



SPECIAL MEETING AGENDA

24 May 2022

NOTICE OF MEETING

A Special Meeting of the Shire of Cue

To be held on 24 May 2022

in the Council Chambers commencing at 6.30pm

The purpose of the Meeting is to consider the following items:

- **To approve the advertising for the proposal to apply differential rates and minimum payments in the 2022-2023 financial year.**
- **Adopt the Objects and Reasons for the 2022-2023 differential rates.**
- **Receiving of the report prepared to address matters identified as significant by the Auditor in the 2020-2021 Audit Report.**
- **Receiving of the Shire of Cue 2022 Financial Management Systems Review.**

Richard Towell

Chief Executive Officer

DISCLAIMER

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations, which have not yet been adopted by Council.

SHIRE OF CUE

DISCLOSURE OF FINANCIAL INTEREST AND INTERESTS AFFECTING IMPARTIALITY

To: Chief Executive Officer

As required by section 5.65(1)(a) or 5.70 of the Local Government Act 1995 and Council's Code of Conduct, I hereby declare my interest in the following matter/s included on the Agenda paper for the Council meeting to be held on _____ (Date)

Item No.	Subject	Details of Interest	Type of Interest Impartial/Financial	*Extent of Interest

(see below)

* Extent of Interest only has to be declared if the Councillor also requests to remain present at a meeting, preside, or participate in discussions of the decision making process (see item 6 below). Employees must disclose extent of interest if the Council or Committee requires them to.

Name (Please Print) _____ Signature _____ Date

NB

1. This notice must be given to the Chief Executive Officer prior to the meeting or at the meeting immediately before the matter in which you have declared an interest is discussed, Section 5.65(1) (a) & (b).
2. It remains Councillors'/Employees' responsibility to make further declarations to the Council if a matter arises during the course of a meeting and no previous declarations have been made.
3. It is a Councillor's/Employee's responsibility to ensure the interest is brought to the attention of the Council/Committee when the Agenda item arises and to ensure that it is recorded in the minutes.
4. It remains the Councillor's responsibility to ensure that he/she does not vote on a matter in which a declaration has been made. The responsibility also includes the recording of particulars in the minutes to ensure they are correct when such minutes are confirmed.
5. It is recommended that when previewing Agenda, Councillors mark Agendas with items on which an interest is to be declared and complete the declaration form at the same time.
6. Councillors may be allowed to remain at meetings at which they have declared an interest and may also be allowed to preside (if applicable) and participate in discussions and the decision making process upon the declared matter subject to strict compliance with the enabling provisions of the Act and appropriately recorded resolutions of the Council. Where Councillors request consideration of such Council approval the affected Councillor must vacate the Council Chambers in the first instance whilst the Council discusses and decides upon the Councillor's application.

Remember: The responsibility to declare an interest rests with individual Councillors / Employees. If in any doubt seek legal opinion or, to be absolutely sure, make a declaration.

Office Use Only: Date/Initials

1. Particulars of declaration given to meeting _____
2. Particulars recorded in the minutes: _____
3. Signed by Chief Executive Officer _____

Local Government Act 1995 - SECT 5.23**Meetings generally open to the public**

5.23.(1) Subject to subsection (2), the following are to be open to members of the public:

- (a) All Council meetings; and
 - (b) All meetings of any committee to which a local government power or duty has been delegated.
- (2) If a meeting is being held by a Council or by a committee referred to in subsection (1) (b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following --
- (a) A matter affecting an employee or employees;
 - (b) The personal affairs of any person;
 - (c) A contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;
 - (d) Legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;
 - (e) A matter that if disclosed, would reveal;
 - (i) A trade secret;
 - (ii) Information that has a commercial value to a person; or
 - (iii) Information about the business, professional, commercial or financial affairs of a person, where the trade secret or information is held by, or is about, a person other than the local government;
 - (f) A matter that if disclosed, could be reasonably expected to;
 - (i) Impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;
 - (ii) Endanger the security of the local government's property; or
 - (iii) Prejudice the maintenance or enforcement of a lawful measure for protecting public safety;
 - (g) Information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and
 - (h) Such other matters as may be prescribed.
- (3) A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.

SHIRE OF CUE

REVOKING OR CHANGING DECISIONS MADE AT COUNCIL MEETINGS

Local Government (Administration) Regulations 1996 (**Regulation No.10**)

If a previous Council decision is to be changed then support for a revocation motion must be given by an **Absolute Majority** of Councillors (that is at least 4 Councillors) if a previous attempt to rescind has occurred within the past three months or, if no previous attempt has been made the support must be given by at least **1/3rd** of all Councillors (that is at least 4 Councillors).

Regulation 10(1a) also requires that the support for revocation must be in writing and signed by the required number of Councillors, including the Councillor who intends to move the revocation motion.

Any revocation motion must be carried by the kind of vote that put the motion into place in the first instance (that is, if carried originally by an Absolute Majority or Special Majority vote then the revocation motion must also be carried by that same kind of vote).

If the original motion was carried by a Simple Majority vote then any revocation motion must be carried by an Absolute Majority vote.

To the Presiding Member,

The following Councillors give notice of their support for the bringing forward to the Council meeting to be held on _____ of a motion for revocation of Council resolution number _____ as passed by the Council at its meeting held on _____

Councillor's Names

Councillor's Signature

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

SHIRE OF CUE
Special Council Meeting
AGENDA

To be held in the Council Chambers, 73 Austin Street Cue on
Tuesday 24 May 2022 commencing at 6:30pm

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1. DECLARATION OF OPENING

The meeting was opened at

The Presiding Member welcomed those present and read the following disclaimer:

No responsibility whatsoever is implied or accepted by the Shire of Cue for any act, omission or statement or intimation occurring during this Meeting.

It is strongly advised that persons do not act on what is heard at this Meeting and should only rely on written confirmation of council's decision, which will be provided within fourteen (14) days of this Meeting.

PRESENT:

Councillor Ross Pigdon, Shire President

Councillor Les Price, Deputy Shire President

Councillor Ian Dennis

Councillor Ron Hogben

Councillor Leonie Fitzpatrick

Councillor Liz Houghton

Councillor Julie Humphreys

STAFF:

Mr Richard Towell, Chief Executive Officer

Mr Glenn Boyes, Deputy Chief Executive Officer

Ms Cheryl Walton, Manager Finance

Mrs Janelle Duncan, Executive Assistant

GALLERY:

2. APOLOGIES AND APPROVED LEAVE OF ABSENCE

3. DISCLOSURE OF MEMBERS' INTERESTS

4. PUBLIC QUESTION TIME

5. CONFIRMATION OF MINUTES

6. APPLICATIONS FOR LEAVE OF ABSENCE

7. DEPUTATIONS

8. PETITIONS

9. ANNOUNCEMENTS WITHOUT DISCUSSION

10. REPORTS

10.1 RATES – BUDGET RATE SETTING STATEMENT

APPLICANT: Shire of Cue
DISCLOSURE OF INTEREST: Nil
AUTHOR: Glenn Boyes – Deputy Chief Executive Officer
DATE: 19 May 2022

Matters for Consideration:

Adoption of the 2022-2023 Budget Rate Setting Statement in support of the proposal to levy differential rates.

Background:

As part of Councils budget deliberations, the Budget Rate Setting Statement has been prepared in support of Council proposing to levy differential rates. See [Appendix 1](#).

Comments:

Council needs to consider the Rate Setting Statement as part of its budget deliberations to review expenditure and consider efficiency measures. The Rate Setting Statement considers Councils operating and capital expenditure for the next financial year to consider the amount required from rates to achieve these outcomes.

This item will be included in Councils application to the Minister for Local Government for approval for the imposition of differential general rates that are more than twice the lowest differential general rate imposed by a rate category.

Statutory Environment:

Local Government Act 1995 – Section 6.33, Differential General Rates.

Policy Implications:

Nil

Financial Implications:

Council needs to ensure that rate revenue remains at a level where the Shire can continue to maintain its current level of services to ratepayers and the community.

Strategic Implications:

Shire of Cue Strategic Community Plan 2023 - 2038

Consultation:

Richard Towell – Chief Executive Officer

Officer's Recommendation:

Voting Requirement: Simple Majority

1. That Council adopt the attached 2022-2023 (see [Appendix 1](#)) Budget Rate Setting Statement for the Differential Rates Proposal and incorporate the relevant information from the report into the 2022-2023 Annual Budget.
2. Acknowledge that Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations.

Council Decision:

Voting requirement: Simple Majority

MOVED:

SECONDED:

CARRIED:

APPENDIX 1



Shire of Cue

73 Austin Street Cue WA 6640

PO Box 84 Cue WA 6640

(08) 9963 8600

www.cue.wa.gov.au

SHIRE OF CUE

DIFFERENTIAL RATES BUDGET

2022 - 2023

Actuals Projected from 30 April 2022

SHIRE OF CUE
STATEMENT OF FINANCIAL ACTIVITY
For the Period Ending 30 June 2022
Rate Setting Statement

	LTFP Budget 22/23	Annual Budget 21/22 \$	Estimated Actual 21/22 \$
Opening Funding Surplus / (Deficit)	-	4,130,145	4,012,970
Revenue from Operating Activities			
Rates	2,645,199	2,498,645	2,594,421
Grants, Subsidies and Contributions	2,364,272	1,759,510	3,655,815
Fees and Charges	506,446	855,380	1,343,553
Interest Earnings	233,535	61,280	73,049
Other Revenue	147,277	100,000	71,566
Profit on Disposal of Assets	-	40,400	-
	5,896,729	5,315,215	7,738,404
Expenditure from Operating Activities			
Employee Costs	(1,819,358)	(2,316,710)	(3,138,714)
Materials and Contracts	(1,653,618)	(1,748,970)	(1,599,070)
Utility Charges	(277,177)	(435,800)	(622,808)
Depreciation on Non-current Assets	(2,792,611)	(2,703,700)	(5,793,027)
Interest Expenses	(20,821)	(22,500)	(9,914)
Insurance Expenses	(154,166)	(194,000)	(179,644)
Other Expenditure	(181,876)	(305,700)	(165,799)
Loss on Disposal of Assets	-	(5,600)	-
	(6,899,627)	(7,732,980)	(11,508,975)
Excluded Non-cash Operating Activities			
Depreciation and Amortisation	2,792,611	2,703,700	5,793,027
(Profit) / Loss on Asset Disposal	-	(34,800)	-
Movement in Fair Value (LGHT)	-	-	(999)
Net Amount from Operating Activities	1,789,713	251,135	2,021,457
Investing Activities			
Grants, Subsidies and Contributions	699,174	8,882,020	3,067,906
Proceeds from Disposal of Assets	107,484	160,000	-
Property, Plant & Equipment	(992,245)	(7,061,600)	(1,068,767)
Infrastructure Assets	(1,555,625)	(6,840,190)	(4,063,643)
Net Amount from Investing Activities	(1,741,213)	(4,859,770)	(2,064,504)
Financing Activities			
Transfer from Reserves	143,614	1,254,070	150,000
Repayment of Debentures	(93,379)	(92,800)	(92,806)
Transfer to Reserves	(98,735)	(682,780)	(682,780)
Net Amount from Financing Activities	(48,500)	478,490	(625,586)
Closing Funding Surplus / (Deficit)	-	-	3,344,337

SHIRE OF CUE
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ending 30 June 2022

1. NET CURRENT FUNDING POSITION

	Estimated	
	30 Jun 22	30 Jun 21
	\$	\$
Current Assets		
Cash Unrestricted	3,030,154	3,723,083
Cash Restricted	6,553,417	6,806,944
Receivables - Rates	265,819	291,361
Receivables - Other	114,851	129,380
ATO Receivable	50,000	65,181
Provision for Doubtful Debts	(33,910)	(33,910)
Accrued Income / Deposits	647,348	1,120,185
Inventories	50,229	43,665
Total Current Assets	10,677,908	12,145,889
Current Liabilities		
Sundry Creditors	(496,394)	(921,598)
Rates Received in Advance	(22,234)	(3,330)
Revenue Received in Advance	(567,316)	(888,993)
ATO Payable	-	-
Deposits and Bonds	(23,304)	(8,000)
Loan Liability	-	(92,806)
Accrued Expenses	-	(86,740)
Accrued Salaries and Wages	-	(33,877)
Total Payables	(1,109,248)	(2,035,343)
Provisions	(283,760)	(283,760)
Total Current Liabilities	(1,393,008)	(2,319,103)
Less: Cash Reserves	(5,940,563)	(5,906,621)
Less: Loan Liability	-	92,806
Net Funding Position	3,344,337	4,012,970

