplus - 01 July 2019			68,472,451

SHIRE OF DERBY/WEST KIMBERLEY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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29. CORRECTION OF ERROR

During the year the Shire identified draft reports for the Derby and Fitzroy Crossing Waste Facilities had been received in 2014 and 2016 respectively. In error, the future costs to close these two facilities were not capitalised on receipt of the reports and no corresponding provision raised. Whilst the reports are still only in draft and they provide a reasonably reliable estimate relating to the future costs and timing of closing the facilities. A correction of prior year error has been raised to provide for the costs of closure as at 1 July 2017 and increase the cost of waste facility assets at the same time. Amendments were made to the 30 June 2018 balances for the depreciation of the assets and change in the present value of the provision during the year ended 30 June 2018.

Statement of Financial Position (Extract)	30 June 2018 \$	Increase/ (Decrease) \$	30 June 2018 (Restated) \$	30 June 2017 \$	Increase/ (Decrease) \$	01 July 2017 (Restated) \$
NON-CURRENT ASSETS						
Infrastructure	160,617,158	0	160,617,158	136,427,036	6,850,131	143,277,167
NON-CURRENT LIABILITIES						
Other provisions	0	(9,245,637)	(9,245,637)	0	(8,807,999)	(8,807,999)
NET ASSETS	160,617,158	(9,245,637)	151,371,521	136,427,036	(1,957,868)	134,469,168
EQUITY						
Retained surplus	68,470,244	(2,678,415)	65,791,829	71,396,585	(1,957,868)	69,438,717
TOTAL EQUITY	68,470,244	(2,678,415)	65,791,829	71,396,585	(1,957,868)	69,438,717

Statement of Comprehensive Income (Extract)	2018 \$	Increase/ (Decrease) \$	2018 (Restated) \$
<i>By Nature or Type</i>			
Depreciation on non-current assets	(8,712,326)	(282,909)	(8,995,235)
Other expenditure	(1,048,665)	(437,638)	(1,486,303)
<i>By Program</i>			
Community amenities	(3,850,975)	(720,547)	(4,571,522)
Net result for the period	(3,074,339)	(720,547)	(3,794,886)
Total comprehensive income for the period	26,959,504	(720,547)	26,238,957

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

30. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

31. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Administration and operation of facilities and services to members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision of various by-laws, fire prevention, emergency services and animal control.
HEALTH To provide an operational framework for environmental and community health.	Food quality and pest control, inspection of abattoir and operation of child health clinic, analytical testing and environmental health administration.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Year round care, housing for the aged and educational services.
HOUSING Help ensure adequate housing.	Management and maintenance of staff and rental housing.
COMMUNITY AMENITIES To provide services required by the community.	Rubbish collections, recycling, refuse site operations, litter control, administration of the town planning scheme, cemetery operations, public toilet facilities, sewerage and protection of the environment.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which help the social well being of the community.	Maintenance and operation of the Town Hall, the aquatic centre, recreation centre, library, community arts program, cultural activities and various services.
TRANSPORT To provide safe, effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, footpaths, street lighting, traffic management and airport. Purchase and disposal of Council's road plant, parking control and police licensing.
ECONOMIC SERVICES To help promote the Shire and its economic well being.	Building control, saleyards, tourism and area promotion, standpipes and pest control.
OTHER PROPERTY AND SERVICES To monitor and control the Shire's overheads operating accounts.	Private works operations, plant repairs and operation costs, stock and materials, property leases and rental, salaries and wages for council employees.

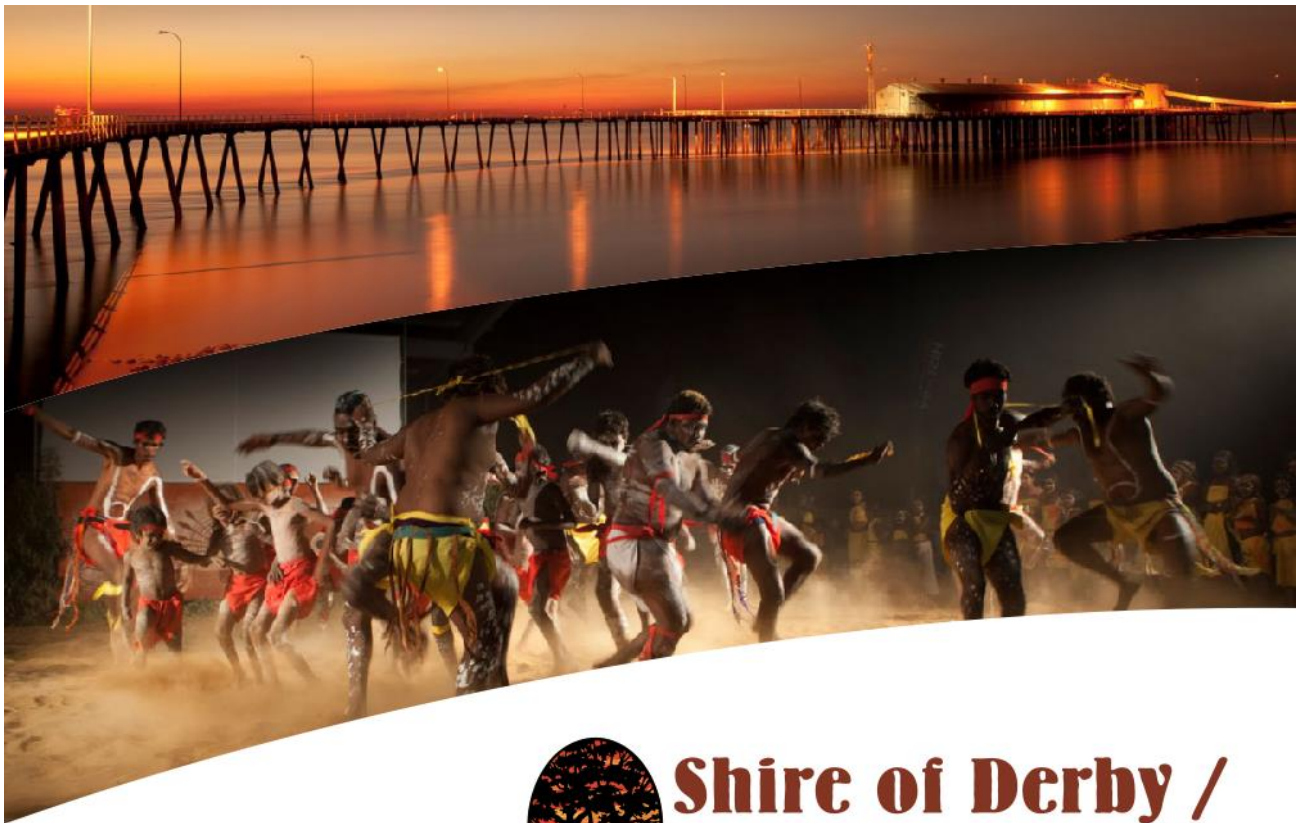
SHIRE OF DERBY/WEST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

32. FINANCIAL RATIOS

	2019 Actual	2018 Restated	2017 Restated
Current ratio	0.66	1.91	1.39
Asset consumption ratio	0.96	0.58	0.76
Asset renewal funding ratio	N/A	N/A	N/A
Asset sustainability ratio	1.33	0.56	0.52
Debt service cover ratio	4.40	(30.09)	6.84
Operating surplus ratio	(0.54)	(1.58)	(0.71)
Own source revenue coverage ratio	0.47	0.31	0.37

The above ratios are calculated as follows:

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



**Shire of Derby /
West Kimberley**

**Annual Report
2019**

 www.sdwk.wa.gov.au

Guidelines prepared by Market Creations

OUR ANNUAL REPORT

The Shire of Derby/West Kimberley is happy to present this Annual Report which serves to document its activities and achievements throughout the 2018/19 financial year.

