



SHIRE OF MORAWA

AUDIT & RISK COMMITTEE MEETING

ATTACHMENTS

Thursday, 14 March 2024



Agenda Attachments

Shire of Morawa

Audit and Risk Management Committee Meeting

14 March 2024

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Shire of Morawa

Audit & Risk Committee Meeting

14 March 2024

Attachment 1 *10.1a Shire of Morawa Reg 17 Action Items – March 2024 Update*

Item 10.1 **2022-2023 Regulation 17 Actions Update**

Risk Management						
System or procedure	Civic Legal Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023	Status Update Mar 2024
Risk management framework	<p>Ensure the <i>Project and Event Risk Register</i> within the <i>Project Template Spreadsheet</i> is completed in a timely manner for all projects.</p> <p>Review and continue to develop the <i>Risk Register</i>.</p>	The development of a improved risk management framework, risk registers, and risk reporting processes is underway. Project and event risk assessment templates were introduced over the last 12 months and it is expected that it needs to be further embedded in the organisation.	Develop risk framework and supporting registers, as well as monitoring processes.	November 2023 (aligns with CEO KRA)	Updated Management Framework adopted in March 2023 - Register updates in progress.	Register updates still in progress.
Risk reporting	Create a formal risk reporting procedure for employees and visitors to the Shire, for risks outside of the work health and safety framework.	It appears as though officers and processes have matured well in terms of WHS practices. Risk reporting for non-employees is likely a much higher maturity level and not a high priority at this stage.	Enhance risk and WHS processes to ensure clear reporting options for non-employees and employees	Jan-26	No Change	No Change
Business Continuity Plan	Draft a new <i>Business Continuity Plan</i> or expand the scope of the current <i>IT Disaster Recovery Plan</i> to ensure all necessary considerations are addressed.	Business continuity has been more of a undertake than document with things such as Covid, Cyclone etc. being unplanned for. However given the Shire has a well functioning ICT cloud system it allows great flexibility in terms of administrative officer movements. Depot operations need to be thought about in more detail.	Develop a Shire Business Continuity Plan	Dec-23	No Change	Draft in progress.
Addressing incorrect accounting estimates	Draft a written procedure to guide the investigation and correction of incorrect accounting estimates.	The Shire has moved from 1 budget review per year to 3 which has substantially improved the attention paid to estimates etc. Given accounting misstatement is usually minor and timing related would say this is low priority.	Review budget review procedures	Dec-25	No Change	No Change
Dealing with insurance claims and legal litigation	Develop a procedure for dealing with insurance claims, both from the Shire and from third parties.	The Shire is generally guided by LGIS in terms of these processes.	Develop internal guide document supported by LGIS to ensure key staff are aware of processes.	Dec-23	No Change	No Change
Preventing and uncovering misconduct, fraud and theft		Documenting segregations that must be maintained is probably the key requirement.	Document financial segregation of duty requirements.	Mar-24	Note, Shire auditors flagged the need for ERP system segregation of duties in Interim report	Synergy security has been brought in house and segregation has been implemented.
Environmental risk management	<p>Develop environmental management plans for all high-risk sites (e.g. depot, landfill site, airport and orphan landfill sites). It would be prudent to include the small, unregulated sites as well in such plans.</p> <p>Review the <i>Asbestos Policy</i>, if not already done.</p>	<p>This area was also highlighted as part of end of year audit and will be a focus over the next 12 months.</p> <p>Underway</p>	<p>Develop Environment Management Plans</p> <p>Complete review of asbestos and other hazardous material processes, policies and registers</p>	<p>Dec-23</p> <p>Dec-23</p>	<p>No Change</p> <p>Shire Asbestos register reviewed. Other documentation pending</p>	<p>Rehabilitation plan developed for Jones Lake Landfill</p> <p>LGIS undertaking an Asbestos Review</p>
Work health & safety (WHS) procedures	Develop an overarching program or procedural document which captures the various WHS practices undertaken by the Shire.	Over the last 12-18 months the Shire has significantly enhanced its WHS processes. Much of the time has been spent undertaking tasks. It is agreed that now is a good time for reflection, documentation, and consolidation so all processes are clear. Majority of WHS related policies need to be Executive Policies with a overarching Council commitment to good practice.	Review WHS Council Policies and Develop Executive Policies	Dec-23	WHS Framework under development to document current processes and practices.	Draft WHS Framework developed. With CEO for review.