SHIRE OF CUE
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ending 30 June 2022

2. CASH BACKED RESERVES

LTFP

Reserve Name	Estimated Balance 01 Jul 22 \$	Transfers from \$	Transfer to \$	Estimated Balance 30 Jun 23 \$
Long Service Leave	63,761	-	-	63,761
Building Maintenance	471,383	(37,044)	-	434,339
Plant Replacement	320,762	-	48,735	369,497
Streetscape	198,429	(56,570)	-	141,859
Sports Facilities	123,762	-	-	123,762
Tourist Park Development	115,636	-	-	115,636
Water Playground	61,486	-	-	61,486
Beringarra Road	2,394,550	(50,000)	-	2,344,550
Tourism	84,857	-	-	84,857
Housing / Land Development	69,457	-	-	69,457
Heritage	314,165	-	-	314,165
Road Maintenance	885,963	-	-	885,963
Infrastructure	231,120	-	50,000	281,120
Total Cash Backed Reserves	5,335,331	(143,614)	98,735	5,290,452

Annual Budget

Reserve Name	Balance 01 Jul 21 \$	Transfers from \$	Transfer to \$	Estimated Balance 30 Jun 22 \$
Long Service Leave	63,409	-	352	63,761
Building Maintenance	598,347	(130,285)	3,321	471,383
Plant Replacement	517,888	(200,000)	2,874	320,762
Streetscape	319,655	(123,000)	1,774	198,429
Sports Facilities	123,079	-	683	123,762
Tourist Park Development	254,225	(140,000)	1,411	115,636
Water Playground	61,147	-	339	61,486
Beringarra Road	2,530,506	(150,000)	14,044	2,394,550
Tourism	124,168	(40,000)	689	84,857
Housing / Land Development	218,246	(150,000)	1,211	69,457
Heritage	631,446	(320,785)	3,504	314,165
Road Maintenance	234,661	-	651,302	885,963
Infrastructure	229,844	-	1,276	231,120
Total Cash Backed Reserves	5,906,621	(1,254,070)	682,780	5,335,331

SHIRE OF CUE
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ending 30 June 2022

3. INFORMATION ON BORROWINGS

	LTFP Budget 22/23	Annual Budget 21/22	Estimated Actual 21/22
GROH Housing	\$	\$	\$
Principal Repayments	93,379	92,800	92,806
Interest and Fees	20,821	22,500	9,914
Total Repayments	114,200	115,300	102,719

Principal Outstanding

Principal Outstanding 01 Jul	716,085	843,839	843,839
Principal Repayments	(93,379)	(92,800)	(92,806)
Principal Outstanding Current Month	622,706	751,039	751,033

4. CAPITAL EXPENDITURE

	LTFP Budget 22/23	Annual Budget 21/22	Estimated Actual 21/22
	\$	\$	\$
Land and Buildings	186,682	6,145,500	602,740
Plant and Equipment	737,678	842,000	466,027
Furniture and Equipment	67,884	74,100	-
Infrastructure Assets - Roads	1,227,517	3,508,980	3,782,988
Infrastructure Assets - Other	328,108	3,331,210	280,655
Total Capital Expenditure	2,547,870	13,901,790	5,132,410

SHIRE OF CUE
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ending 30 June 2022

5. RATING INFORMATION

	Rateable Value	Rate in	Number of Properties	LTFP Budget Revenue	Estimated Actual 21/22
	\$	\$	#	\$	\$
General Rates					
GRV Residential	607,538	0.103088	87	62,630	61,257
GRV Commercial	453,640	0.103088	6	46,765	33,234
GRV Vacant Land	-	0.103088	0	-	-
GRV M & T Workforce	571,500	0.154632	2	88,372	74,025
UV Mining	7,874,389	0.290984	371	2,291,321	2,240,510
UV Pastoral	537,580	0.080990	13	43,539	42,270
Total General Rates				2,532,627	2,451,296
Minimum Rates					
GRV Residential	148,232	477	53	25,281	21,761
GRV Commercial	-	477	0	-	-
GRV Vacant Land	5,193	477	36	17,172	16,668
GRV M & T Workforce	-	477	0	-	-
UV Mining	115,516	477	142	67,734	60,653
UV Pastoral	16,852	477	5	2,385	2,315
Total Minimum Rates				112,572	101,397
Total General and Minimum Rates				2,645,199	2,552,693
Other Rate Revenue					
Rates Written-off				-	(3,504)
Discounts / Concessions				-	(2,407)
Interim and Back Rates				-	47,639
Total Funds Raised from Rates				2,645,199	2,594,421

Comments / Notes

Proposed revenue raised from rates is \$6,943 more than the LTFP

SHIRE OF CUE
 NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
 For the Period Ending 30 June 2022

6. GRANTS, SUBSIDIES AND CONTRIBUTIONS

(a) Operating Grants, Subsidies and Contributions

	LTFP Budget 22/23 \$	Annual Budget 21/22 \$	Estimated Actual 21/22 \$
Operating Grants, Subsidies and Contributions	2,364,272	1,759,510	3,655,815
Non-operating Grants, Subsidies and Contributions	699,174	8,882,020	3,067,906
Total Grants, Subsidies and Contributions	3,063,445	10,641,530	6,723,721

10.2 RATES – DIFFERENTIAL RATES

APPLICANT:	Shire of Cue
DISCLOSURE OF INTEREST:	Nil
AUTHOR:	Glenn Boyes – Deputy Chief Executive Officer
DATE:	19 May 2022

Matters for Consideration:

To approve the advertising for the proposal to apply differential rates and minimum payments in the 2022-2023 financial year.

Background:

Section 6.36 of the *Local Government Act 1995* requires that local public notice be given as per Section 1.7 of the *Local Government Act 1995* before imposing any differential general rates or minimum payments.

Electors and ratepayers are to be invited to lodge a submission in respect of the proposed rates and minimum payments within twenty one days of the notice being published and the local government is to consider any submissions received before imposing the proposed rates and minimum payments.

Comments:

In consideration of the Long Term Financial Plan (which includes an increase in rates of 3%), the latest CPI reading for Perth of 2.1% and the Local Government Cost Index forecast for 2022-2023 of 2.5%, it is recommended that rates be increased across all categories, except UV Mining and GRV Mining Transient Workforce Facilities, by an average 3%. The increase also applies to minimum rates.

It is proposed the rate in the dollar for GRV Mining Transient Workforce Facilities be 50% greater than the rate in dollar for GRV General and Commercial. This reflects the additional cost burden associated with servicing the higher density facilities and takes into account the substantial revaluation adjustment for our largest mining camp in town. The proposed rate in the dollar for UV Mining is unchanged from last year but is expected to change once the UV Mining valuations are received.

The following table shows the rate in the dollar for each category over the past four years.

Rate in the Dollar Comparison

Rate Category	2018/19	2019/20	2020/21	2021/22
GRV - GENERAL	0.106200	0.106200	0.106200	0.109067
GRV - COMMERCIAL	0.106200	0.106200	0.106200	0.109067
GRV - VACANT LAND	0.106200	0.106200	0.106200	0.109067
GRV- M&T WORKFORCE FACILITIES	0.310000	0.300000	0.300000	0.300000
UV - MINING TENEMENTS	0.310000	0.300000	0.283334	0.290984
UV - PASTORAL	0.084300	0.084300	0.076564	0.078631
Minimum Payment				
GRV - GENERAL	451	451	451	463
GRV - COMMERCIAL	451	451	451	463
GRV - VACANT LAND	451	451	451	463
GRV- M&T WORKFORCE FACILITIES	451	451	451	463
UV - MINING TENEMENTS	451	451	451	463
UV - PASTORAL	451	451	451	463

It is proposed that the GRV Commercial rate be maintained at the same rate as the GRV General rate and then a discount be applied to commercial properties. This discount is subject to the property owner paying their rates in full, on time and is not in arrears. The discount rate to be applied is proposed at twenty percent.

The average increase of 3% across all categories, except UV Mining and GRV Mining Transient Workforce Facilities, increases revenue by \$100,556 compared to last year's Annual Budget. The proposed revenue to be collected is \$6,943 greater than the amount allocated in our Long Term Financial Plan for 2022-2023. Due to changes in rateable values from the revaluation on GRV properties, which take effect from 1 July 2022, there will be fluctuations on the rates payable for some individual properties. The last valuation came into effect on 1 July 2015. The number of rateable properties has also increase from 688 in 2021-2022 to 715 in 2022-2023. The average increase combined with the new valuation has increased overall rates by 4%.

A schedule of rates models showing the average rates per assessment and comparison to 2021-2022 rates is attached at [Appendix 2](#). The proposed rates model is show in the table below:

Model 3: Proposed rates for 2022-2023 - Average increase across properties of 3% for GRV, M&T at 50% of GRV, Mining 0% increase				
Rate Category	Rate in \$	Number of Properties	Rateable Value	Rates Levied
GRV - GENERAL	0.103088	87	607,538	62,630
GRV - COMMERCIAL	0.103088	6	453,640	46,765
GRV - VACANT LAND	0.103088	0	0	0
GRV- M&T WORKFORCE FACILITIES	0.154632	2	571,500	88,372
UV - MINING TENEMENTS	0.290984	371	7,874,389	2,291,321
UV - PASTORAL	0.080990	13	537,580	43,539
Minimum payment				
GRV - GENERAL	477	53	148,232	25,281
GRV - COMMERCIAL	477	0	0	0
GRV - VACANT LAND	477	36	5,193	17,172
GRV- M&T WORKFORCE FACILITIES	477	0	0	0
UV - MINING TENEMENTS	477	142	115,516	67,734
UV - PASTORAL	477	5	16,852	2,385
Totals		715	10,330,440	2,645,199
Rate revenue from 2021-2022 Adopted Budget				2,544,643
Difference				4% 100,556
Greater than LTFP / (Less than LTFP)				6,943

A rate model comparison of surrounding Shire's is attached at [Appendix 3](#) for Council to consider.

Objects and Reasons

Where council intend to impose differential rates, it is required to provide the objects of and reasons for each proposed rate and minimum payment. In the notice of intention to levy rates, Council is to advise electors and ratepayers of the time and place where this document can be inspected. The Objects and Reasons for the 2022-2023 rating proposal is attached at [Appendix 4](#).

In accordance with *Section 6.33(3) of the Local Government Act 1995*, Ministerial approval will be required for the above rating proposal as the highest proposed differential rate is more than twice the lowest proposed differential rate.

In accordance with *Section 6.35 of the Local Government Act 1995*, it is proposed that a single minimum rate be imposed across all rate categories. It is proposed to increase the minimum rate 3% which is in-line with the other rate categories. Therefore, the proposed minimum rate will increase to \$477.00 per assessment.

Statutory Environment:

Local Government Act 1995, Section 1.7, Local Public Notice

Local Government Act 1995, Part 6 – Division 6 – Subdivision 2, Categories of Rates and Service Charges

Policy Implications:

Nil.

Financial Implications:

Council needs to ensure that rate revenue remains at a level where the Shire can continue to maintain its current level of services to ratepayers and the community. The proposed rates will provide an additional \$100,556 in revenue compared to rates raised for the current financial year.