With an emphasis on best practice and continual improvement, the information in these pages sets out to provide a snapshot of the Shire's progress over this period focusing on community, infrastructure, environment and strategic direction.

It is organised to align with our Strategic Community Plan 2012-2021 and Corporate Business Plan 2018 - 2022. These plans highlight the strategic vision for The Derby West Kimberley Shire based on the following themes:

Community wellbeing

a diverse, caring and safe community providing opportunities for all its people.

Environment

a balance between natural and built environments that meet the needs of the community and supports future growth.

Strong local economy

a strong local economy that is supported by a broad industry base with opportunities for business development and employment.

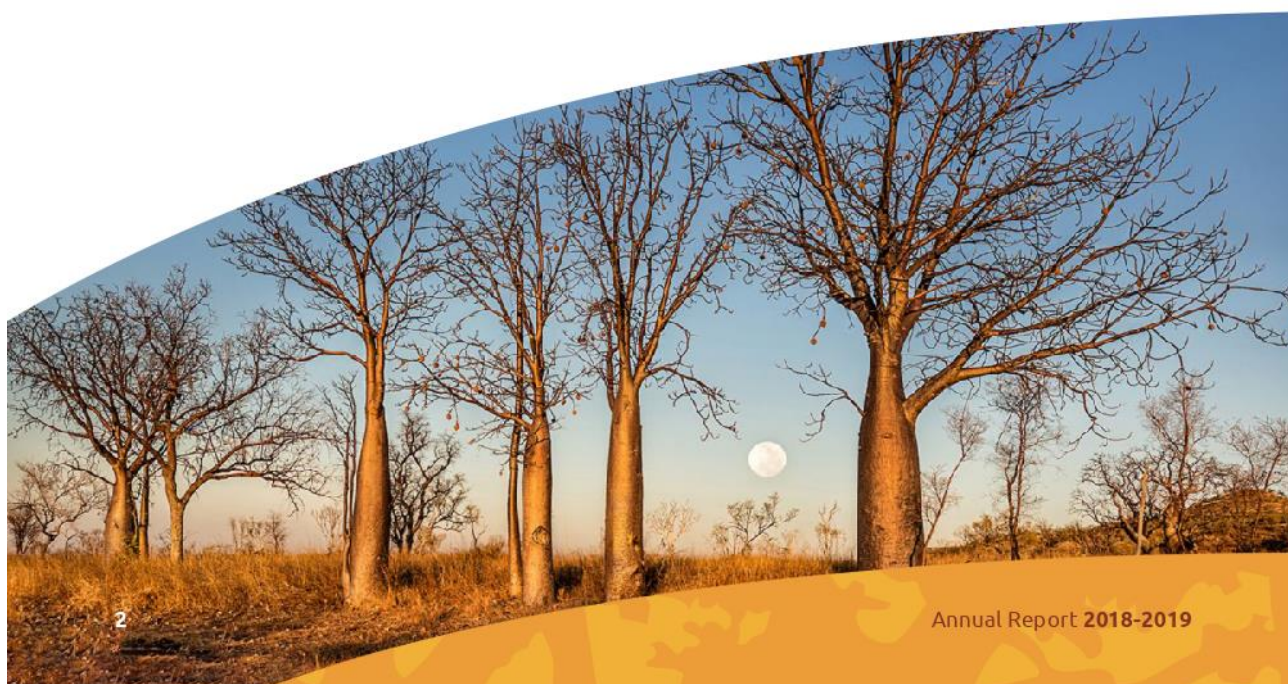
Good Governance

leadership that provides strategic direction for the community, supported by efficient and effective service delivery.

Our Annual Report focuses on the key projects delivered in 2018/19 under each theme, marking our continued progress towards realising our community vision — 'A friendly and diverse place with awesome opportunities.'

Copies of the Strategic Community Plan 2012-2021 can be downloaded from our website <http://www.sdwk.wa.gov.au/our-council/council-documents/annual-reports>.

Our financial statements have been certified by an independent auditor.



ACKNOWLEDGEMENT OF COUNTRY

The Shire of Derby/West Kimberley acknowledges First Nations peoples living and working in the Shire. Council recognises the people of the Warrwa, Bardi, Jawi, Ngarinyin, Worrorra, Nyikina, Mangala, Unggumi, Bunuba, Walmajarri, Kija, Gooniyandi, Oogardang, Oomeday, Yow Jabi and Wangkatjunka Nations as the original custodians of the lands now known as Shire of Derby/West Kimberley. On behalf of the Shire, Council pays respect to their Elders, past, present and future and extends that respect to all Aboriginal Australians living within the Shire of Derby/West Kimberley.

*Photo: Mowanjum Arts Festival –
Junba Gathering*

Shire of Derby/West Kimberley

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OUR COMMUNITY AND ABORIGINAL HERITAGE

The area now known as the Shire of Derby/West Kimberley has a diverse Indigenous Australian heritage.

Across this area a large number of language and cultural groups have a long history that predates European contact.

Traditionally, prior to contact, Aboriginal people from the Warrwa, Bardi, Jawi, Ngarinyin, Worrorra, Nyikina, Mangala, Unggumi, Bunuba, Walmajarri, Kija, Gooniyandi, Oogardang, Oomeday, Yow Jabi and Wangkatjunga language groups (among others) would interact for law and ceremonial business.

Our Shire is home to over 7,730 people living in 54 sites across the vast West Kimberley.

The Gibb River Road, the mighty Fitzroy River, the Devonian Reef and the amazing Horizontal Waterfalls are just a few of the incredible assets that make up our 118,560 square kilometres.

The Shire of Derby/West Kimberley looks forward to an ongoing partnership with Indigenous organisations to improve the wellbeing of our Indigenous communities and residents.