Addressing control weaknesses identified by the external auditor	Draft procedure for responding to the auditor and reporting to the Audit Committee (action monitoring and closing out).	These processes should be fairly simple and common sense but having an overarching Exec Policy or Procedure will provide clarity. Not seen as high risk.	Develop Exec Policy or Procedure to meet overarching ARC requirements	Mar-24	No Change	No Change
Procurement Framework	Draft an overarching procedure to guide the entire procurement process. This should make reference to the <i>Purchasing Policy</i> and WALGA Procurement Toolkit where appropriate.	Operational level guidance and training is needed. Shire generally has very few people undertaking purchasing so low risk but the processes needs to be better understand by all levels.	Develop Better Practice Purchasing Executive Policy and accompanying procedures	Dec-23	No Change	Forms and online procurement training implemented.
	Ensure all officers with authority to undertake purchases on behalf of the Shire are aware of, and are following, the approved procedure.		Develop and implement basic training when purchasing authorisation is given	Dec-23	No Change	
Use of corporate credit cards	Review the <i>Corporate Credit Card Policy</i> , if not already done.	All Council Policies are due for review.	Review all Council Policies	Jun-23	In progress	Completed
Communicating changes to the Shire's control environment to relevant employees	Conduct a review of all council policies and ensure they are of a strategic focus. Council policies that are operational in nature should be converted to 'executive policies'.	A lot of progress in employee communication and process improvement has been made to date and now is a good time to conduct an overarching review of policies and their relevance at a strategic or operational context.	Review all Council Policies	Jun-23	In progress	In progress - Stage 3 review report to be presented at March 24 OCM. Currently still 27 policies overdue for review.
	Introduce a procedure to standardise how employees are to be informed about changes to the Shire's control environment.		Develop an Executive Policy around SDLT, Staff Meetings and general all of staff communication	Dec-23	No alert system incorporated into payroll system.	Executive policy around SDLT, Staff Meetings and general all of staff communication approved April 2023.
Induction procedures	Draft an operational induction procedure to guide supervisors conducting inductions. Cultural considerations should be considered.	Inductions and onboarding were highlighted as a deficiency in the workforce plan and whilst early work has been on a improved system for onboarding. The next stage will be around improving inductions and a procedure and training around this will be key.	Draft an operational induction procedure to guide supervisors conducting inductions. Cultural considerations should be considered.	Dec-23	No Change	In progress - Coordinator People, Culture and Safety recruited in Feb 2024.
	Training should be provided to supervisors to reinforce the procedure.		Training should be provided to supervisors to reinforce the procedure.	Dec-23	No Change	No Change - to be implemented once the procedure is developed.
IT management plan and data recovery procedure	Complete the <i>5 Year ICT Plan</i> .	Both the ICT Plan and ICT DR planning are well progressed and are expected to be completed shortly.	Complete the 5 Year ICT Plan.	Jun-23	Completed - adopted by CEO in May 23	Completed
	Ensure that the review of the <i>IT Disaster Recovery Plan</i> occurs and is progressed.		Ensure that the review of the IT Disaster Recovery Plan occurs and is progressed.	Jun-23	Completed	Completed
Cyber security	Draft written procedures regarding the Shire's cyber security protocols. This is an area of critical importance in the <i>5 Year ICT Plan</i> .	The Shire has come a long way over the last 12 months, with staff training, phishing tests, basic policy development, and a new ICT Plan. Documenting more intricate ICT components is needed but is at a higher maturity level and will likely occur in 2024 once a new managed service contract is in place.	Draft written procedures regarding the Shire's cyber security protocols	Jun-24	Underway with Virtual CIO as suite of ICT executive policies	No Change
	Ensure evacuation drills are conducted periodically. This may be managed for example, by setting a calendar reminder or including it as a task in the <i>RelianSys</i> program.	Evacuations testing has not been a common occurrence over the last few years probably due to the low risk work areas.	Ensure at least one evacuation drill is conducted each year.	Dec-23	No Change	No Change