Strategic Implications:

Shire of Cue Strategic Community Plan 2023 – 2038

Consultation:

Richard Towell – Chief Executive Officer

Officer's Recommendation:**Voting Requirement:** Simple Majority

That Council:

1. Authorise the CEO to advertise the Shire of Cue's intention to levy the following differential rates.

	Minimum	Rate in \$
Rate Category	Rates \$	(cents)
GRV - GENERAL	477	0.103088
GRV - COMMERCIAL	477	0.103088
GRV - VACANT LAND	477	0.103088
GRV- M&T WORKFORCE FACILITIES	477	0.154632
UV - MINING TENEMENTS	477	0.290984
UV - PASTORAL	477	0.080990

2. Adopt the Objects and Reasons for the 2022-2023 differential rates

Council Decision:**Voting requirement:** Simple Majority**MOVED:****SECONDED:****CARRIED:**

APPENDIX 2

Shire of Cue
 Rates Modelling
 Rates from the Long Term Financial Plan

2,638,256

Prior Year: 2021 - 2022 Rates Revenue					
Rate Category	Rate in \$	Number of Properties	Rateable Value	Rates Levied	Avg Rate / Assessment
GRV - GENERAL	10.9067	93	561,648	61,257	659
GRV - COMMERCIAL	10.9067	6	304,708	33,233	5,539
GRV - VACANT LAND	10.9067	0	0	0	
GRV - M&T WORKFORCE FACILITIES	30.0000	2	246,750	74,025	37,013
UV - MINING TENEMENTS	29.0984	355	7,666,802	2,230,917	6,284
UV - PASTORAL	7.8631	14	563,097	44,277	3,163
Minimum payment					
GRV - GENERAL	463	47	105,449	21,761	
GRV - COMMERCIAL	463	0	0	0	
GRV - VACANT LAND	463	37	5,888	17,131	
GRV - M&T WORKFORCE FACILITIES	463	0	0	0	
UV - MINING TENEMENTS	463	130	103,631	60,190	
UV - PASTORAL	463	4	12,295	1,852	
Totals		688	9,570,268	2,544,643	

Shire of Cue
 Rates Modelling
 Rates from the Long Term Financial Plan

2,638,256

Model 1: 2022 - 2023 - Same rate in \$						
Rate Category	Rate in \$	Number of Properties	Rateable Value	Rates Levied	Avg Rate / Assessment 22/23	Avg Rate / Assessment 21/22
GRV - GENERAL	10.9067	97	651,582	71,066	733	659
GRV - COMMERCIAL	10.9067	6	453,640	49,477	8,246	5,539
GRV - VACANT LAND	10.9067	0	0	0		
GRV - M&T WORKFORCE FACILITIES	30.0000	2	571,500	171,450	85,725	37,013
UV - MINING TENEMENTS	29.0984	374	7,879,234	2,292,731	6,130	6,284
UV - PASTORAL	7.8631	13	537,580	42,270	3,252	3,163
Minimum payment						
GRV - GENERAL	463	43	104,188	19,909		
GRV - COMMERCIAL	463	0	0	0		
GRV - VACANT LAND	463	36	5,193	16,668		
GRV - M&T WORKFORCE FACILITIES	463	0	0	0		
UV - MINING TENEMENTS	463	139	110,671	64,357		
UV - PASTORAL	463	5	16,852	2,315		
Totals		715	10,330,440	2,730,244		
Revenue raised from rates 2021-22				2,544,643		
Difference				7%	185,600	
Greater than LTFP / (Less than LTFP)					91,988	

Shire of Cue
 Rates Modelling
 Rates from the Long Term Financial Plan

2,638,256

Model 2: Proposed rates for 2022-2023 - Average increase across properties of 3% for GRV, M&T at 50% of GRV						
Rate Category	Rate in \$	Number of Properties	Rateable Value	Rates Levied	Avg Rate / Assessment 22/23	Avg Rate / Assessment 21/22
GRV - GENERAL	10.3088	87	607,538	62,630	720	659
GRV - COMMERCIAL	10.3088	6	453,640	46,765	7,794	5,539
GRV - VACANT LAND	10.3088	0	0	0		
GRV - M&T WORKFORCE FACILITIES	15.4632	2	571,500	88,372	44,186	37,013
UV - MINING TENEMENTS	29.9713	374	7,879,234	2,361,509	6,314	6,284
UV - PASTORAL	8.0990	13	537,580	43,539	3,349	3,163
Minimum payment						
GRV - GENERAL	477	53	148,232	25,281		
GRV - COMMERCIAL	477	0	0	0		
GRV - VACANT LAND	477	36	5,193	17,172		
GRV - M&T WORKFORCE FACILITIES	477	0	0	0		
UV - MINING TENEMENTS	477	139	110,671	66,303		
UV - PASTORAL	477	5	16,852	2,385		
Totals		715	10,330,440	2,713,955		
Revenue raised from rates 2021-22				2,544,643		
Difference				7%	169,312	
Greater than LTFP / (Less than LTFP)					75,699	

Shire of Cue
 Rates Modelling
 Rates from the Long Term Financial Plan

2,638,256

Model 3: Proposed rates for 2022-2023 - Average increase across properties of 3% for GRV, M&T at 50% of GRV, Mining 0% increase						
Rate Category	Rate in \$	Number of Properties	Rateable Value	Rates Levied	Avg Rate / Assessment 22/23	Avg Rate / Assessment 21/22
GRV - GENERAL	10.3088	87	607,538	62,630	720	659
GRV - COMMERCIAL	10.3088	6	453,640	46,765	7,794	5,539
GRV - VACANT LAND	10.3088	0	0	0		
GRV - M&T WORKFORCE FACILITIES	15.4632	2	571,500	88,372	44,186	37,013
UV - MINING TENEMENTS	29.0984	371	7,874,389	2,291,321	6,176	6,284
UV - PASTORAL	8.0990	13	537,580	43,539	3,349	3,163
Minimum payment						
GRV - GENERAL	477	53	148,232	25,281		
GRV - COMMERCIAL	477	0	0	0		
GRV - VACANT LAND	477	36	5,193	17,172		
GRV - M&T WORKFORCE FACILITIES	477	0	0	0		
UV - MINING TENEMENTS	477	142	115,516	67,734		
UV - PASTORAL	477	5	16,852	2,385		
Totals		715	10,330,440	2,645,199		
Revenue raised from rates 2021-22				2,544,643		
Difference				4%	100,556	
Greater than LTFP / (Less than LTFP)					6,943	

APPENDIX 3

**Shire of Cue
Rates Comparison to Other Shires
2022 - 2023**

	Cue	Yalgoo	Mt Magnet	Sandstone	Meekatharra
Rate Category	Proposed	2021/ 2022	2021/ 2022	2021/ 2022	2021/ 2022
GRV- General	10.3088	7.8318	10.9469	6.5760	8.8869
GRV- Commercial	10.3088	7.8318	12.5031	6.5760	8.8869
GRV- Vacant Land	10.3088	7.8318	10.9469	6.5760	8.8869
GRV- M&T Workforce Facilities	15.4632	29.7500	19.9957	37.1950	0.0000
UV- Mining Tenements	29.0984	32.0000	34.8770	26.8910	19.6101
UV- Pastoral	8.099	6.9079	7.2472	6.0880	7.4462
Minimum Payments					
GRV- General	477	290	460	200	400
GRV- Commercial	477	290	460	200	400
GRV- Vacant Land	477	290	460	200	400
GRV- M&T Workforce Facilities	477	0	826	0	0
UV- Mining Tenements	477	290	474	345	350
UV- Pastoral	477	290	460	345	350

APPENDIX 4



Objectives and Reasons for Proposed Differential Rates and Minimum Payments for the 2022-2023 Financial Year

Overall Objective

The purpose of the levying of rates is to meet Council's budget requirements in each financial year in order to deliver services and community infrastructure. Property valuations provided by the Valuer General are used as the basis for the calculation of rates each year. Section 6.33 of the *Local Government Act 1995* provides the ability to differentially rate properties based on zoning and/or land use as determined by the Shire of Cue. The application of differential rating maintains equity in the rating of properties across the Shire, enabling the Council to provide facilities, infrastructure and services to the entire community and visitors.

Gross Rental Value (GRV)

The *Local Government Act 1995* determines that properties of a Non-Rural purpose be rated using the Gross Rental Valuation (GRV) as the basis for the calculation of annual rates. The Valuer General determines the GRV for all properties within the Shire of Cue every five years and assigns a GRV. The new valuation will take effect from 1 July 2022. Interim valuations are provided monthly to Council by the Valuer General for properties where changes have occurred (i.e. subdivisions or strata title of property, amalgamations, building constructions, demolition, additions and/or property rezoning). In such instances Council recalculates the rates for the affected properties and issues interim rates notices.

GRV – General

Consists of properties located within the townsite boundaries with a predominant residential use and all other GRV rated properties that do not fit into the other GRV categories. This rate is considered by Council to be the GRV general rate by which all other GRV rated properties are assessed.

GRV – Commercial

Properties used for Commercial, Town Centre or Industrial purposes and open to the public and passing trade on a regular basis (more than 100 days a year). The rate reflects a differentiation from the GRV General rate to encourage property owners to develop commercial enterprise and stimulate economic activity in the town centre and industrial area. To facilitate this, the rate applied will be the same rate in the dollar as the GRV General Rate category and a discount provided in accordance with section 6.46 of the *Local Government Act*. The discounted rate will be twenty percent of rates levied for the category. The discount will only apply if the rates are paid in full by the due date. This discount is not available to properties that are minimum rated, zoned residential, home

based businesses or businesses that do not offer an open shopfront to the public on the property.

This strategy has the benefit of ensuring commercial property owners pay their rates by the due date to take advantage of the discount, ensures they are aware that their rates are discounted substantially as Council is very supportive of local business and that the generous discount is not applied to those commercial property owners with outstanding rate arrears.

GRV – Vacant

Consists of vacant properties located within the townsite boundaries excepting land zoned as Tourist, Commercial and Industrial.

GRV – Mining and Transient Workforce Facilities

Properties used for high density Minesite accommodation exclusive of Lodging Houses. The rate reflects the cost of servicing a high density development that places a significant amount of financial pressure on Council to provide services such as road maintenance, parking control, heavy vehicle movements, litter control, rubbish site maintenance, airport infrastructure and maintenance and other amenities. It should be noted that, even in relation to services for which separate fees and charges are levied, many of these fees and charges do not recover the full cost of operating the facility or providing the service. In such cases, the difference between the revenue derived from fees and charges and the actual costs of providing the services and facilities has to be met from rates. So it is appropriate that the category of ratepayers that receive a significant benefit from the facilities make a fair contribution.

This differential rate maintains a proportional share of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and associated infrastructure and facilities required for developed residential and urban areas. These services and facilities are available to transient workforce workers in the same manner as they are available to other residents of the Shire and the contribution from this category has been set at a level that reflects this. Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath networks, refurbishing of public ablutions and other building maintenance programs. In addition, these properties have access to all other services and facilities provided by Council.

The average rates per transient workforce accommodation unit are less than the equivalent minimum rate for a single bedroom residence. Despite the lower rate per accommodation unit, transient workforce properties have the potential to have a greater impact on Council services and assets than other properties due to their number of

occupants in a relatively small land parcel (i.e. concentrated bus and vehicle movements on local roads). In order to appropriately maintain and manage Councils asset and infrastructure in the longer term, a higher differential rate is proposed for this category to reflect the greater potential and actual intensity of use of Council assets and infrastructure.

Unimproved Value (UV)

Properties that are predominantly of a rural purpose are assigned an Unimproved Value that is supplied and updated by the Valuer General on an annual basis.

UV - Pastoral

Consists of properties that are outside of the townsite that have a commercial use inclusive of pastoral leases or pastoral use. This category is rated to reflect the level of rating required to raise the necessary revenue to operate efficiently and provide for rural infrastructure and services in addition to the urban services and infrastructure which are available to be accessed by the properties in this category.

UV – Mining

The object of this rate is to apply a base differential general rate to UV-Rated mining tenements and provide for the cost of operating all the facilities and services that are available to residents and ratepayers to use including rural roads upon which mining enterprises rely, other than those services and facilities for which separate fees and charges are levied on a cost-recovery basis. It should be noted that, even in relation to services for which separate fees and charges are levied, many of these fees and charges do not recover the full cost of operating the facility or providing the service. In such cases, the difference between the revenue derived from fees and charges and the actual costs of providing the services and facilities has to be met from rates. So it is appropriate that the category of ratepayers that receive a significant benefit from the facilities make a fair contribution.

In addition to contributing to the costs of facilities and services available to residents and ratepayers, the rate recognises the additional administrative burden and costs associated with administering this class of rates and the risks of non-collection due to tenement deaths and deregistration of mining companies, additional wear and tear on Shire assets as a result of frequent heavy vehicle use over extensive lengths of Shire roads throughout the year, additional compliance burdens and costs and unrecovered legal expenses.