QUICK FACTS

1961

Became the Shire of Derby
West Kimberley (West Kimberley Road
District in 1884)

Total Population

7,730



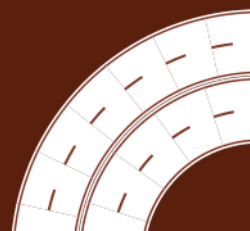
Total assets

220.897M



2,872.01kms

Total Length of Roads



17

Number of Shire
Facilities

118,560sqm

Total Area

8,883

Total Waste
Volume Collected
Tonnes



Rates revenue
2018/19

1925

Number of Rateable Properties



6.86M

2,074

Tonnes
Total Waste Recycled

Total revenue
2018/19

24.014M

8000

Books Loaned



Dog and Cats Registered



PRESIDENT AND CHIEF EXECUTIVE OFFICER'S REPORT

The Shire of Derby/West Kimberley has undergone a significant period of transition over the last twelve months, with a change in CEO as well as a number of staff and those in managerial positions.

Local government is being called upon by its communities and State and Federal Governments to think beyond Roads, Rates and Rubbish and provide innovative community solutions.

Council has continued to lobby for positive outcomes in key areas such as:

- Flight Services for Derby – ongoing negotiations continue with key stakeholders in an effort to secure direct flights for Derby. The Shire has been promised that the funds remain a key budget commitment of the McGowan Government.
- Increased Wharf Operations.
- Tourism Growth.

Council completed a significant amount of projects over the year:

- Road Repairs under the State's WANDRRA funding has taken up a considerable amount of time and effort.
- Major works were undertaken at the Port to improve safety and security.

Council continues to work to support key community events and activities and this year successfully supported over 80 clubs and activities in the community. We have also had the pleasure of hosting Citizenship Ceremonies welcoming nine new citizens to our community.

Council continues to work alongside the Kimberley Regional Councils and has been lobbying for safer roads and action to be taken regarding straying cattle, the construction of the Tanami Road and the widening of single lane bridges in an effort to improve access to the Kimberley to encourage tourism and economic development across the area.

On behalf of my fellow Councillors, I would like to take this opportunity to thank our residents for their support over the last 12 months. I would also like to thank our outgoing CEO Stephen Gash for his commitment and contribution to the Shire of Derby/West Kimberley and welcome Amanda O'Halloran to the role. We have a very exciting future in the Shire with many opportunities on the horizon and I look forward to continuing to work with Council to make some of them a reality in the coming years.

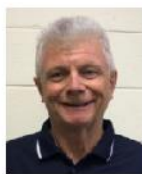


Photo: Warrwa Country

COUNCILLORS



Cr Geoff Haerewa
Shire President



Cr Paul White
Deputy Shire President



Cr Chris Kloss
Councillor



Cr Iris Prouse
Councillor



Cr Andrew Twaddle
Councillor



Cr Geoff Davis
Councillor



Cr Denise Andrews
Councillor



Cr Peter McCumstie
Councillor



Cr Peter Coggins
Councillor



Shire of Derby/West Kimberley

Photo: Bunuba Country

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Elected Members Attendance at Council Meetings

Elected Members attended the following Council meetings during the 2018-19 year:

Councillor	26 Jul 2018	30 Aug 2018	27 Sep 2018	25 Oct 2018	28 Nov 2018	10 Dec 2018	28 Feb 2019	14 Mar 2019	28 Mar 2019	11 Apr 2019	18 Apr 2019	30 May 2019	30 May 2019	27 Jun 2019
	OCM	OCM	OCM	OCM	OCM	OCM	OCM	SCM	OCM	SCM	OCM	OCM	AGM	OCM
P White	✓	✓	LOA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
P Coggins	LOA	✓	✓	✓	✓	LOA	✓	✓	✓	A	✓	LOA	A	✓
C Kloss	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
P McCumstie	✓	LOA	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
I Prouse	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
A Twaddle	✓	LOA	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓
G Davis	✓	✓	A	A	A	*	*	*	*	*	*	*	*	*
G Haerewa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
D Andrews	✓	✓	✓	LOA	A	✓	LOA	A	A	A	✓	✓	A	A

*Determination finalised by State Administrative Tribunal (SAT) on 28 August 2019. SAT determined that Councillor Geoff Davis is not disqualified from holding office as a Councillor of the Shire of Derby/West Kimberley.

SHIRE STAFF



THE 2018/19 YEAR IN REVIEW

Set out under strategic plan framework

Community wellbeing	A balance between the natural and built environments	A strong and diverse local economy	Good governance and effective organisation
Derby and Fitzroy Crossing Expo's	Derby Airport	Annual Budget	Records Management
School Holiday Programs	Derby Wharf		Governance and Compliance
Library Services	Transport and Safe Infrastructure		Human Resources
Local History and Heritage	Attractive Parks and Gardens	Financial Summary Snapshot	Payments to Employees
Kimberley Art Prize & Kimberley Photographic Award	Local Planning Strategy		Participation in Employment Opportunities for Youth
Australia Day Awards	Local Planning Scheme No.8	Tourism	National Competition Policy – Compliance
Support of the Notre Dame Project	Coastal Vulnerability Study & Coastal Hazard Risk Management and Adaptation Plan		Competitive Neutrality
Community Grants and Sponsorships	Native Title	Fitzroy Crossing Visitors Centre	Legislation Review
Aquatic and Recreation	Environmental Health		Structural Reform
Fitzroy Crossing Recreation	Aboriginal Environmental Health		Register of Complaints
Disability Access and Inclusion	Building Services		Freedom of Information
	Waste Management		Public Interest Disclosure
	Ranger Services		Register of Gifts
			Fitzroy Crossing Visitor Centre
			Customer Service

COMMUNITY WELLBEING

Derby and Fitzroy Crossing Expo's

A record number of 45 exhibitors displayed stalls to over 500 visitors during the February 2019 Derby Expo, while in Fitzroy Crossing, the inaugural event caught the attention of 20 exhibitors and more than 150 community members. As the first expo of its kind in Fitzroy Crossing, the event was a huge success and left service providers talking about participation in future events.

School Holiday Programs

The Junior program is available to all primary school age children age 4 to 13 years. It is run by the Aquatic and Recreation team, utilising the facilities at either the Derby Memorial Swimming Pool or Derby Recreation Centre and Undercover courts. Participants enjoy activities such as; cooking, arts and craft, movie days, sports days, trail walks and novelty days. The team also organises the extremely popular Community Pool Party which is held on the last Friday of every school holiday period.

The Senior program is available for all the Youth living and visiting the Derby Community. The youth team collaborate with Winun Ngari's Remote School Attendance Strategy team in providing attractive activities such as; fishing trips, cooking, Broome trips, and activities at the Derby Youth Centre. This combined effort has also had great success in hosting sporting days to encourage physical activity and teamwork. The youth team also host the Annual NAIDOC Family Fun Day for all community members to participate and enjoy.

Library Services

Over 12,000 people visited the Derby and Fitzroy Crossing libraries where over 19,000 physical and electronic items such as e-books and e-audiobooks were issued. Family literacy sessions (Rhyme Time and Story Time) continue to be well supported at both libraries, with nearly 2,000 members attending over the year.