Emergency evacuation procedures	Consider maintaining an internal checklist or procedure to capture the work of the Environmental Health Officer. This would help to ensure tasks/inspections are undertaken in a regular and timely manner. It would also minimise corporate knowledge loss should the officer leave.	EHO services have been hit and miss over the last few years with the arrangement with Town of Victoria Park still in its infancy. Current EHO has developed a simple checklist and process.	Document EHO duties and activities to ensure actions are taken in a timely manner and corporate knowledge is maintained.	Dec-23	Documenting has commenced with EHO working with Planning Officer to structure processes.	Working with Private Contractor and Town of Victoria Park to improve documentation and processes
Internal Control						
System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023	Status Update March 2024
Delegation register review	Establish a register of delegations from the CEO including all on-delegations.	The Shire has very few on delegations and letters of delegation are provided as required but a full register needs to be established	Establish a register of delegations from the CEO including all on-delegations.	Jun-23	Completed	Completed
Recording use of delegations	Ensure letters notifying officers of their delegations include details regarding recording requirements.	Most uses of delegation align to statutory documents, planning approvals, or authorisations and as such are recorded as a matter of course. Recording requirements should be covered in the register and will depend on the delegation.	Ensure recording requirements are included in delegation register and letters	Jun-23	Completed	Completed
Policy manual review	Develop a system to ensure policies are reviewed in a timely manner and prioritise those that are overdue (e.g. <i>Bush Fire Policy</i> (July 2020)). Develop a written procedure to guide the review process for both council, and executive policies.	The whole Council Policy manual needs a full review as per risk findings. Executive Policies are a fairly new thing for the Shire and establishing as a policy framework helps provide weight to the documents so suggest not changing the name. A review procedure/policy should be developed.	Review Council Policy Manual Develop a written procedure to guide the review process for both council, and executive policies.	Jun-23 Jun-23	In progress In progress	In progress - Stage 3 review report to be presented at March 24 OCM. Currently still 27 policies overdue for review. In progress
Internal audits/reviews	Consider conducting periodic internal reviews (e.g. that the <i>Tender Register</i> is completed, the correct number of quotes are secured for purchases, that keys are signed out and back in).	Internal audits are something that will require a higher level of maturity in the organisation. As a sector it tends to be the Band 1 Local Governments looking at Internal Audit due to resource constraints. Potentially the Shire could pick the top 5 risks and see if Town of Victoria Park could develop a testing regime.	Investigate key risk areas for monitoring and discuss interim review requirements	Dec-23	No Change	Compliance reviews aligned to CAR process
Liaising with legal advisors	Review the <i>Legal Proceedings Policy</i> , if not already done.	There is a big difference between advice and expenses relating to legal proceedings and pre-emptive or regulatory advice. The Shire has not had a need for advice relating to proceedings but does contact legal support for leasing, contracts, processing related to the Act such as rates recovery, and other areas where it is better to ensure the job is done correctly. Agree an executive policy is needed but not a high priority/risk area.	Review Council Policy Manual	Jun-23	In progress	In progress - Stage 3 review report to be presented at March 24 OCM. Currently still 27 policies overdue for review.
Liaising with legal advisors	Draft an executive policy for engaging legal advisors.	There is a big difference between advice and expenses relating to legal proceedings and pre-emptive or regulatory advice. The Shire has not had a need for advice relating to proceedings but does contact legal support for leasing, contracts, processing related to the Act such as rates recovery, and other areas where it is better to ensure the job is done correctly. Agree an executive policy is needed but not a high priority/risk area.	Draft an executive policy for engaging legal advisors.	Dec-24	No Change	In progress