The reason for the GRV Mining rate is to ensure that all ratepayers make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities throughout the Shire, as well as a contribution to the Shire's administrative costs



proportionate to the additional risks and burdens imposed upon the Shire by Mining Ratepayers.

Minimum Rates

The setting of minimum rates within rating categories is an important method of ensuring that all properties contribute an equitable rate amount. A minimum rate of \$477.00 has been set for all rate categories.

10.3 REPORT ON AUDIT MATTER

APPLICANT: Shire of Cue
 DISCLOSURE OF INTEREST: Nil
 AUTHOR: Glenn Boyes – Deputy Chief Executive Officer
 DATE: 19 May 2022

Matters for Consideration:

Receiving of the report prepared to address matters identified as significant by the Auditor in the 2020-2021 Audit Report.

Background:

Section 7.12 of the *Local Government Act 1995* requires a local government to prepare a report addressing any matters identified as significant by the Auditor in the Audit Report and present this report to the Audit Committee to address the significant matters raised and outline what action(s) the Local Government has taken or intends to take in respect of each of the matters raised. The Audit Committee then recommends to Council that Council receives the report addressing the significant matters raised. This report has been prepared and is attached as at [Appendix 5](#).

Comments:

The report has been prepared in the format recommended in Departmental Circular 05-2019, Local Government Auditing to identify the matters and outline actions taken or intended to be taken to address the matters.

Statutory Environment:

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (4) *A local government must —*
- (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
 - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

Local Government (Audit) Regulations 1996

16. *Functions of audit committee*

An audit committee has the following functions —

- (f) to oversee the implementation of any action that the local government —
- (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a);

Policy Implications:

Nil

Financial Implications:

Nil

Strategic Implications:

Shire of Cue Strategic Community Plan 2023-2038

Outcome 2.1.3 Maintain accountability and financial responsibility.

Consultation:

Richard Towell – Chief Executive Officer

Council Decision:

Voting Requirement: Simple Majority

That Council Accept the Audit Committee's recommendation to Council that Council receives the report addressing the significant matters raised in the 2020-2021 Audit Report.

Council Decision:	Voting requirement: Simple Majority
MOVED:	SECONDED:
CARRIED:	

APPENDIX 5

REPORT

Section 7.12A(4)(a) of the Local Government Act 1995

Shire of Cue

Report addressing any matters identified as significant by the Auditor in the 2020-2021 Audit Report.

Background and Purpose of Report

Section 7.12A(4) of the *Local Government Act 1995* (**Act**) states that a local government must:

Prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and

(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

Within 14 days after a local government gives a report to the Minister under subsection 4(b), the CEO must publish a copy of the report on the local government's official website.

The Shire's 2021 Audit Report dated 6 May 2022 (**Audit Report**) contains significant matters requiring the CEO to undertake the actions required by Section 7.12 of the Act. The purpose of this report is to outline the actions the CEO has taken in relation to the significant matters raised in the 2021 Audit Report.

2021 Significant Matters

The Shire's 2020-2021 Audit Report from the Auditor General dated 6 May 2022 (attached at [Appendix A](#)) identified the following significant matters:

- i. In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
 - a) The Operating Surplus Ratio as reported in Note 34 of the annual financial report has been below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.

Operating Surplus Ratio

The Operating Surplus Ratio (**OSR**) is calculated in accordance with *Local Government (Financial Management) Regulations 1996 R50(2)* as:

$$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$$

The OSR is reported in Note 34 of the Shire's 2021 Annual Financial Report as follows:

2021	2020	2019
(0.01)	(0.23)	(0.20)

The basic standard for the OSR per the Guidelines is between 0.01 and 0.15.

Implication

The Operating Surplus Ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.

The Guidelines are attached at [Appendix B](#).

Actions Taken to Address Ratios

The Shire has adopted the Strategic Resource Plan (**SRP**) at the 16 April 2019 Ordinary Council Meeting.

The SRP forecasts future financial ratios, including the OSR (See [Appendix C](#)).

For the OSR ratio identified in the 2021 Audit Report as falling below the guidelines, the SRP shows the ratio continually improving but falling below the standard for the duration of the SRP. The actual ratios reported for the past three years are well in front of the forecast ratios in the SRP and the ratio reported for 2021 is within 0.02 points of meeting the Departments guidelines.

The operating costs are made up predominantly of employee costs, materials and contracts and depreciation. In order to lower any of these costs would require further scrutiny of the expenses to see what can be allocated to capital projects. The Shire does not currently allocate any administration staff costs to capital projects and this may need to be considered for the purpose of improving this ratio. Materials and contracts are usually for maintenance and operating costs but may need further scrutiny to determine if larger maintenance works should be capitalised. With depreciation being the largest of the Shire's operating expenses which accounts for over one third of operating expenses and being a non-cash expense, the Shire's operations provide a significant amount of revenues available for capital funding. The Shire is also active in seeking out additional grant funding to assist with capital renewals.

Completion or Proposed Completion Date

Management will monitor its operating expenses and capital expenditure on asset renewals against the projected outcomes of the SRP with the expectation that the Operating Surplus Ratio will continue to improve into the future.

- ii. The following material matter indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law was identified during the course of my audit:
 - a) A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was not completed by the CEO at least once every three financial years, as required by regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. The last review took place for the financial year ended 30 June 2017.

Financial Management Systems and Procedures Review.

The Local Government (Financial Management) Regulations 1996 states:

- 5. CEO's duties as to financial management
 - (2) The CEO is to —
 - (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

Actions Taken to Address the matter

The three year period to have it reviewed ended in Nov 2020 or 2020/21 financial year. This is normally undertaken by our auditors and incorporated into our interim audit. With the OAG no longer allowing us to utilise our auditors for this task we have experienced delays in obtaining quotes and scheduling this work. The Shire engaged a contractor for this work in June 2021 and the review was undertaken in November 2021. The final report was received by the Shire of Cue in May 2022. The results of the review will be presented at the next meeting of Council.

Completion or Proposed Completion Date

A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was completed in November 2021 with the final report being received by the Shire in May 2022. This will be presented to Council and finalised before 30 June 2022.

Recommendation

That the audit committee recommend that Council receive this report and monitor future expenditure in line with the outcomes of the Strategic Resource Plan.

Appendix A:
2021 Audit Report



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Shire of Cue

To the Councillors of the Shire of Cue

Report on the audit of the annual financial report

Opinion

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

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

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

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

Basis for opinion

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

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

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

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

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

Auditor's responsibility for the audit of the financial report

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

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

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

Report on other legal and regulatory requirements

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
 - a) The Operating Surplus Ratio as reported in Note 34 of the annual financial report has been below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) The following material matter indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law was identified during the course of my audit:
 - a) A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was not completed by the CEO at least once every three financial years, as required by regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. The last review took place for the financial year ended 30 June 2017.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

Other information

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

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

Matters relating to the electronic publication of the audited financial report

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



Patrick Arulsingham
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
6 May 2022

Appendix B:

Local Government Operational Guidelines Number 18 – June 2013 Financial Ratios



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

Local Government Operational Guidelines

Number 18 – June 2013

Financial Ratios

1. Introduction

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

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

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

2. Purpose

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

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

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

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

tool for monitoring the financial sustainability of local governments.

3. Legislation

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

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

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

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

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

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

4. Ratios

4.1 Liquidity Ratio

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

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

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

4.2 Debt Ratio

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

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

4.3 Coverage Ratio

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

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

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

4.4 Financial Performance Ratio

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

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

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

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

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

4.5 Asset Consumption Ratio

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

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

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

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

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

4.6 Asset Sustainability Ratio

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

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

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

4.7 Asset Renewal Funding Ratio

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

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

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

5. Ratio Calculations

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

Ratio Calculations are for the year 200Y

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

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

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

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

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

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

Ratio Calculations are for the year 200Y

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

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

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

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

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

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

[Numbers drawn from rate setting statement]

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

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

6. Extracts of Financial Information from which ratios are calculated

6.1 Annual Financial Statements Extracts

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

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

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

Rate Setting Statement For The Period Ended 30 June 201Y

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

Rate Setting Statement For The Period Ended 30 June 201Y

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

3 Cash And Cash Equivalents

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

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

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

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

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

6.2 Long-term Financial Plan and Asset Management Plan Extracts

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

Discount Rate = 0.05

NPV Planned Renewals 67,398 (27)

NPV Required Renewals 73,099 (28)

Ratio = 67,398/73,099 92.2%

These guidelines are also available on the Department's website at www.dlgc.wa.gov.au



About the Guideline series

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

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

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

Department of Local Government and Communities

Gordon Stephenson House, 140 William Street, Perth WA 6000

GPO Box R1250, Perth WA 6844

Telephone: (08) 6551 8700 Fax: (08) 6552 1555

Freecall (Country only): 1800 620 511

Email: info@dlgc.wa.gov.au Website: www.dlgc.wa.gov.au

Translating and Interpreting Service (TIS) – Tel: 13 14 50

Appendix C:

Strategic Resource Plan 2018 – 2033 Ratios Extract

Appendix 4 – Financial Ratios

Financial Ratios 2018 – 2033

The following table displays the data used to calculate the financial ratios.

SHIRE OF CUE															
Asset Management Plan and Long Term Financial Plan															
2018 to 2033															
Financial Ratios															
	18 / 19	19 / 20	20 / 21	21 / 22	22 / 23	23 / 24	24 / 25	25 / 26	26 / 27	27 / 28	28 / 29	29 / 30	30 / 31	31 / 32	32 / 33
	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s
OPERATING SURPLUS RATIO															
Operating Revenue	5,156	5,408	5,564	5,724	5,890	6,061	6,237	6,419	6,607	6,801	7,001	7,208	7,422	7,642	7,869
Less Operating Expenses	(7,022)	(6,429)	(6,612)	(6,773)	(6,900)	(7,040)	(7,203)	(7,321)	(7,424)	(7,535)	(7,647)	(7,764)	(7,875)	(7,983)	(8,096)
Net Operating Surplus	(1,865)	(1,020)	(1,048)	(1,049)	(1,010)	(980)	(966)	(902)	(817)	(734)	(646)	(556)	(453)	(341)	(227)
Own Source Revenue	2,974	2,980	3,187	3,296	3,409	3,526	3,646	3,771	3,901	4,035	4,173	4,317	4,466	4,620	4,779
Ratio	(63%)	(34%)	(33%)	(32%)	(30%)	(28%)	(26%)	(24%)	(21%)	(18%)	(15%)	(13%)	(10%)	(7%)	(5%)
OWN SOURCE REVENUE RATIO															
Own Source Operating Revenue	2,980	3,187	3,296	3,409	3,526	3,646	3,771	3,901	4,035	4,173	4,317	4,466	4,620	4,779	4,944
Operating Expense	7,022	6,429	6,612	6,773	6,900	7,040	7,203	7,321	7,424	7,535	7,647	7,764	7,875	7,983	8,096
Ratio	42%	50%	50%	50%	51%	52%	52%	53%	54%	55%	56%	58%	59%	60%	61%
CURRENT RATIO															
Current Assets	6,240	5,619	5,061	4,497	4,446	3,823	3,684	3,749	3,765	3,650	3,882	3,816	4,575	5,328	6,249
Less Restricted Assets	(5,568)	(4,948)	(4,389)	(3,826)	(3,775)	(3,152)	(3,013)	(3,078)	(3,094)	(2,979)	(3,211)	(3,145)	(3,904)	(4,657)	(5,578)
Net Current Assets	671	671	671	671	671	671	671	671	671	671	671	671	671	671	671
Current Liabilities	756	759	762	764	767	770	773	776	779	783	671	671	671	671	671
Less Related Liabilities	(116)	(118)	(121)	(124)	(126)	(129)	(132)	(135)	(139)	(142)	(30)	(30)	(30)	(30)	(30)
Net Current Liabilities	641	641	641	641	641	641	641	641	641	641	641	641	641	641	641
Ratio	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05

SHIRE OF CUE
Asset Management Plan and Long Term Financial Plan
2018 to 2033
Financial Ratios (Continued)