Derby Library retired its Monday Lego afternoons and introduced Crafternoons (craft sessions for primary age children) and Challengers (STEM based sessions for any age). The library space was put to good use for the School Holiday programs (movie mornings) and as a quiet meeting area for small community groups. School visits continued with hundreds of school children from Derby District High School and Holy Rosary School visiting the library over the 12 months.

The introduction of school visits and community collaboration for events in Fitzroy Crossing included:

- Weekly visits from Baya Gawi for reading and accessing resources
- Participation in Deadly Diva Day
- Town treasure hunt
- School Holiday activities which were in high demand with over 300 children choosing to participate in various programs over the period
- After school activities each Monday



Photo: Mowanjam Arts Festival – Junba Gathering

Local History and Heritage

The library continues to register local history articles and photographs; the collection has grown to now house over 10,000 items, 2000 of which are photographs of people and places in the Shire.

Kimberley Art Prize & Kimberley Photographic Award

The Art Prize exhibition displayed 113 amazing pieces and the Photographic Award hosted 207 entries with each of these events attracting over 600 people, including the opening night and following 6 days when open for viewing. The overall winners were Katie Breckon with her art entry "Worrorra Stone Tool – Vic Cox Collection" and Landi Bradshaw with her photographic entry "Bastion Bolt".

Australia Day Awards

The winners of the Premier's Australia Day Active Citizenship Awards who are recognised for "fostering Australian Pride and spirit through active citizenship and outstanding contribution to community" in the Shire of Derby/West Kimberley were:

Person Under 25 Years Old: Courteney Perry

Person Over 25 Years Old: Pene Brown

Senior Person Over 60 Years Old:

Rosmarie Wilson and Mary Aiken

Community Group/Event: Derby Speedway Club

Support of the Notre Dame Project

Notre Dame Medical School has a program for 2nd year medical students as part of the Kimberley Remote Area Health Placement program.

The program is unique to Medical Schools in Australia and has been running for 13 years in the communities of Derby, Fitzroy Crossing and Broome.

It is a 1 week placement that allocates students to small town/s or remote community schools, pastoral stations and local organisations. The program provides students with the opportunity to live with, and learn from Kimberley people and has been effective in encouraging medical students to work in rural or remote places.

Each year the Shire hosts three students and this year they worked with the Aboriginal Environmental Health Department, Community Development team and Rangers. At the end of the program, students were treated to a special Kimberley experience and were taken Mud Crabbing!

Community Grants and Sponsorships

The community grants scheme continues to support the community with \$37,982.00 donated amongst various groups to assist in the delivery of various programs. Additional, larger grants supported community festivals, youth initiatives, animal welfare, environmental programs and club development.



Shire of Derby/West Kimberley

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COMMUNITY WELLBEING

Aquatic and Recreation

Events staged throughout the year included; Flippa Ball come and try day, Derby Dash and Splash and many private party bookings over the festive season. Programs ran included the Junior School Holiday Program and the Learn to Swim Program. Pool Memberships increased over the 2018/19 period and we look to increase the number of programs that will be available to the community in the upcoming financial year.

Fitzroy Crossing Recreation

The Aquatic and Recreation team began to make a larger presence in Fitzroy Crossing over the past year. The team is negotiating an extension of the SDWK/Garnduwa Memorandum of Understanding and is also working with Garnduwa and the Youth Education, Employment and Training subcommittee on a "Youth Hub". This year staff again ran the three day 'Work Inspiration' program that showcased a variety of career options within the Shire to a group of year 9 and 10 students.

Disability Access and Inclusion

The following is a summary of our achievements under the Shire of Derby/West Kimberley Disability Access Plan for 2018/19. Significant DAIP initiatives undertaken by, or on behalf of Shire of Derby/West Kimberley by agents and contractors, in 2018-2019 included::

- Improvements to, and construction of new pathways
- Modification to the entry of the Jetty walkway to allow access by mobility scooters
- Completion of Clarendon Street upgrade including crossovers and ACROD parking bays
- Participated in the Department of Communities' ten year State Disability Plan consultation process



Photo: Bunuba Country

A BALANCE BETWEEN THE NATURAL AND BUILT ENVIRONMENTS

Derby Airport

- Upgrade to Terminal Building complete.
- Complete upgrade to reticulated water system and treatment plant.
- Installation of new power back-up generator and electrical upgrade throughout.
- Installation of new Fire Hydrant system.
- Installation of new LED runway lighting system and new apron lights.
- Re-construction and extension of apron to take jets.

Derby Wharf

- Installation of hand rails to replace ageing timber handrail system.
- Repairs to the goods shed on the wharf.
- Repairs to some of the supporting structure of the wharf where required – this work included replacement and strengthening portions of the deck and columns.

Transport and Safe Infrastructure

- Reconstructed sections of Forrest Road (0.90km - \$309,918) and Geikie Gorge Rd (0.96km - \$302,513) in Fitzroy Crossing.
- Reconstructed Knowsley St West (Marmion St to Heytesbury St, 0.60km - \$736,637) and commenced reconstruction of Sutherland St (Loch St to Ord St 0.64km - \$936,730) in Derby.

- Reconstructed the intersection of Nevill and Rowan Streets in Derby as a State Blackspot funded project for \$168,416.
- Reshaped the formation and gravel re-sheeted the road pavement and replaced 3 cattle grids on Calwynyardah-Noonkanbah Rd (4.61km - \$310,304), Cherrabun Rd (2.56km - \$251,811), Fairfield-Leopold Downs Rd (3.00km - \$223,850) and Milligiddee Access Rd (1.48km - \$72,296).
- Completed 74.35km of reinstatement of unsealed roads (\$3.25 million) and 0.45km of sealed roads (\$410,430) damaged by the flooding in January 2017.
- Completed reinstatement of 62.37km of unsealed roads damaged by the flooding in January/February 2018 for \$2.33 million.
- Constructed new floodways on Fairfield-Leopold Downs Rd (\$197,912) and Mt Anderson Rd (\$549,467) to reduce damage caused to these roads most wet seasons.

Attractive Parks and Gardens

Completion of the new park at the Fitzroy Crossing Recreation precinct. This project was the first of its kind in Western Australia, working with Marra Worra Worra and young local artists in designing the artworks to be included and carefully screened onto elements of the park.



Shire of Derby/West Kimberley

Photo: Danggu

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A BALANCE BETWEEN THE NATURAL AND BUILT ENVIRONMENTS

Local Planning Strategy

The Local Planning Strategy (LPS) is the overarching land use planning document which will facilitate the Shire's decision-making over the next 10 to 15 years. It encompasses the eight key areas of planning: natural resource management and environment protection, population and housing, economy and employment, activity centres, tourism, open space and community facilities, rural land uses, urban design and heritage, transport and infrastructure services. The Plan has been approved by the Western Australian Planning Commission (WAPC) and provides direction for the preparation of the whole new District Local Planning Scheme No.8, which the Council resolved to prepare in February 2015.