	Create a procedure and a control register for hard-copy records/files. This would record staff details, and dates when individual records are accessed, removed, and returned.	The Shire's record keeping system and procedures is in need of review. Inconsistency driven by high employee turnover and limited local government experience of employees. Record keeping is not well grasped even at bigger Local Governments but it is important that core documents and functions are well managed and recorded. And new employees receive basic training.	Undertake a full record keeping review, develop enhanced procedures, and develop staff training.	Dec-23	In progress	Improved key policy and processes developed
Restricting access to physical assets and records	Ensure there is a formal process/register for recording keys and swipe cards that are allocated to employees.	Keys and facility hire processes are in need of review but generally are low risk and lower priority.	Ensure there is a formal process/register for recording keys and swipe cards that are allocated to employees.	Jun-23	No change	To be reviewed
	Ensure all procedures, including for example, the <i>Hiring of Facilities/ Equipment Procedure</i> , are dated and include a review period/date.		Ensure all procedures, including for example, the <i>Hiring of Facilities/ Equipment Procedure</i> , are dated and include a review period/date.	Dec-23	Commenced as per above	Initial review undertaken
	Conduct an audit of the Shire's record-keeping systems to ensure that they meet relevant records' management standards, and ensure that all files/data are being appropriately classified and saved in the Shire's IT system.	See record keeping review above	Undertake a full record keeping review, develop enhanced procedures, and develop staff training.	Dec-23	Full ICT review underway with consultant.	Draft RFT prepared including clear managed service KPIs
Updating computer applications and information systems	Ensure regular meetings are conducted with the Shire's IT contractor in accordance with contractual obligations.	With the completion of the ICT Plan the next stage of the ICT review is to develop a new scope of works and go to market for a managed service provider. All of the actions will form part of this new contract.	Undertake new managed service provider scope of works and implement ICT Plan reccomendations.	Dec-23	No change	No Change
Authorising changes to data files and systems	Provide staff training to support the rollout of the written procedures. This training should also be included as part of the new staff induction process. Follow-up training should also be offered periodically.	In general staff don't have access to or change data files or systems. They generally change files that are being used for work. ICT identified as a lower priority item.	Use ICT system to control staff access and edit opportunities	Dec-24	No change	No Change
Comparing physical cash and inventory counts with accounting records.	Ensure all facilities receiving cash have written procedures to support cash handling, reconciliation and delivery to the administration building for receipting/banking.	Exec Policy on cash handling is on the list to be developed. The Shire only handles very small amounts of cash.	Develop Executive Policy for Cash Handling	Dec-23	No change	No Change
Asset management plan	Complete the <i>Integrated Asset Management Plan</i> . Review the <i>Asset Management Policy</i> and <i>Road Management Policy</i> , if not already done.	Asset Management planning is a key focus of the new EMWA. A comprehensive suite of useable plans will take time but the Shire aims to develop plans for critical items within the next 12 months.	Complete critical asset planning and review associated policies.	Dec-23	No change	Road Maintenance Plan in progress
Legislative Compliance						
System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023	Status Update March 2024
Ensuring compliance with legislation, regulations, industry standards and internal policies	Consider amending the <i>Service Delivery Leadership Team agenda template</i> to include 'legislative compliance' as a standing item.	Regulatory and legislative compliance is unlikely to interest most employees and in most circumstances employees will look to the CEO for clear direction in this area. Suggest developing communication document/protocol as opposed to bringing into meetings.	Develop Executive Policy to drive what and how the CEO distributes information across the organisation	Dec-24	No Change	No Change
Reviewing the annual Compliance Audit Return (CAR) and reporting the results to council	Draft a procedure for completing the annual CAR. This should include standards expected in regard to, for example, sampling and the provision and recording of evidence.	Agree with suggested action. CEO is generally key driver and reviewer of CAR.	Draft a procedure for completing the annual CAR. This should include standards expected in regard to, for example, sampling and the provision and recording of evidence.	Dec-24	Commenced - draft procedure developed, will review with next CAR process	In progress