	18 / 19	19 / 20	20 / 21	21 / 22	22 / 23	23 / 24	24 / 25	25 / 26	26 / 27	27 / 28	28 / 29	29 / 30	30 / 31	31 / 32	32 / 33	
	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	
DEBT SERVICE COVERAGE RATIO																
Operating Surplus	633	1,614	1,674	1,738	1,804	1,872	1,944	2,019	2,097	2,178	2,263	2,351	2,443	2,539	2,639	
Principle and Interest	-	114	114	114	114	114	114	114	114	114	114	-	-	-	-	
Ratio	-	14	15	15	16	16	17	18	18	19	20	-	-	-	-	
ASSET SUSTAINABILITY RATIO																
Capital Renewal Expenditure	2,875	2,561	2,298	2,081	2,333	3,846	2,434	2,417	2,643	3,253	2,712	2,894	2,512	2,878	2,689	
Depreciation Expense	2,498	2,605	2,696	2,763	2,793	2,834	2,895	2,909	2,905	2,906	2,906	2,907	2,896	2,880	2,865	
Ratio	115%	98%	85%	75%	84%	136%	84%	83%	91%	112%	93%	100%	87%	100%	94%	
ASSET CONSUMPTION RATIO																
Depreciated Replacement Cost	56,829	59,548	62,304	64,339	63,987	65,125	65,327	65,018	64,843	64,847	64,667	64,937	64,499	64,194	63,851	
Current Replacement Cost	77,099	82,528	87,996	92,900	95,369	99,456	102,634	105,383	108,238	111,615	114,516	118,031	120,743	123,577	126,290	
Ratio	74%	72%	71%	69%	67%	65%	64%	62%	60%	58%	56%	55%	53%	52%	51%	
ASSET RENEWAL FUNDING RATIO																
NPV of Planned Renewals	23,329	23,156	23,435	23,684	24,444	24,823										
NPV of Required Renewals	26,962	27,176	29,112	30,783	21,748	19,702										
Ratio	87%	85%	80%	77%	112%	126%										

10.4 2022 FINANCIAL MANAGEMENT SYSTEMS REVIEW

APPLICANT: Shire of Cue
 DISCLOSURE OF INTEREST: Nil
 AUTHOR: Glenn Boyes – Deputy Chief Executive Officer
 DATE: 19 May 2022

Matters for Consideration:

Receiving of the Shire of Cue Financial Management Systems Review attached at [Appendix 6](#).

Background:

Section 5 of the *Local Government (Financial Management) Regulations 1996* requires the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government at least once every four years. The last review was conducted in November 2017 by AMD Chartered Accountants as part of the interim audit conducted in April 2017.

Comments:

The review is intended to identify areas that require improvement and highlight any deficiencies in current practices to ensure that systems are strong, accountable and transparent

Management comments have been provided in the report in response to the items raised. Where necessary changes to practices have been implemented to address the recommendations.

Statutory Environment:

Local Government Act 1995

6.10. Financial management regulations

Regulations may provide for —

- (a) the security and banking of money received by a local government; and*
- (b) the keeping of financial records by a local government; and*
- (c) the management by a local government of its assets, liabilities and revenue; and*
- (d) the general management of, and the authorisation of payments out of —*
 - (i) the municipal fund; and*
 - (ii) the trust fund,**of a local government.*

Local Government (Financial Management) Regulations 1996

5. *CEO's duties as to financial management*

(1) *Efficient systems and procedures are to be established by the CEO of a local government —*

(a) *for the proper collection of all money owing to the local government; and*

(b) *for the safe custody and security of all money collected or held by the local government; and*

(c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*

(d) *to ensure proper accounting for municipal or trust —*

(i) *revenue received or receivable; and*

(ii) *expenses paid or payable; and*

(iii) *assets and liabilities;*

and

(e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*

(f) *for the maintenance of payroll, stock control and costing records; and*

(g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*

(2) *The CEO is to —*

(a) *ensure that the resources of the local government are effectively and efficiently managed; and*

(b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*

(c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.*

Policy Implications:

Nil

Financial Implications:

Nil

Strategic Implications:

Shire of Cue Strategic Community Plan 2023-2038

Outcome 2.1.3 Maintain accountability and financial responsibility.

Consultation:

Richard Towell - Chief Executive Officer
Megan West – AccWest Pty Ltd

Officer's Recommendation:

Voting Requirement: Absolute Majority

That Council receive the 2022 Financial Management Systems Review report attached at [Appendix 6](#).

Council Decision:

Voting requirement: Absolute Majority

MOVED:

SECONDED:

CARRIED:

APPENDIX 6

Shire of Cue

REVIEW OF FINANCIAL SYSTEMS

Friday, 3 December 2021

AccWest Pty Ltd

50 Horseshoe CCT, Henley Brook

Western Australia 6062

Mobile 0431 173 224

ABN 12 648 559 648

megan@accwest.com.au

glenn@accwest.com.au

Disclosures:

The consultant is unaware of any issues that will result in a conflict of interest in relation to this consultancy.

Disclaimers:

The consultant is unaware of any issues that will result in a conflict of interest in relation to this consultancy.

REVIEW OF FINANCIAL SYSTEMS

Local Government (Financial Management) Regulations 5(2)(c)

Period Reviewed November 2020 - October 2021

Reviewed by - AccWest Pty Ltd 03 December 2021

This document is to assist the Chief Executive Officer obtain a view as to the appropriateness and effectiveness of the financial management systems and procedures operating at the Shire of Cue. The inclusion of the action task is to identify if and where improvements can be made to the current systems employed by the Shire.

Local Government (Financial Management) Regulations 1996

PART 2 – GENERAL FINANCIAL MANAGEMENT – s 6.10

5 Financial management duties of the CEO

- (1) Efficient systems and procedures are to be established by the CEO of a local government –
 - (a) for the proper collection of all money owing to the local government;
 - (b) for the safe custody and security of all money collected or held by the local government;
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
 - (d) to ensure proper accounting for municipal or trust —
 - (i) revenue received or receivable;
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;
 - (f) for the maintenance of payroll, stock control and costing records; and
 - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.
- (2) The CEO is to -
 - (a) ensure that the resources of the local government are effectively and efficiently managed;
 - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
 - (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

[Regulation 5 amended in Gazette 31 Mar 2005 p. 1047 and 1053. 26 June 2018 p.2388]

Communication and Support to the Council

Open and relevant communication between the Chief Executive Officer and the Council enables the Council to undertake its governance role based on appropriate and accurate information.

The Council needs to be informed of relevant trends, anticipated adverse media coverage or material, external and internal changes, particularly changes in the assumptions upon which any Council policy has previously been established. Where, in the Chief Executive Officer's opinion, the Council is not in compliance with its own policies or any legislation the Council needs to be informed of any breach of any externally imposed compliance requirement.

Local Government (Financial Management) Regulations 5(2)(c)

continued

Period Reviewed November 2020 - October 2021

Financial Planning and Budgeting

A Council should consider the following to be the obligations of the Chief Executive Officer:

- Ensuring that financial commitments are within the organisation's financial capacity
- Producing financial reports or records which are sufficient to enable:
 - Ø compliance with all legislative requirements;
 - Ø clear interpretation and disclosure of the Shire's financial position;
 - Ø identification of real and/or perceived financial, legal or social risks to the organisation;
 - Ø reflect legislation and Council policies and procedures to protect the communities assets under the stewardship of the Shire; and
 - Ø reflect Council's direction established in its Strategic Plans.
- Present for adoption by Council annual budgets in a timeframe approved by Council and within the legislative framework;
- Producing corporate plans which achieve budget outcomes materially aligned with those determined by the Council and contained in the Strategic Community Plan;
- '- Protecting the Shire's assets;
- Achieving legislative and Council determined key performance indicators; and
- Provide for current and future capital requirements and general provisions.

Sound financial management shall be demonstrated at all times so that financial plans and budgets are achieved and legislative, probity and accounting standards are met.

Financial Reporting and Activities

The Council considers the following to be the obligations of the Chief Executive Officer:

- Presentation of financial reports required by the legislation and the Council in a timely, accurate, and understandable fashion directly addressing provisions of the legislation and/or Council's policies and strategic direction;
- Providing financial reports that make clear:
 - Ø significant trends
 - Ø data relevant to agreed benchmarks and measures, e.g., financial ratios to be determined by the legislation and Council,
 - Ø Ad hoc financial reports as determined by the Council from time to time.
- Ensuring that expenditure complies with budget allocations in the financial year to date unless otherwise approved by Council;
- '- Ensuring that the Shire does not accrue debt of an amount greater than can be repaid within an agreed contract period;
- Ensuring that payroll and undisputed debts are settled in a timely manner
- Ensuring that tax payments or other government-ordered payments or filings are paid by the due date and accurately filed;
- Ensuring that any real property that is not included in the budget is not to be encumbered or disposed of ;
- Ensuring that Council's approval is obtained for negative budget variations in accordance with Councils policies and procedures;
- Actively pursuing receivables after a reasonable grace period
- '- Ensuring that organisational funds, contracts or other liabilities are not used other than for the furtherance of the Shire's purposes and priorities as approved by the Council;
- Ensuring restricted grants or reserve contributions are not used for any purposes other than those designated;

Local Government (Financial Management) Regulations 5(2)(c)

continued

Period Reviewed November 2020 - October 2021

- Upholding Australian Accounting Standards or commonly agreed professional accounting practices;
- Ensuring the cash backed reserves are only applied for the specified purpose as authorised by Council;
- Variation Reporting to Council is based on variations greater than \$25,000 or 10% above or below budget.

Asset and Resource Protection

The smooth operation of the Shire is dependent on the protection of its assets and resources in accordance with sound risk management policies.

The Chief Executive Officer shall ensure assets owned by or under the stewardship of the Shire are protected, adequately maintained and secure.

The Council considers the following to be the obligations of the Chief Executive Officer:

- Insuring the organisation, its Council, staff and volunteers against personal injury or liability exposures in an amount not less than that specified by Council;
- Insuring property against property damage or loss based its replacement value;
- Abiding by insurance policy conditions;
- Ensuring that plant and equipment is not subjected to unnecessary wear and tear or improper maintenance;

- '- Ensuring that personnel do not have unauthorised access to Shire funds;
- Ensuring the organisation, the Council, or staff are not unnecessarily exposed to claims of liability
- Ensuring protection of intellectual property, information, and files from loss or significant damage
- Ensuring that receipt, processing and disbursing of funds are sufficiently controlled to meet the legislation and the Australian Accounting Standards;
- Ensuring that operating capital is invested in secure instruments in accordance with legislation and Council policy; and
- '- Ensuring that the Shire's public image or credibility, particularly in ways that would hinder the accomplishment of its mission, is not endangered.

Local Government (Financial Management) Regulations 5(2)(c)

continued

Period Reviewed November 2020 - October 2021

Local Government Act 1995 *

Local Government (Financial Management) Regulations 1996 *

* Including Amendments to date

Relevant DLG Guidelines

Attendance at Events Policy

Declaring Financial Interests in Meetings

#17 - Delegations

Disclosure of gifts and disclosure of interests relating to gifts

Elected member Induction

Financial Ratios

Local government CEO Recruitment and Selection, Performance Review and Termination.

#14 - Legal Representation for Council Members and Employees.