Local Planning Scheme No.8

The Planning and Development Act 2005 requires that local planning schemes be reviewed periodically. The new Local Planning Scheme (LPS) will be the statutory document that controls the use and development of land within the whole of the Shire of Derby/West Kimberley.

The Council has resolved to prepare a new Local Planning Scheme that will cover the whole of the district and ultimately will supersede both TPS No.5 and TPS No.7.

The implementation of a new whole of district Local Planning Scheme will enable the Council for

the first time to exercise Planning Controls over the whole of the Shire, rather than only within the gazetted town sites. The preparation of the new scheme is being guided by the Council's endorsed Local Planning Strategy (LPS) which will set a clear picture of objectives, planning intentions and proposals of both the Council and the community.

Plans or strategies may also be prepared for specific precincts to account for local history and character and/or specific land use and planning issues. Such studies include the Coastal Vulnerability Study as it applies to the Derby town site and the Fitzroy Futures Town Plan which will provide the basis for the planning of Fitzroy Crossing.

Coastal Vulnerability Study & Coastal Hazard Risk Management and Adaption Plan

State Planning Policy No.2.6 – State Coastal Planning Policy was prepared by the Western Australian Planning Commission to provide guidance for decision-making within coastal zones across the State. Section 77 of the Planning and Development Act 2005 requires that local governments have regard to the policy where it affects its district when preparing a local planning scheme.

Consequently, in order to support the preparation of the new Local Planning Scheme No.8, the Shire

Photo: Garaangaddim in Dambimangari Country

has now completed a Coastal Vulnerability Study (CVS) over the Derby Town Site and immediate surroundings (Study Area). The purpose of the CVS is to identify and understand the risks of coastal vulnerability over the Study Area resulting from a range of factors including erosion, coastal inundation and freshwater flooding over a 100- year planning timeframe.

The hazard mapping delivered through the CVS identifies those properties, assets and or the immediate surrounds that are potentially impacted by coastal inundation and or coastal erosion over the 100-year planning timeframe.

Under the State Planning Policy Framework, the Shire was required to undertake a process to analyse the identified coastal hazard risk and develop management and adaption measures where appropriate. This additional work is identified as the Coastal Hazard Risk Management and Adaption Plan (CHRMAP). The purpose of the CHRMAP is to further evaluate the identified coastal hazards from the CVS and develop suitable risk management and adoption measures in consultation with local community and relevant stakeholders. The CHRMAP process involves stakeholder and community engagement to:

- Consider coastal hazards and evaluate their likelihood and the consequence for specific assets;
- Identify realistic and effective management and adaptation responses to those risks; and
- Prioritise potential management and adaptation responses.

The CHRMAP process recognises the inherent uncertainty associated with coastal hazard impacts and timeframes, and seeks to provide a tool

through which decision makers can manage coastal hazard risk into the future. This understanding will allow the Shire to make informed decision-making on land-use planning including designation of coastal reserves, new development and infrastructure, establishing building set-backs and stormwater drainage.

Native Title

There are twenty four Native Title applications within the Shire boundaries. These include Wanjina/ Waungurr-Willinggin, Dambimangari; Nookanbah, Ngurrara, Bunuba No.1 and No.2, Gooniyandi; Nyikina Mangala; Kurungal, Yi Martnwarra Ngurrara and Yarrangi Riwi Yoowarni Gooniyandi, Yi- Martnwarra Ngurrara Native Title applications.

The balance of other applications being the Warrawa Mawadjala Gadjidgar, Warrwa Combined, Booroola Moorrool Moorrool, Bindunbar, Yi Martuwarra Ngurrara, Ngurrara D1, Warlungurru, Bunuba #2 Part B, Yurriyangem Taam and Ginijawarni Yoowaniya Riwi Native Title applications that are located within the Shire are at various stages of progress and will be actioned as individual matters are progressed by the claimant groups and the Federal Court.



Shire of Derby/West Kimberley

Photo: Garaangaddim in Dambimangari Country

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Environmental Health

The environmental health department continued its role in public health education, enforcement and compliance across various areas of the health discipline and fulfilled statutory obligations pursuant to various legislation.

The department continued to increase the use of social media to communicate environmental health related messages with some positive results. Regular duties continued throughout the year which included routine inspections at food premises, caravan parks and camping grounds, public buildings and lodging houses with an increasing focus on traders, stallholders and public events.

Aboriginal Environmental Health

The Shire's Aboriginal environmental health unit continued to deliver environmental health related services to the 54 Aboriginal communities located within the Shire.

The unit participated in the Department of Health "You gotta wash Ya Face to Come to my Place" health promotion program at Kalumburu. Clinic Environmental Health Referrals became a larger focus with a tie-in to the Safe Bathroom Assessment and Squeaky Clean Kids projects.

A new indigenous trainee was employed and they have been successfully progressing through training courses and in-field experience to build capacity and contribute to team goals.

The team continued to work in partnership with Nindillingarri, Mowanjum and Looma who are also contracted to provide environmental health services in the Aboriginal communities within the Shire area.

Building Services

The Shire of Derby/West Kimberley had relatively steady growth again this year. Development and building applications remained steady but are still down on the peak of 6-7 years ago.

The processing of building permit applications continued with a contract arrangement with All West Building Approvals, to ensure statutory timeframes for processing were met. Training continues to be invested to ensure several staff are trained to perform the administrative functions of the building surveyor along with several process improvements to ensure compliance with the Act.

Waste Management

Waste management services continued to be provided with the contractual arrangement with Cleanaway (previously Toxfree) in both the Derby and Fitzroy Crossing townsites, while Camballin's waste management service is provided by Looma Community Inc. Total waste volumes have remained stable from the previous year and recycling volumes slightly increased.

All legislated functions were met including the annual waste census and national pollution inventory reporting.

Ranger Services

Ranger services have continued to educate and inform the public on requirements across a range of topics including animal management, fire hazard mitigation, cyclone preparedness, litter management and nuisance control. The goal is to deliver positive outcomes within the community through education and enforcement. There has been a solid focus in process improvement and consistency of service delivery to the members of the community.

A STRONG AND DIVERSE LOCAL ECONOMY

Annual Budget

The Annual Budget is required to be prepared each year and adopted by Council by 31 August. The 2018-19 financial year's budget was prepared and adopted by Council on 30 August 2018. The budget also forms the basis for determining the level of Council's rates, which incurred an increase of 0.9% for the 2018/19 year. The discount rates system was again utilised offering a 2% discount on rates for those properties paying in full by the due date.