						In progress - Stage 3 review report to be presented at March 24 OCM. Currently still 27 policies overdue for review.
Receiving, recording and addressing complaints	Review the <i>Complaints Management Policy</i> , if not already done.	Full review of Council Policies is needed.	Review Council Policies	Jun-23	In Progress	
	Draft a procedure for dealing with internal complaints. This may refer to the WALGA industrial relations guidance documents where appropriate.	Internal Grievance procedure or executive policy is needed.	Draft a procedure for dealing with internal complaints. This may refer to the WALGA industrial relations guidance documents where appropriate.	Jun-24	No Change	No Change
Identifying and managing adverse trends	Amend/draft a new Executive Team agenda template to include 'adverse trends' as a standing item.	The redevelopment and growth of the risk framework should provide a mechanism to identify adverse trends in terms of the risk to the Shire.	Finalise risk framework and associated registers and processes.	Dec-23	Risk Framework update completed	Completed
Ensuring the Audit Committee understands and complies with all relevant requirements	Review the <i>Audit Committee Terms of Reference</i> .		Review the Audit Committee Terms of Reference.	Oct-23	Completed	Completed
	Reduce the membership of the Audit Committee to ensure differentiation between the Audit Committee and the council.		Reduce the membership of the Audit Committee to ensure differentiation between the Audit Committee and the council.	Oct-23	In progress	Completed
	Consider advertising for a suitably qualified or experienced independent member to join the Audit Committee.	Agree with all actions. Some items are being driven by LG Reform.	Consider advertising for a suitably qualified or experienced independent member to join the Audit Committee.	Oct-23	In progress	In progress
	Consider amending the title of the 'Audit Committee' to the 'Audit and Risk Committee'. If this is done, amend the functions specified in the committee's <i>Terms of Reference</i> .		Consider amending the title of the 'Audit Committee' to the 'Audit and Risk Committee'. If this is done, amend the functions specified in the committee's Terms of Reference.	Oct-23	Completed	Completed
	Ensure all councillors complete their mandatory training and annual financial returns in a timely manner.		Ensure all councillors complete their mandatory training and annual financial returns in a timely manner.	Oct-23	In progress	In progress
Reviewing local laws	Ensure automated reminders to conduct local law reviews are programmed into the <i>RelianSys</i> . Note that reviewing local laws is often a time-consuming process. Therefore, the initial reminders should be sent at least a year before the review deadline.	Local Laws will be incorporated within Reliansys if they aren't already.	Ensure Local Law reviews are scheduled in Reliansys	Jun-23	Completed	Completed



Shire of Morawa

Audit & Risk Committee Meeting

14 March 2024

Attachment 1 10.2a Compliance Audit Return 2023

Item 10.2 2023 Compliance Audit Return

Compliance Audit Return Form

Start ✓
Details ✓
Commercial Enterprises ✓
Delegation ✓
Disclosure of Interest ✓
Disposal of Property ✓
Elections ✓
Finance ✓
IPR ✓
Employees ✓
Conduct ✓
Other ✓
Tenders ✓
Documents ✓
Review

Finalise

[Print](#)