Local Laws

#8 - Net Current Assets Used in the Annual Budget

Primary and Annual Returns

#9 - The appointment, function and responsibilities of audit committees

Use of Corporate Credit Cards

OAG - Better Practice Guidance

Audit Committees

Contract management - extensions and variations

Control of Monies Held for Specific Purposes

Controls over Purchasing Cards

COVID-19 Financial control matters

Cyber Security

Management of Supplier Master Files

Procurement

Records management in Local Government

Staff exit controls

Verifying Employee Identity and credentials

OAG - Audit Reports

Audit results (various years)

Fraud Prevention in Local Government

Local Government Financial Hardship support




































Timely payment of suppliers

Local Government (Financial Management) Regulations 5(2)(c)

Shire of Cue

DASHBOARD

Period Reviewed November 2020 - October 2021

Accounting and Information Systems			
Systems/Integration		88%	1 comments/actions
POLICIES AND PROCEDURES -			
Written policies up to date		82%	3 comments/actions
Written procedures			
Disbursement of funds		51%	2 comments/actions
Assets/Liabilities		51%	1 comments/actions
Other accounting processes		22%	2 comments/actions
Independent review of processes/systems			
Internal audit and process reviews		62%	1 comments/actions
External review of systems		65%	3 comments/actions
Appropriateness of process/systems			1 comments/actions
Accounting Software		81%	1 comments/actions
Resource Recovery/Information Technology Hardware		95%	1 comments/actions
Other Systems		73%	1 comments/actions
Compliance Issues			
Finance Regulations 7 to 11		70%	1 comments/actions
Regulation 12 Payments from Municipal or Trust funds		100%	
Investments - Regulation 19		0%	1 comments/actions
Monthly financial reports		98%	
Budget Review		100%	
Annual Statements		94%	
Internal Controls	 3.00	72%	2 comments/actions
Internal Control - Appropriateness			
Appropriateness			
Rating System		90%	
Creditor Payment System		83%	
Debtors System		87%	
Cash Receipting System		87%	
Payroll System		96%	
Asset Register		80%	
Reserve Accounts		95%	
Management Financial Reporting		70%	
Integrated Planning and Reporting			
Strategic Community Plan		<i>Shire of Cue Strategic Community Plan 2017 to 2027</i>	
Corporate Business Plan		<i>Shire of Cue CBP 2019 to 2023</i>	
Long Term Financial Plan.		<i>Forms Part of Strategic Resource Plan 2018- 2033</i>	
Workforce Plan		<i>Shire of Cue Workforce Plan 2013-2017, 2021-2026 Adopted June 2021</i>	
Asset Management Plan		<i>Forms Part of Strategic Resource Plan 2018- 2033</i>	
Audit Committee	 4.00	80%	1 comments/actions
LEGEND			
	acceptable		
	room for improvement		
	unacceptable		
	serious concern		

Shire of Cue

REVIEW OF FINANCIAL SYSTEMS Period Reviewed November 2020 - Priority H M L
October 2021
Local Government (Financial Management) Regulations 5(2)(c)

Management Comments

ACTION/COMMENT			
1	Current Financial System - Records management is a combination of manual files where filing is consistent with keywords for Councils, however electronic records are stored on the network with no consistency to the manual filing naming convention. It is recommended that the Shire review the storage convention of electronic filing to be consistent with Keywords for Councils.	L	The Shire has started moving from paper to digital and to a new accounting system. It is expected to be a 3 year process. During this time we will review and implement a solution for digital records management.
2	Policies and Procedures - - Recommend that policy manual be reviewed every 3 years with reminder via Compliance calendar.	M	Staff will add reminder to Compliance calendar.
3	Policies and Procedures - - Recommend policy be adopted for Whistle Blower Policy, to ensure staff and councillors understand legislation.	L	We will review preparing a Whistle Blower Policy with the next review of the Policy Manual. We do not believe it is critical at the moment
4	Policies and Procedures - - Purchasing Policy requires review and update.	M	We only attach quotes to the first invoice that is paid. Any invoices paid after this, which relate to the quote, will not have the quotes attached. The move to digital will allow us to access the quotes without the need to spend time getting the documents from the files.
5	Disbursement of funds - Processes are evident - Some written procedures exist, recommend review and testing of written procedures for clarity. (Especially addition/ change of Creditor details)	L	We agree with continual improvement of systems.
6	Disbursement of funds - Sub Delegations - Purchase Order Register requires update.	H	Register has since been updated with appropriate sub-delegation since the review.
7	Assets/Liabilities - Processes are evident relating to the recognition of Assets and Liabilities and some written procedures exist. Review of all core procedures is required, identify gaps, document processes and test written procedures for clarity.	L	The Shire has started moving from paper to digital and to a new accounting system which will change the procedure. We will therefore update procedures over time as they will change.
8	Other accounting processes - Known process of procedure for accounting processes is evident - Some written procedures exist, recommend review and testing of written procedures for clarity and update where required.	L	The Shire has started moving from paper to digital and to a new accounting system which will change the procedure. We will therefore test and update the procedures over the next few years
9	Other accounting processes - Assess core tasks and prioritise action to develop written procedures.	L	The Shire has started moving from paper to digital and to a new accounting system which will change the procedure. We will therefore test and update the procedures over the next few years
10	Internal audit and process reviews - Develop Internal audit program for financial risk areas.	M	An internal audit program will be prepared and presented to the Audit Committee.
11	Previous Reg 5(2)(c) - General Journal process requires review and written procedure.	M	We will separate who prepares and who updates each batch along with preparing a written procedure
12	Previous Reg 5(2)(c) - Tender register to be updated as required by legislation with each Tender.	M	Tender register is close to being converted to a digital version and posted to the website. It will be reviewed during the process
13	Previous Reg 5(2)(c) - Prior FMR by AMD actions to be reviewed, Staff need to prioritise areas of improvement	H	Staff will review along with new system implementation.
14	Appropriateness of Systems - Consider the implementation of procurement software.	L	We will look at it after moving to digital and the new software. We will review our current manual system and strengthen any weaknesses we find.
15	Procedures - Payments - Review documented procedures for staff to assist in creating purchase orders and payment of accounts recommended.	M	We will separate who prepares and who updates each batch.
16	Investments - Regulation 19 - Develop and document internal control procedure for Investments as per Reg 19.	H	Staff will develop and document procedure.
17	Internal Controls - Update Delegations Register with current staff titles.	L	We can update employee titles in the register.
18	Internal Controls - Review suggested improvements to Job Descriptions	L	We have planned to do this along with the employment contracts. We will wait until the new LG employee legislation is finalised before proceeding
19	Appropriateness - Rating System - Rates reconciliation (outsourced) should be reviewed by a senior officer monthly.	M	Staff will ensure that outsourced rates reconciliation are reviewed each month by a Staff member.
20	Appropriateness - Debtors System - Authority to raise debtor and credit note form required as per prior Financial Management Review.	M	We will develop a form to authorise certain debtors similar to a purchase order.
21	Integrated Planning and Reporting - Website needs to be updated with current version of documentation.	H	We will monitor documents uploaded to the website.
22	Audit Committee - That staff ensure regulatory reports to council and committees are submitted in a timely manner - Add to compliance Calendar	H	Key dates have been updated in the Compliance Calendar.

CURRENT FINANCIAL SYSTEM

Identify the systems currently used to process the following-

Notes/Comments

		Manual	Integrated	
General Ledger	Synergysoft		✓	
Rating	Synergysoft		✓	
Payroll	Synergysoft		✓	
Payroll costing	Synergysoft		✓	
Plant costing	Synergysoft		✓	
Purchase orders	Synergysoft		✓	
Stock control/issues	Excel	⚠		CEO has delegation to sign requisitions and Purchase Orders Fuel Stock issues are recorded manually, with a dip of the tank taken weekly. Admin staff prepare a Journal to bring Fuel issues to account monthly
Payments(Creditors)	Synergysoft		✓	
Receiving Control	Synergysoft		✓	
Debtors Control	Synergysoft		✓	
Investment Management	Excel	✓		
Bank reconciliation	Synergysoft		✓	Bank 1 Muni, Bank 2 On call, Bank 3 Trust, Bank 4 Reserve
Investment Register Bank Rec	Excel	⚠		Reconciliation sheet is confusing - suggest review to make information clearer, and include copies of all certificates each month
Asset Recording	Synergysoft		⚠	Capitalisation action via manual batch process Small asset register on Excel - GB advises stocktake each year - could be better
Minor Tools	Excel	✓		
Loan management	Manual	✓		1 loan only
Financial Reporting - monthly	Synergysoft/Excel	⚠		Linked thru UV code where possible, manual adjustments - reports don't balance to Synergy Budgets
Council payment lists	Synergysoft		✓	Dropped to excel for formatting
Financial Reporting - annual	Synergysoft/Excel	⚠		Linked thru UV code where possible
Trust Funds and Old "Bond" records	Synergysoft		✓	In use for trust monies held, Could be used to keep track of Bond and deposits held.
BAS	Synergysoft		✓	
Reserves	Synergysoft/Excel		⚠	Reserves Module is not used fully. Excel is used to monthly reconciliation purposes

Resource Recovery

Business Continuity Plan	Word Doc		✓	Due for review soon
Storage(Backup) off site	PPS		✓	Back up on site - back up off site at depot & cloud back up
Daily or better backup systems	PPS		✓	PPs back up and also give monthly status of report
Cyber Controls/firewalls etc.	PPS		✓	Security is Via PPS - rely on advise of IT provider
Cyber Data Insurance coverage	LGIS		✓	\$500,000 max in any year

Information Technology Hardware

Server capacity adequate	PPS/CEO		⚠	Server upgrade (2008) in budget Fy22
Security of Equipment			⚠	Office open to public - could cause risk
Off site access - how many and who?			✓	ITV, Contract Rates, Auditor - Read Only CEO, DCEO (CEO approves new remote access)
Capability of PC's			✓	Oldest probably 4 years - doesn't seem a problem.

Other Systems

Records management	Excel		⚠	Clunky but works OK but not as good as electronic system - Identified room for improvement to provide better consistency in Keywords for Councils and data entry
PC Office products	Microsoft		✓	OK for now
Road Management System	RAMM		✓	Data managed by Greenfields - Update Annually (Admin task)
Animal Control (Dogs and Cats)	Synergy		✓	Staff need to be vigilant in free field commentary and dates
Mapping			✓	New cadastre to be updated.
Building/Planning Control	EHO and Building Control		✓	Data held on property system. Minimal workload and data.
Complaints Handling	Excel		✓	Manual files- excel register held on network
Human resources	Manual Files		⚠	No Software - Manual Files, refer records management
Councillor IT			✓	Ipads and email addresses

ACTION/COMMENTS

1 *Records management is a combination of manual files where filing is consistent with keywords for Councils, however electronic records are stored on the network with consistency to the manual filing naming convention. It is recommended that the Shire review the storage convention of electronic filing to be consistent with Keywords for Councils.*

continued

POLICIES AND PROCEDURES -

This list is not exhaustive. Policies listed assist administration to manage daily activities where applicable.

Are there up to date written policies for –

			Reference/Comment
Policy Manual - Adoption and Review of Policies		✓	Reviewed 17/8/2021
Chief Executive Officer and Executive Officers Employment		✓	G.11
Public Complaints		✓	G22
Internal control		✗	? Could be part of Risk management Policy
Risk Management Policy		!	Outstanding Interim audit matter - Plan adopted in November 2021
Council Logo Use		✓	H4
Councillor allowances and expenses		✓	F5
Councillor Professional Development		✓	F9
Delegation Register	Guideline # 17	!	Check content - Throughout doc refers to old position titles D7 - Requires update (NB Council has a signature verification register -)
Bank Signatories Bank Account signing Authority)		!	
Capitalisation Threshold for assets		✓	D8
Corporate Credit Cards	Use of Corporate Credit Cards	✓	D11 (need Corporate Credit card usage agreement)
Donations – Financial Assistance (Donations & Grants)		✓	D2
Financial hardship (Covid)		✓	D17
Records Keeping (includes FOI)		✓	G21. Useful - Use keywords for Councils in excel file
Recruiting Community Members on Council Committees		!	May not be required.
Legal Advice/assistance		✓	E1 and E2
ICT Use, and Social Media		✓	G5 and G6
Attendance at events		✓	F8
In- Kind Works		✓	D4
Employment Related Benefits		✓	G13 - employee incentive Scheme, G15 - RDO's, G.17 - Staff use of equipment.
Accounting Policies (Annuals/Budget)		✓	Generally Included in Adoption of Budget and Annual Report
Asset Management		✗	No evidence of Asset Policy
Investment Policy		✓	D3 CEO has delegation 71 - Power to invest, and establish internal control procedures
Surplus Plant and Vehicles - Sale of		✓	D10
Purchasing		!	D10, D9 (requires update)and D12 - Light Vehicle Purchasing Policy (requires update), D15 regions price preference
Code of Tendering		✓	D10 - Forms part of Purchasing Policy
Related Party Transactions		!	Refer DLGSCI fact sheet - On network for staff to review. Not legislatively required, but recommended.
Travel & Accommodation (Staff and Councillors)		✓	D13 - Staff and Councillors
Collection of Outstanding Rates and Charges (Debt recovery)		✓	D1 - Debt Recovery
Gifts		!	Partly covered by F.8 - Attendance at Events. Suggest separate policy be developed (to also include website register)
Whistleblower Policy		!	All companies are bound by the whistleblower protections in the Corporations Act; however only public companies, large proprietary companies, and corporate trustees of superannuation entities regulated by APRA are required to have a whistleblower policy.