Tourism

Fitzroy Crossing Visitors Centre

2018/19 saw the completion of a mural within the Visitors' Centre painted by local Artists and

the upgrade to shelving within the Visitor Centre completed the internal aesthetics. The tourist season was shorter and sharper when compared to previous years. Implementation of a new phone system assisted in streamlining information and giving customers 24hr access to accurate information, and improved productivity within the centre's direct inquiries. Over 50% of stock sold through the Visitors' Centre is locally produced, supporting social enterprise, and with the increased focus on Australian-made products for resale. The enormous amount of positive feedback suggests it's a winner. Through 19/20 we will continue to focus on sourcing and stocking more merchandise that is both, locally and Australian made, thus supporting the Kimberley's tourism initiatives.

FINANCIAL SUMMARY SNAPSHOT AT A GLANCE

The total operating revenue for 2018/19 was \$17.883M

Employee wages costs for 83 permanent and casual employees were \$6.30M

58 Employees at 30/06/2019

Rates and charges comprised of \$10.74M of the total income received

Council's total grant funding for the year was \$12.50M

A \$10.73M capital works program was delivered

Cash and investments as of June 2019 totalled \$6.03M

Council borrowing are \$7.46M at the end of the year

GOOD GOVERNANCE AND EFFECTIVE ORGANISATION

Records Management

The Shire of Derby/West Kimberley remains committed to accurate and compliant record keeping practices in accordance with best practice and complying with the relevant legislation, including the State Records Act 2000. A records management training program is delivered to all new staff on a one-on-one basis. The training includes an outline of employees' roles and responsibilities to ensure compliance with the Shire's record keeping obligations. Staff participate in an annual training program which was undertaken in November 2018, with on-going refreshers provided as required. The Shire's recordkeeping plan was adopted by Council in October 2018 and approved by the State Records Office in December 2018.

Governance and Compliance

The annual Compliance Audit Return is required to be completed by Council by 31 March each year, for activities carried out in the previous calendar year 1 January to 31 December, to ascertain terminations, negotiation of enterprise employee agreements and resolution of employee disputes.

Human Resources

As part of the Shire's Health and Wellbeing Program supported by the Shire's insurers LGIS, all staff were offered support, training and opportunities with hearing testing and free flu shots.

To meet our obligations in Health and Safety to our staff and the community, the following two programs were completed:

In October and November 2018, nineteen (19) Technical services staff covering Fitzroy Crossing and Derby attended Traffic Management Accreditation, providing skills and qualifications in controlling traffic and to be able to implement a traffic management plan. This enables our workforce and the community to remain safe while Shire staff are undertaking work on our streets.

In November 2018 a Firearms Handling & Safety course was undertaken by six staff in the work areas of aboriginal environmental health, ranger

services and airports (in Derby and Fitzroy Crossing) to ensure our staff are equipped to safely carry out their functions in this area.

Recruitment

2018/2019 provided promotional opportunities for three (3) of our staff internally supporting retention and succession planning.

Thirteen permanent positions were advertised from which there were 8 appointments, with four positions based in Fitzroy Crossing needing to be advertised again.

In addition the shire recruited two (2) temporary staff and twelve (12) casuals to provide cover at Derby pool, Derby youth centre, and to assist with the Shire's school holiday program.

Payments to Employees

A requirement under section 19B of the Local Government (Administration) Regulations is that the annual report is to contain details of the number of employees of the local government entitled to an annual salary of \$100,000 or more in bands of \$10,000 for each band over \$100,000.

Salary Range	2018-2019
100,000 to 109,999	6
110,000 to 119,999	1
120,000 to 129,999	3
130,000 to 139,999	
140,000 to 149,999	
150,000 to 159,999	
160,000 to 169,999	1
170,000 to 179,999	
180,000 to 189,999	
190,000 to 199,999	
200,000 to 209,999	
210,000 to 219,999	
220,000 to 229,999	
230,000 to 239,999	1
240,000 to 249,999	1

Participation in Employment Opportunities for Youth

Transition Pathways Expo – Derby District High School

The Shire again participated in the annual Transition Pathways Youth Expo organised by Derby District High School in August 2018. The event showcased training, employment and other support agencies to year 10, 11 and 12 students. The Shire provided support to this initiative by hosting an exhibit stall for students to visit and talk individually with Shire employees about career paths.

Workplace learning WPL - Derby District High School and Fitzroy Valley District High School

The Shire made itself available this year to support both The Derby District and Fitzroy Valley High School workplace learning programs, providing valuable work experience at our Derby Memorial Swimming Pool, Administration, Works Departments and the Fitzroy Crossing Visitors Centre.

National Competition Policy – Compliance

In 1995 the Council of Australian Governments entered into a number of agreements, collectively known as the National Competition Policy.

Local government is affected mainly where it operates significant business activities which compete, or could compete, with private sector businesses. Local government is also affected where Local Laws unnecessarily affect competition.

The Shire is required to comply with certain policies contained within the National Competition Policy Statement and report on progress in connection with the National Competitive Neutrality Principles and review of Local Laws.

Each local government must report its progress in achieving National Competition Policy reforms in its annual report broadly under the following categories:

- Competitive Neutrality
- Legislation Review
- Structural Reform

Competitive Neutrality

This principle deals with ensuring that government business operations have no advantage or disadvantage in comparison with the private sector. The policy dictates that competitive neutrality should apply to all business activities which generate a user pays income of over \$200,000 unless it can be shown that it is not in the public interest. In this regard, no significant new business activities for the purposes of competitive neutrality were initiated or considered during the year and no non-compliance allegations were made.

Legislation Review

The Shire of Derby/West Kimberley did not promulgate any new legislation and as legislation is reviewed, it will be done with the National Competition Policy in mind. The Local Government Act 1995 requires all existing Local Laws to be reviewed every eight years. As part of this process the intention to review Local Laws is advertised in the media giving residents and ratepayers the opportunity to comment on any proposed changes, additions or deletions to the Shire's Local Laws.

Structural Reform

The Shire of Derby/West Kimberley did not undertake any structural reform during the 2018 - 19 financial year.

Register of Complaints

Section 5.121 of the Local Government Act 1995 requires the complaints officer of the local government to maintain a register of complaints which records all complaints that result in an action under section 5.110 (6)(b) or (c). For the purposes of section 5.53(2) (hb) of the Local Government Act 1995 it is advised that the Shire of Derby/West Kimberley received zero (0) complaints during this period.



GOOD GOVERNANCE AND EFFECTIVE ORGANSATION

Freedom of Information

In accordance with section 96 and 97 of the Freedom of Information Act 1992, the Shire is required to publish an information statement that details the process for applying for information under the Act, as well as information that the Shire provides outside the Act. This document is reviewed annually and available from the Shire's administration office or website. During 2018-19 the Shire received two Freedom of Information applications, which were both provided access. The Act requires that all applications are responded to within 45 days with which the Shire is compliant.

Public Interest Disclosure

In accordance with the requirements of the Public Interest Disclosure Act 2003, the Shire of Derby/West Kimberley has established procedures to facilitate the making of disclosures under the Act. These procedures set out the processes in respect to protected disclosures, generally to protect people from reprisal for making protected disclosures, and to provide guidance on investigations. The Shire reviewed its document on rights and obligations under the Public Interest Disclosures Act 2003 and the updated document is now available on the Shire's website.