Details

Local Government

Morawa, Shire of

Created By

Paul Devcic

Year of Return

2023

Status

Draft

Commercial Enterprises by Local Governments

1. Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2023? *

N/A

 Add comments

2. Has the local government prepared a business plan for each major land transaction that was not exempt in 2023? *

N/A

 Add comments

3. Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2023? *

N/A

 Add comments

4. Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2023? *

N/A

 Add comments

5. During 2023, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority? *

N/A

 Add comments

Delegation of Power/Duty

1. Were all delegations to committees resolved by absolute majority? *

Yes

 Add comments

2. Were all delegations to committees in writing? *

Yes

 Add comments

3. Were all delegations to committees within the limits specified in section 5.17 of the Local Government Act 1995? *

Yes

 Add comments

4. Were all delegations to committees recorded in a register of delegations? *

Yes

 Add comments

5. Has council reviewed delegations to its committees in the 2022/2023 financial year? *

Yes

Add comments

6. Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Local Government Act 1995? *

Yes

Add comments

7. Were all delegations to the CEO resolved by an absolute majority? *

Yes

Add comments

8. Were all delegations to the CEO in writing? *

Yes

Add comments

9. Were all delegations by the CEO to any employee in writing? *

Yes

 Add comments

10. Were all decisions by the Council to amend or revoke a delegation made by absolute majority? *

Yes

 Add comments

11. Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees? *

Yes

 Add comments

12. Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2022/2023 financial year? *

Yes

 Add comments

13. Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19? *

Yes

 Add comments

Disclosure of Interest

1. Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the Local Government Act 1995, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter? *

Yes

Add comments

2. Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting? *

Yes

Add comments

3. Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the Local Government Act 1995 recorded in the minutes of the meeting at which the disclosures were made? *

Yes

Add comments

4. Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day? *

No

Add comments

Please enter comments *

Subsequent to the 2023 election, one (1) Councillor submitted their Primary Return 6 days past the permitted three (3) months for completion and lodgement.

5. Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2023? *

Yes

Add comments

6. On receipt of a primary or annual return, did the CEO, or the Mayor/President, give written acknowledgment of having received the return? *

Yes

Add comments

7. Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the Local Government Act 1995? *

Yes

Add comments

8. Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28? *

Yes

Add comments

9. When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the Local Government Act 1995, did the CEO remove from the register all returns relating to that person? *

Yes

Add comments

10. Have all returns removed from the register in accordance with section 5.88(3) of the Local Government Act 1995 been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return? *

Yes

Add comments

11. Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A? *

Yes

Add comments

12. Did the CEO publish an up-to-date version of the gift register on the local government's website? *

Yes

Add comments

13. When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the Local Government Act 1995, did the CEO remove from the register all records relating to those people? *

Yes

Add comments

—

14. Have copies of all records removed from the register under section 5.89A(6) of the Local Government Act 1995 been kept for a period of at least five years after the person ceases to be a person required to make a disclosure? *

Yes

Add comments

—

15. Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report? *

Yes

Add comments

—

16. Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the Local Government Act 1995 relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application? *

No

Add comments

—

17. Was any decision made by the Minister under section 5.71B(6) of the Local Government Act 1995, recorded in the minutes of the council meeting at which the decision was considered? *

Yes

Add comments

18. Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates that incorporates the model code of conduct? *

Yes

Add comments

19. Did the local government adopt additional requirements in addition to the model code of conduct? *

No

Add comments

20. Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website? *

Yes

Add comments

21. Has the CEO prepared and implemented a code of conduct to be observed by employees of the local government? *

Yes

Add comments

21a. Has the CEO published an up-to-date version of the code of conduct for employees on the local government's website? *

Yes

Disposal of Property

1. Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the Local Government Act 1995 (unless section 3.58(5) applies)? *

Yes

Add comments

2. Where the local government disposed of property under section 3.58(3) of the Local Government Act 1995, did it provide details, as prescribed by section 3.58(4) in the required local public notice for each disposal of property? *

Yes

Add comments

Elections

1. Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulation 30G(1) and regulation 30G(2) of the Local Government (Elections) Regulations 1997? *

Yes

Add comments

2. Did the CEO remove any disclosure of gifts forms relating to unsuccessful candidates, or successful candidates that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997? *

N/A

Add comments

3. Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997? *

Yes

Add comments

Finance

1. Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Local Government Act 1995? *