ACTION/COMMENTS

- 2 *Recommend that policy manual be reviewed every 3 years with reminder via Compliance calendar.*
- 3 *Recommend policy be adopted for Whistle Blower Policy, to ensure staff and councillors understand legislation.*
- 4 *Purchasing Policy requires review and update.*

continued

External review of systems

Internal audit and process reviews

Internal Audit	Is there an internal auditor	!
Internal Audit	Does the Shire have an internal audit program	!
Internal Audit	Does an external body undertake internal audit function	!
Internal Audit	Any internal audit functions undertaken by the external person	!
Internal Audit	Has the Audit Committee requested additional reviews	!
Reg 5 Review	Has the FM Reg 5(2) review been undertaken in the last 3 years	!
Reg 5 Review	Was the Reg5 (2) undertaken by an external party	✓
Reg 5 Review	Is it free of material weaknesses	✓
Reg 5 Review	Is there an external quality control process used	!

Not considered appropriate for Shire the size of Cue. No program in place, however Documented format for internal monthly checks occurs
 Reg 5(2)(c) and Reg 17 Outsourced
 In progress
 ?May not be considered necessary by committee
 AMD 2017 - In progress.
 AMD 2017
 Only Annual audit. Continuous external quality control systems are not necessarily appropriate for Shire the size of Cue. This should be negated by sound Internal control procedures.

ACTION/COMMENT

10 *Develop Internal audit program for financial risk areas.*

Previous Reg 5(2)(AMD 16/11/2017

Identified Findings

Collection of Money No significant finding

Custody and security of money 1. Security

Accwest comment

2. Petty Cash

Accwest comment

Maintenance and security of financial records

1. Business Continuity and Disaster Recovery Plans

Accwest comment

2. It Performance Reviews

Accwest comment

3. Tender Register

Accwest comment

Accounting for municipal or trust transactions 1. Bank Reconciliations

Accwest comment

2. Rateable Value Reconciliations

Accwest comment

3. Sundry Debtors

Accwest comment

Authorisation for incurring liabilities and making 1. Credit Card Transactions

Accwest comment

2. Insurance Claims register

Accwest comment

Maintenance of Payroll, Stock Control and Costing 1. Payroll

Accwest comment

2. Employee performance review

Accwest comment

3. Fuel Dips/Reconciliation

Responsible Officer

Rating Resolved

Prior recommendation

Current Status

Addressed to

Rating Given Addressed to date

na na

M na

L ✗

M ✓

M !

L ✗

M !

L ✗

M !

L ✗

L ✗

M !

L ✗

M !

L ✗

M ✓

M ✓

L ✗

M ✓

M ✗

Formalise arrangement for TP Management for sale of items tourist Park. Increase security to protect staff and property - Change of management

Arrangements have changed - no longer applicable

Petty Cash Policy to be implemented,

Out of date procedure exists.

Plan developed in 2017 and still relevant (suggest check for up to date for current organisation structure)

Item addressed

Agreement signed Feb 2018 has significant flaws and possible procurement breach. To date Council

Agreement signed, but required review as it does not comply with purchasing policy

Tender register not completed correctly in accordance with regulations. Identified similar issues in 2021- see Action 16
 Issues still exist where Tender Regsiter details are incomplete.

Bank recs not signed off in a timely manner following EOM - numerous instance where BR were out of balance.

Banks Recs signed off in Timely manner, However 4/12 months samples were not in balance with Current GL balances - it is good practice for posting period to be closed as soon as reconciliations are signed off.

Changes to Valuations not independently reviewed. Staff advise to be brought in house.

No rates data entry is reviewed (LOGO consultant)

Recommended Authority to raise Invoice form to support debt.

No evidence of form in use

CC to be signed by CC holder, CC statements be independently reviewed, Receipts supporting documentations be retained and filed with CC reconciliations. Identified similar issues.

No evidence of improvement - 3 months sampled Nov, April and Oct - Recommendations 1 & 2 not addressed. On 2 occasions there were non-compliant Invoices attached to return

Register of Insurance Claims to be developed and maintained

No evidence of improvement - very few claims - may not be required.

Hr records and working conditions be documented on Employees personnel file to ensure there is adequate information to support disputes in relation to allowances or deductions from wages.

Item addressed

Employee Performance reviews be conducted on a regular basis

Item addressed

Fuel reconciliation/dips be taken at least quarterly, periodic reviews to sample if fuel use is appropriate and reflective of works undertaken on job. What processes have been introduced to monitor fuel usaae.

Accwest comment			Oct 21 reconciliation has a \$23k variance - this is a concern and requires attention. Staff are aware of variance.
4. Staff Resignation/Termination Checklist	M	✓	Develop formal termination checklist
Accwest comment			Item addressed
Preparation of Budgets, budget reviews, accounts and reports			
1. Annual Returns	L	✓	Develop Compliance Calendar to avoid late lodgement of returns and other statutory requirements.
Accwest comment			Register set up in Synergy Module - some dates require review and correction
Review all audit management letters from the external auditors.			
FY18 Matters addressed		✓	1, General Journals not reviewed, 2. Asset management Plan out of date, 3 PO's dated after invoice, 4 Payroll allowance not documented & termination checklist
FY19 Most matters addressed		✓	1. Purchasing Policy & Quotations not appropriate, 2. Audit Committee not meeting on a regular basis. 3. Code of Conduct requires review. 4 No register of specimen signature
FY20 Matter addressed		✓	1. Expired IT agreement, 2. Code of conduct not reviewed since 2013.
FY21 Audit not complete at Review date		!	Interim - FMR, Risk management Policy, Reg 17
Was any comment been made as to the appropriateness or the effectiveness of the current systems?		✓	No comments regarding appropriateness of systems
Have all matters been address/resolved?		✓	ASR improved Draft Fy22 AFR.
Financial Statements Audit opinion			
No material opinion., Adverse Trend ASR and ARF, and Non-compliance for Accounting Journals entries with no supporting evidence.		✓	Report on Website
FY18		✓	Report on Website. Letter to president,
FY19 No material opinion, Adverse Trend ASR		✓	Report on Website
FY20 No material opinion, Adverse Trend ASR and Operating Surplus - below stand for last 3 years.		!	Once Audit is complete - review and take necessary action
FY21 Audit not complete at Review date, Draft report ASR improved :)		!	
ACTION/COMMENT			
11 General Journal process requires review and written procedure.			
12 Tender register to be updated as required by legislation with each Tender.			
13 Prior FMR by AMD actions to be reviewed, Staff need to prioritise areas of improvement			

APPROPRIATENESS - Considering the size of the Shire of Cue are the systems appropriate in terms of internal control, level of information, cost of maintenance, staff resources?

In your opinion does the current processes and/or system meet your needs? This is just to identify if the current procedures can perform the tasks. How effective or efficient in the performance of the tasks will be assessed further in the review. Use a scale of 1 to 5 to rate the performance (1 is best with 5 bad). Don't rate if not applicable.

Accounting Software

	Scale
General Ledger	2
Rating	2
Payroll	2
Payroll costing	2
Plant costing	2
Purchase orders	2
Stock control/issues	2
Payments(Creditors)	2
Receipting Control	2
Debtors Control	2
Investment Management	2
Bank reconciliation	2
Asset Recording	2
Loan management	1
Financial Reporting - monthly	2
Council payment lists	2
Financial Reporting - annual	2
Trust Funds and Old "Bond" records	2

Comments

Integrates with most sub-modules, and provides effective reporting with Excel Integration.

Outsourced
Generally 4 staff involved in approval process (Payroll Officer, FM, DCE & CEO)

Ability of Staff to complete timesheet correctly

Ability of Staff to complete timesheet correctly

Supporting documentation need to be attached to PO - Consider software for procurement

Fuel sheets & Dips each week - Monthly Journal to process issues - need to check fuel \$ rate.

Council Office and Tourist Park (Booking System) take cash - banked daily.

Reconciled to Capex spend - Asset register reconciled each month after rollover

1 loan

Consider adding Column for KMP payments

Only 1 Trust

Resource Recovery

Business Continuity Plan	2
Storage(Backup) off site	1
Daily or better backup systems	1
Cyber Data Insurance coverage	1

Contracted
Contracted
LGIS

Information Technology Hardware

Server capacity adequate	2
Security of Equipment	3
Off site access - how many and who?	2
Capability of PC's	2

Being Updated
Shire Offices have public access (Picture galleries and historical memorabilia).

Passwords, Authorisation for access from CEO

Pcs are less than 4 years old

Other Systems

Records management	3
PC Office products	3
Road Management System	2
Animal Control (Dogs and Cats)	1
Mapping	2
Building/Planning Control	3
Complaints Handling	2
Human resources	3
Councillor IT	2

Manual Files, & Excel register

May need update soon

RAMM - updated by Contractor

Needs update of Cadastre

Held by Contract EHO - given to Shire each year (very few applications)

Excel register - Register on Network - no written procedure, policy exists

Manual Files (Common for small Shires)

Ipads

ACTION/COMMENT

14 Consider the implementation of procurement software.

Compliance Issues

Are the following tasks completed or produced by the current financial systems.

Finance Regulations 7 to 11

	FM Reg	
Ward accounting not kept	7	✓
Accounting for separate bank accounts	8	✓
Account for trading undertakings	9	na
Cash receipts are issued	10	✓

The Shire has developed procedures for the authorisation of, and the payment of, accounts to ensure that there is effective security for, and properly authorised use of-

Purchase orders	11(1)(a)	!	Known procedure - some documentation - requires review
cheques	11(1)(a)	!	Known procedure - not documented - requires review
credit cards	11(1)(a)	!	Known procedure - not documented - requires review
electronic funds transfers	11(1)(a)	!	Known procedure - not documented - requires review
direct debts	11(1)(a)	!	Known procedure - not documented - requires review
Security devices/apps	11(1)(a)	!	Known procedure - not documented - requires review
Changes to creditor/payroll details	11(1)(a)	!	Known procedure - some documentation - requires review
petty cash systems.	11(1)(b)	!	Known procedure - some documentation - requires review

Procedures exist for the approval of accounts to ensure that before payment of an account a determination is made that -

· the relevant debt was incurred by a person who was properly authorised. 11		!	Known procedure - some documentation - requires review
· the goods or services to which each account relates were provided in a satisfactory condition/standard. 11(2)		✓	Goods received included on stamp
· Identification, method, authority for payments, 11(3)		!	Known procedure - not documented - requires review

ACTION/COMMENT

15 *Review documented procedures for staff to assist in creating purchase orders and payment of accounts recommended.*

Regulation 12 Payments from Municipal or Trust funds

OR	Delegation given to CEO 12 (1) (a)		✓	Delegations Register Item 3
	Authorised in advance by Council 12(1)(b)		na	
	Payment in accordance with the list under 13(2)		✓	
Listing accounts prepared from system (Delegated or Council approved)				Accessed list of accounts from Council Minutes. Suggest adding a column to disclose if payment is to a related party or KMP
· the payee's name;	Reg 13 (1) OR 13 (2)		✓	
· the amount of the payment;			✓	
· the date of the payment; and			✓	
· sufficient information to identify the transaction.			✓	
· Sequence check support full disclosure			✓	
· Statement presented to Council	13(3)		✓	

ACTION/COMMENT

continued

Investments - Regulation 19

Documented internal control procedures to be followed by employees to ensure control over investments.

the nature and location of all investments; and
the transactions related to each investment.

19(1)(2),19C	<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/>

Process exists - not documented
Process exists - not documented

ACTION/COMMENT

¹⁶ Develop and document internal control procedure for Investments as per Reg 19.

PRODUCTION OF FINANCIAL REPORTS

Monthly financial reports

Review the date financial reports were presented to Council.