In the 2018-19 financial year, no disclosures relating to improper conduct were made to the Shire and therefore no disclosures were referred to the Ombudsman.

Register of Gifts

Changes in the Local Government Act 1995 in March 2016 now require Elected Members and employees of the Shire to disclose any gift or contribution to travel received over \$200.00 in writing to the Chief Executive Officer within 10 days of receipt.

The Chief Executive Officer keeps a register of gifts which is made available on the Shire's website during the year. The register is also available for public inspection at the Shire's Administration building.

Fitzroy Crossing Visitor Centre

The Shire's office in Fitzroy Crossing is a central point of contact for Council services in the town, including dog and cat registrations, rate and debtor payments, facility hire and development application lodgement.

This multi-purpose building is also home to the Fitzroy Crossing public library with over 500 items available for short term borrowing including books, DVDs, magazines and internet access on a fee for time basis. This year the library has had the ability to offer after school arts and crafts activities, adult craft sessions with the library accessible for borrowers after work hours, rhyme time for the littlies on Friday mornings, and many visits from surrounding schools incorporating the town library as part of their enquiry based learning curriculum.

Department of Transport services are provided to Fitzroy Crossing and surrounding communities two days a week.

Customer Service

The Shire of Derby/West Kimberley Customer Service Charter was adopted in March 2019. The Shire is committed to the provision of timely, efficient, consistent and quality services that meet our customer's expectations. The Shire's aim at all times is to provide service of the highest quality. By knowing what to expect, our customers can monitor our performance, provide feedback on how we measure up and ensure we deliver on our undertakings. We may not be able to provide complete satisfaction but we will always strive for the best possible solution.

A copy of the Shire's Customer Service Charter can be found on our website: sdwk.wa.gov.au.

2019/20 – THE YEAR AHEAD

Photo: Lalgardi Barlu – Dinner Tree Derby

A PLAN FOR THE FUTURE

Council is intending to undertake a significant review of its Community Strategic Plan and associated documents such as the Corporate Business Plan, Asset Management Plan and Workforce Management Plan during the 2020 calendar year.

This will be a fantastic opportunity to engage with residents and key stakeholders and to better understand the communities' hopes and dreams. Council is keen to work with Agencies and the Youth Network to grow and connect services, and will monitor to ensure that the needs of our communities is being met.

The Council is excited to raise the volume of the community conversation across all sectors particularly families and youth. The Shire will look to engage Champions to assist and ensure that all voices are given an opportunity to yell out loud and proud what they want from their Shire and what they think their community needs.

MOORE STEPHENS FINANCIAL REPORTING



Shire of Derby / West Kimberley

Feedback

If you have a comment or questions about the Annual Report here's how to contact us

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6.2 OCCUPATIONAL SAFETY AND HEALTH POLICY

File Number: 5470

Author: Michelle Inglis, Manager Human Resources

Responsible Officer: Amanda O'Halloran, Chief Executive Officer

Authority/Discretion: Executive

SUMMARY

The purpose of this report is to present the Occupational Safety and Health (OSH) Policy to the Compliance and Strategic Review Committee for review and recommendation to Council for adoption.

DISCLOSURE OF ANY INTEREST

Nil

BACKGROUND

The Shire of Derby/West Kimberley originally adopted an Occupational Safety and Health Policy in 1998, it was reviewed in 2009 and recently in February 2019 it was rescinded with the view to combining it with AF 16 Injury Management at a later date through the policy review process that commenced in late 2018.

In September 2016 Council adopted the AF6 Risk and Opportunity Management Policy which was reviewed, updated and adopted in February 2019.

Since the changeover of Chief Executive Officers in mid-2019 and subsequent discussions with Council's insurers Local Government Insurance Services (LGIS) in the light of risk management and occupational safety and health it became apparent that a policy was required.

This is the first step in ensuring our OSH systems, process and practices meet legislative requirements, as well as the requirements of the Shires' insurers LGIS.

More importantly, this provides a framework for our Councillors and staff to ensure a safe work environment exists for all workers, and they are able to return home safely each day.

STATUTORY ENVIRONMENT

Local Government Act 1995

Section 2.7(2) (b) states that the making of a policy is a role of the Council.

Occupational Safety and Health Act 1984

19. Duties of employers

- (1) An employer shall, so far as is practicable, provide and maintain a working environment in which the employees of the employer (the employees) are not exposed to hazards and in particular, but without limiting the generality of the foregoing, an employer shall —

- (a) provide and maintain workplaces, plant, and systems of work such that,

- so far as is practicable, the employees are not exposed to hazards; and
- (b) provide such information, instruction, and training to, and supervision of, the employees as is necessary to enable them to perform their work in such a manner that they are not exposed to hazards; and
 - (c) consult and cooperate with safety and health representatives, if any, and other employees at the workplace, regarding occupational safety and health at the workplace; and
 - (d) where it is not practicable to avoid the presence of hazards at the workplace, provide the employees with, or otherwise provide for the employees to have, such adequate personal protective clothing and equipment as is practicable to protect them against those hazards, without any cost to the employees; and
 - (e) make arrangements for ensuring, so far as is practicable, that —
 - (i) the use, cleaning, maintenance, transportation and disposal of plant; and
 - (ii) the use, handling, processing, storage, transportation and disposal of substances, at the workplace is carried out in a manner such that the employees are not exposed to hazards.
- (2) In determining the training required to be provided in accordance with subsection (1)(b) regard shall be had to the functions performed by employees and the capacities in which they are employed.

Section 20 – Duties of Employees

20 . Duties of employees

- (1) An employee shall take reasonable care —
 - (a) to ensure his or her own safety and health at work; and
 - (b) to avoid adversely affecting the safety or health of any other person through any act or omission at work.
- (2) Without limiting the generality of subsection (1), an employee contravenes that subsection if the employee —
 - (a) fails to comply, so far as the employee is reasonably able, with instructions given by the employee's employer for the safety or health of the employee or for the safety or health of other persons; or
 - (b) fails to use such protective clothing and equipment as is provided, or provided for, by his or her employer as mentioned in section 19(1)(d) in a manner in which he or she has been properly instructed to use it; or
 - (c) misuses or damages any equipment provided in the interests of safety or health; or
 - (d) fails to report forthwith to the employee's employer —
 - (i) any situation at the workplace that the employee has reason to believe could constitute a hazard to any person that the employee cannot correct; or
 - (ii) any injury or harm to health of which he or she is aware that arises in the course of, or in connection with, his or her work.

(3) An employee shall cooperate with the employee's employer in the carrying out by the employer of the obligations imposed on the employer under this Act.

POLICY IMPLICATIONS

AF6 Risk and Opportunity Management Policy. Adopted at OCM Feb 2019.

The policy states Risk Management Objectives (relevant to OHS) as

- The ongoing health and safety of employees at the workplace.
- Ensuring public safety within the Council's jurisdiction is not compromised.
- Limited loss or damage to property or other assets.