34(1), Budget Review 33A Annual Report
Within prescribed time

November 2020 - October 2021

	Monthly Financial Report	List of Payments	Meets disclosure requirements
November	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
December	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
January	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
February	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
March	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
April	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
May	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
June	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
July	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
August	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
September	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
October	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Are statements included in formal minutes?			<input checked="" type="checkbox"/>
Materiality levels determined by Council each year <i>Special Meeting</i>			<input checked="" type="checkbox"/>
<i>Special Meeting</i>			<input checked="" type="checkbox"/>
<i>Special Meeting</i>			<input checked="" type="checkbox"/>

Submitted to Meeting

OCM 15.12.2020
OCM 16.02.21
OCM 16.02.21
OCM16.3.21
OCM20.04.21
OCM 18/7/21
OCM - 15/6/21
OCM - 20/07/2021 - Adoption of 2021-2026 Workforce Plan
OCM - 17/08/2021 - MFR Item 10.2 Late Item also Budget adoption 13.1 MFR includes draft budget for comparison
OCM - 28/09/2021
OCM - 19/10/2021
Ocm 16.11.2021
Adopted 17/8/2021 - 10% or \$25k
30/7/2021 Imposition of Differential rate - apply to minister to impose differential rate (noting Special meeting 24th June)
24/06/2021 - Setting of rate, CEO appointment
16/6/21 - CEO selection

ACTION/COMMENT

Budget Review

Was review undertaken within the allowable timeframe/reported to Council?

<input checked="" type="checkbox"/>

OCM 16/3/2021

Is the report informative/full disclosure?

<input checked="" type="checkbox"/>

Was report forwarded to the DLG within 30 days?

<input checked="" type="checkbox"/>

23/03/2021

Annual Statements

Was the Annual Financial report submitted to the Auditor by 30 September?

<input checked="" type="checkbox"/>

Was annual report adopted by December?

<input checked="" type="checkbox"/>

Audit report not received until 12/2/21, Annual report OCM 16/3/21 - within statutory guidelines.

Was audited report forwarded to the DLG within 30 days of receipt?

<input checked="" type="checkbox"/>

4/03/2021

Was the Ratepayer meeting held with 56 days of receipt of Audit report?

<input checked="" type="checkbox"/>

13/04/2021

Report details

Statements in accordance with legislation?

<input checked="" type="checkbox"/>

Notes in accordance with legislation?

<input checked="" type="checkbox"/>

Revaluation of land/Buildings

<input checked="" type="checkbox"/>

Revaluation of Infrastructure

<input checked="" type="checkbox"/>

Last valued 2017 - next due by 30/6/2022

Last valued 2018 - next due by 30/6/2023

ACTION/COMMENTS

INTERNAL CONTROLS

The financial systems should provide a good level of functionality whilst maintaining internal controls sufficient to protect the assets of the Shire of Cue. Internal controls should be addressed by the auditor and may be subject to a separate report.

Is an up to date organisational chart available?

1

Updated with work force Plan July 2021, but position titles have since changed.

Clear and well-planned organisation charts are necessary for the proper definition and allocation of duties and responsibilities of employees on which largely depends the smooth functioning of an organisation and the development of a good system of internal control.

Are staff duties clearly defined?

Prevents duplication of work, overlapping of functions, omission of important functions, misunderstandings and other situations which might Fixed lines of responsibility help to prevent staff charged with certain duties from being influenced to commit or conceal an irregularity.

1
1
2
2
2
2

Refer to AccWest review and suggested improvements (separate document).
Refer to AccWest review and suggested improvements (separate document).
No excessive leave balances for key finance staff
Adopted by Council July 2021 - Needs minor changes

Is adequate fidelity insurance maintained?

Is an adequate insurance of assets maintained?

Key finance personnel do not have substantial leave outstanding?

Is the delegation register maintained up to date?

ACTION/COMMENTS

- 17 Update Delegations Register with current staff titles.
- 18 Review suggested improvements to Job Descriptions

Internal Control - appropriateness

Do the following systems maintain control and provide all the functionality required to meet the legislative requirements?

Scale – use 1 to 5 – 1 good 5 bad Y/N – Is it appropriate for the Shire.

Rating System

- Functionality with Act/Reg requirements?
- Auto calculation of all levies, interest etc.?
- Fully integrated to the GL?
- Fully integrated with receipting?
- Full reconciliation with VG's values?
- Aged analysis and debtor control adequate?
- All outstanding rates reviewed by other staff?
- Write-offs approved by Council?

Scale
1
1
1
1
1
1
3
3

Comments

Monthly reconciliation to be signed by reviewer and attached to reconciliation
CEO has delegation to write of Small rates balances of less than \$20 - manual approval process.

ACTION/COMMENTS

- 19 Rates reconciliation (outsourced) should be reviewed by a senior officer monthly.

Creditor Payment System

- Functionality?
- Fully integrated to the GL?
- Independent authorisation of accounts?
- Internal controls?
- Bank reconciliation integrated?
- GST compliant?

Scale
1
1
3
3
1
2

Comments

Manual approval process
Review settings in Synergy - Not reviewed

Parameters are determined by staff and are at General ledger level

continued

Debtors System

	Scale
Functionality?	1
Fully integrated to the GL?	1
Aged analysis reporting?	1
Internal controls?	3
Outstanding reviewed by senior officer?	3
Write-offs approved by Council?	1

Comments

Authority to raise debtor and credit note form required as per Prior FMR
Monthly reconciliation to be signed by reviewer and attached to reconciliation
CEO has delegated authority to write of debts not exceeding \$1000 (write off to Council for more than \$1,000 - OCM Dec20))

ACTION/COMMENTS

20 Authority to raise debtor and credit note form required as per prior Financial Management Review.

Cash Receipting System

Bank Rec	Functionality?	Scale
	Functionality?	2
	Fully integrated to the GL?	2
	Fully integrated to the Rating?	1
	Internal controls?	2
	Direct Bank Deposit processes?	1
	GST compliant?	2

Comments

Some user defined allocations - subject to human error.
There is always some risk when cash is involved. Sound processes and procedures reduce risk of loss of theft.
Rates and some other deposits paid directly into bank account and receipted back office - or phone in and pay by credit card.
User defined GST indicators - subject to human error.

ACTION/COMMENTS**Payroll System**

	Scale
Functionality?	2
Automatic bank deposits?	1
Fully integrated control records to the GL?	1
Fully integrated payroll costing to the GL?	1
Fully integrated oncost allocation to the GL?	1
Fully integrated plant allocation to the GL?	1
Internal controls?	2
Reviewed by senior officer?	1
EFT authorisation?	1
Additions/deletions?	1

Comments

Manual system for timesheet entry and approval processes.
System generated
System generated
System generated
System generated based on manual data entry.
System generated based on manual data entry.
Manual timesheet entry. Approval processes
Manual Approval processes.
Manual Approval processes.
Audit trail to monitor changes

ACTION/COMMENTS**Asset Register**

	Scale
Functionality?	2
Fully integrated to GL?	2
Stock take records?	2
Internal controls?	2
Auto calculation of Depreciation?	2
Auto calculation of P/L on Sale?	2
Road Management System	2
Portable & attractive Register	2

Comments

Manual input
Revaluations require Manual Journal for write back of Depreciation.
Assets require addition. CY Asset register not open until post audit.
New items reconciled to CAPEX spend - Asset register reconciliation - monthly (when rolled).
Requires manual change to rates if necessary
Requires manual input to ensure correctness
RAMM - Best known available - updated by External consultant.
Excel - manual

ACTION/COMMENTS**Reserve Accounts**

	Scale	
Clearly identified purpose	1	17(1)
Fully integrated to GL?	2	
Public Notice for changes	na	18
Funds applied for purpose	1	
Balance supported by "cash"	1	

Comments

As defined in Budget document and Annual Financial report.
Opening Balances are not in Reserve Module - only YTD transactions
No change during review period
Compared Transfers in Budget Fy22 with Capex seems reasonable
All funds are Cash backed in Term Deposits or cash

ACTION/COMMENTS

continued

Management Financial Reporting

Functionality?
Fully integrated to GL?
Project/cost control reports?
Monthly budgets maintained?
Variance Reporting?
Enquiry access by other staff?

Scale
3
3
2
3
3
1

Comments

Consider utilising Excel integration summarised functions to assist reconciliation.

Budgets look to be equally spread over 12 month - consider timing budgets according to project delivery, to assist monthly variance reporting.

ACTION/COMMENTS**Integrated Planning and Reporting****Strategic Community Plan**

Shire of Cue Strategic Community Plan 2017 to 2027



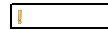
Source - Website, being reviewed FY22 - and new plan developed

Corporate Business Plan

Shire of Cue CBP 2019 to 2023

Long Term Financial Plan.

Forms Part of Strategic Resource Plan 2018- 2033



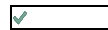
Source - Website, Is document Current?

Workforce Plan

Shire of Cue Workforce Plan 2013-2017, 2021-2026 Adopted June 2021



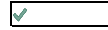
Source - Website, Timing of review of SRP not indicated?



Source - Website, Is document Current? Document requires update with current Organisation Structure.

Asset Management Plan

Forms Part of Strategic Resource Plan 2018- 2033



Source - Website, Timing of review of SRP not indicated?

ACTION/COMMENTS

21 *Website needs to be updated with current version of documentation.*

Audit Committee

What should audit committee do?

Audit committee established/appointed
Audit committee minutes
Financial Statement Audit Report to President
Management Audit Report to President
Meet with auditor(person or electronic) OAG

Section 7.1A

July 2019, March 2020, June 2020, March 2021, 16 Nov 2021.

CEO to review certain systems and procedures

Risk Management and Internal controls (Reg17)
FMR Reg 5(2)(c)
2020 Compliance Audit Return Adopted
2020 Compliance audit Return to DLG by 31 March

Section 7.9

21/02/2021

Section 7.9

16/09/2021



Exit Interview

Audit Regs 17

2020- Presented to Audit Committee Nov-21 - delay in Reporting to Council?

Reg5(2)(c)

2017 - Overdue, but in progress.

Audit Regs 14

2021- Presented to Audit Committee March 21

Audit Regs 15

Lodged 23rd March 2021

ACTION/COMMENTS

22 *That staff ensure regulatory reports to council and committees are submitted in a timely manner - Add to compliance Calendar*

WHAT IMPROVEMENTS ARE IN PLACE?

Whilst on site preparing the review, staff acknowledged areas of weakness and were willing to develop and improve processes. While the current financial systems are adequate, staff are investigating the implementation of modern systems that will improve current internal control processes.

COMMENTS

During this review period, the Shire has appointed a new CEO, DCEO and Finance Manager . It is anticipated that re-allocation of duties and refinement of lines of authority will improve internal control and succession planning.

SUMMARY

The review assessed the processes and information based on the November 2020 - October 2021 period.

Appropriateness needs to be viewed in the context of the size of the and what is appropriate to maintain. Inappropriate systems will lead to duplication, additional staff resources used, and lack of control. Effectiveness relates to how well a system performs its task. Effective systems will provide good support and control of the task undertaken.

The current processes are mostly adequate to meet the Shire's responsibility in terms of the legislation and stewardship role to the community. The processes can be strengthened by the formalising of tasks and processes so that all staff can be informed of the expectations placed on them should experienced local government officers are not available. Written documented procedures should be kept up-to date to formalise organisational practices for business continuity purposes.

It would be appropriate for the elected members to provide feedback as to the appropriateness of the financial information being provided to ensure that they fully understand the financial position of the Shire.

The financial management systems are mostly considered adequate to meet the requirements placed on the Shire under legislative arrangements. The Shire needs to ensure its financial systems are kept up-to date and that long term planning provides for advances in technology.

It is noted that the Shire Staff are reviewing current systems and are planning to move away from manual systems to developed electronic systems before the next FMR is due in 3 years.

Prepared by:



Megan Shirt, B.Bus (Local Government), MLGPA
Director

On behalf of: AccWest Pty Ltd
18/05/2022

Received:

Richard Towell
Chief Executive Officer
Shire of Cue

11. MOTIONS BY MEMBERS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

12. MOTIONS FOR CONSIDERATION AT THE NEXT MEETING

13. NEW BUSINESS OF AN URGENT NATURE

14. MATTERS FOR WHICH THE MEETING MAY BE CLOSED

15. CLOSURE

The Presiding Member thanked those present for attending the meeting and declared the meeting closed at

To be confirmed at Ordinary Meeting on the 20 June 2022

Signed:.....

Presiding Member at the Meeting at which time the Minutes were confirmed