And Responsibilities as

- Executives, managers and supervisors have the responsibility and accountability for ensuring that all staff manage the risks within their own work areas. Risks should be anticipated and reasonable protective measures taken.
- All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.
- All staff and employees will, as required, conduct risk assessments during the performance of their daily duties.

FINANCIAL IMPLICATIONS

There are no financial implications to the 2019-2020 budget.

LGIS to provide assistance and support through their provision of insurance services. Additional fee for services will be purchased using LGIS experience account.

STRATEGIC IMPLICATIONS

GOAL	OUTCOME	STRATEGY
Goal 4: Good Governance and an effective Organisation Leadership that provides strategic direction for the community, supported by efficient and effective service delivery.	Outcome 4.1: Effective governance and leadership. Outcome 4.5: Skilled, committed and professional staff in a supportive environment.	Strategy 4.1.4: Ensure governance policies and procedures are in accordance with legislative requirements. Strategy 4.1.8: Develop and maintain risk management policies and procedures. Strategy 4.5.3: Ensure safe work practices through implementation of appropriate Occupational, Health, Safety and Welfare practices.

RISK MANAGEMENT CONSIDERATIONS

RISK	LIKELIHOOD	CONSEQUENCE	RISK ANALYSIS	MITIGATION
People Health & Safety: That our Staff are not provided a safe work environment.	Likely	Moderate	Medium	Council adopt the policy proposed.

CONSULTATION

Discussions have been held between LGIS Senior Management and the Shire's Chief Executive Officer.

Planning and advice has been undertaken with the Shire's Manager Human Resources and Emma Horsefield – Principal OSH Consultant with LGIS.

A draft policy was emailed to the Shire's Senior Management Team and tabled at the 25 November 2019 management team meeting.

COMMENT

The change of Chief Executive Officer in mid-2019 and subsequent discussions with Council's insurers, LGIS, made it apparent that a policy was required as the first part of the Shire's overall Occupational Safety and Health Plan. The main aim of the policy is to demonstrate management's commitment to safety; to ensure our systems, process and practices met both legislative requirements and the requirements of LGIS.

Following Council's commitment to OSH by adopting the policy, the complete OSH process will be reviewed and updated to develop an OSH Plan that is relevant, legislatively compliant, best practice and has specific Safety and health objectives, measurable targets and timelines. It will provide for consultation and reporting, hazard management and training and supervision.

VOTING REQUIREMENT

Simple majority

ATTACHMENTS

1. **AF17 - Occupational Safety and Health Policy**  

RECOMMENDATION

That the Compliance and Strategic Review Committee adopts the policy – Occupational Safety and Health as attached and recommends to Council for adoption.



AF 17 - Occupational Safety and Health Policy

1. PURPOSE

The purpose of the policy is to demonstrate the commitment of the Shire of Derby/West Kimberley to ensuring a safe and healthy work environment for employees, Councillors, contractors, volunteers and visitors of the Shire of Derby/West Kimberley.

2. POLICY

The Shire of Derby/West Kimberley regards the provision of a safe and healthy work environment as fundamental to all organisational activities and essential to maintaining high standards of organisational sustainability, performance and governance. The following objectives and responsibilities will aid the Shire of Derby/West Kimberley in achieving these standards.

3. OBJECTIVES

- Comply with *Local Government Act 1995*;
- Comply with or exceed legislative requirements under the
 - *Occupational Safety and Health Act WA 1984* and other relevant legislation;
 - *Occupational and Health Regulations WA 1996*;
- Develop an organisational culture with a high level of safety and health awareness through a continuous improvement process of consultation, communication, information provision, training and accountability.

4. RESPONSIBILITIES

4.1. COUNCILLORS

- Ensure sufficient resources are available to achieve the objectives of this policy.

4.2. CEO

- Ensure that this policy is signed and implemented;
- Ensure accountability for compliance with this policy is maintained;
- Meet the Shire's duty of care as employer under the *Occupational Health and Safety Act WA 1984*;
- Promote and champion the importance and benefit of occupational safety and health throughout the organisation;
- Comply with all applicable laws, regulations, statutory obligations and other relevant requirements.

4.3. MANAGERS AND SUPERVISORS

- Plan, implement and budget for strategies to ensure hazards are controlled, as far as practicable;
- Accountable for compliance with safe work practices and safety related operational practices and procedures;

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- Enforce safety and health requirements within areas of responsibility;
- Meet the Shire's duty of care as employer under the Occupational Safety and Health Act WA 1984;
- Ensure that all employees are provided with information, instruction, training and supervision appropriate to the scope of work required;
- Provide and maintain a working environment, plant and systems of work, so far as is practicable, such that employees are not exposed to hazards; including the provision of PPE where required;
- Consult with employees on all safety related matters and activities;
- Encourage our employees and contractors to identify, report, assess and control safety and health risks and continuously improve Occupational Safety and Health (OSH) in the workplace;
- Actively promote and demonstrate safety leadership to drive continuous improvement through the setting and meeting of measurable safety objectives and targets as outlined by the Chief Executive Officer and Management Team;

4.4. EMPLOYEES, CONTRACTORS AND VOLUNTEERS

- Work with care for their own safety and health and that of others;
- Meet the duty of care as employee under the *Occupational Safety and Health Act WA 1984*;
- Report and identify workplace hazards, incidents and near misses;
- Be proactive in identifying workplace hazards, reviewing incidents, identifying incident trends and managing workplace health and safety risks;
- Comply with the Shire of Derby/West Kimberley safety and health requirements and instructions.

5. ADOPTION OF THIS POLICY

Document Responsibilities:						
Owner:	Chief Executive Officer		Owner Business Unit:	Manager Human Resources		
Reviewer:	Manager Human Resources		Decision Maker:	Council		
Compliance Requirements:						
Legislation:	Occupational Safety and Health (OSH) Act 1984 Occupational Safety and Health (OSH) Regulations 1996 Health and Safety Codes of Practice, Guidance Notes and Australian Standards Part 4 of the Local Government (Functions and General) Regulations 1996					
Industry:	Local Government					
Organisational:	Council Policy No. AF 6 Risk Management and Opportunity Management Council Policy No. AF 16 Injury Management Shire of Derby/West Kimberley Health and Safety Procedures (To be developed) Shire of Derby/West Kimberley Health and Safety Plan (To be developed)					
Document Management:						
Risk Rating:	Low	Review Frequency:	Annual	Next Due:	2020	Records Ref:
Version #	Decision Reference:	Synopsis:				
1.	28/02/2019	Ordinary Council Meeting (Rescinded)				
2.						

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7 NEW BUSINESS OF AN URGENT NATURE

8 DATE OF NEXT MEETING

The next meeting of Compliance and Strategic Review Committee will be held Thursday, 13 February 2020 in the Council Chambers, Clarendon Street, Derby.

9 CLOSURE OF MEETING