Yes

Add comments

2. Where the council delegated to its audit committee any powers or duties under Part 7 of the Local Government Act 1995, did it do so by absolute majority? *

N/A

Add comments

3. Was the auditor's report for the financial year ended 30 June 2023 received by the local government by 31 December 2023? *

Yes

Add comments

4. Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters? *

Yes

Add comments

—

5. Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government? *

N/A

Add comments

—

6. Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website? *

N/A

Add comments

—

7. Was the auditor's report for the financial year ending 30 June 2023 received by the local government within 30 days of completion of the audit? *

Yes

Add comments

—

Integrated Planning and Reporting

1. Has the local government adopted by absolute majority a strategic community plan? *

Yes

 Add comments**Please provide the adoption date or the date of the most recent review ***

18/08/2022

2. Has the local government adopted by absolute majority a corporate business plan? *

Yes

 Add comments**Please provide the adoption date or the date of the most recent review ***

24/04/2023

3. Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)? *

Yes

 Add comments

Local Government Employees

1. Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A? *

Yes

 Add comments

2. Was all information provided in applications for the position of CEO true and accurate? *

N/A

 Add comments

3. Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the Local Government Act 1995? *

Yes

 Add comments

4. Did the CEO inform council of each proposal to employ or dismiss senior employee? *

Yes

 Add comments

5. Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so? *

N/A

 Add comments

Official Conduct

1. Has the local government designated an employee to be its complaints officer? *

Yes

 Add comments

2. Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the Local Government Act 1995? *

Yes

Add comments

Please enter comments *

Nil complaints received.

3. Does the complaints register include all information required by section 5.121(2) of the Local Government Act 1995? *

Yes

Add comments

4. Has the CEO published an up-to-date version of the register of the complaints on the local government's official website? *

Yes

Add comments

Other

1. Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2) (c) within the three financial years prior to 31 December 2023?

Yes

Add comments

Please provide the date of council's resolution to accept the report. *

17/03/2022

2. Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2023?

Yes

Add comments

Please provide the date of council's resolution to accept the report. *

16/03/2023

3. Where a disclosure was made under sections 5.87A or 5.87B of the Local Government Act 1995, were the disclosures made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C of the Act?

N/A

Add comments

4. Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?

Yes

Add comments

Please enter comments *

Policy due for review.

5. Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995?

Yes

Add comments

—

6. Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?

Yes

Add comments

Please enter comments *

Policy due for review.

—

7. Did the local government prepare a report on the training completed by council members in the 2022/2023 financial year and publish it on the local government's official website by 31 July 2023?

Yes

Add comments

—

8. By 30 September 2023, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2023?

Yes

Add comments

—

9. When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?

Yes

Add comments

Tenders for Providing Goods and Services

1. Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less? *

Yes

Add comments

—

2. Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations? *

Yes

Add comments

—

3. When regulations 11(1), 12(2) or 13 of the Local Government Functions and General) Regulations 1996, required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)? *

Yes

Add comments

—

4. Did the local government comply with Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract? *

N/A

Add comments

—

5. If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation? *

Yes

Add comments

6. Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16? *

Yes

Add comments

7. Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website? *

Yes

Add comments

8. Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender? *

N/A

Add comments

9. Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept? *

Yes

Add comments

—

10. Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted? *

Yes

Add comments

—

11. Did the local government's advertising and expression of interest processes comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22? *

N/A

Add comments

—

12. Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice? *

N/A

Add comments

—

13. Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer? *

N/A

Add comments

14. Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24? *

N/A

Add comments

15. Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions and General) Regulations 1996, Regulations 24AD(4) and 24AE? *

N/A

Add comments

16. If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation? *

N/A

Add comments

17. Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application? *

N/A

Add comments

18. Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG? *

N/A

Add comments

—

19. Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications? *

N/A

Add comments

—

20. Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept? *

N/A

Add comments

—

21. Did the CEO send each applicant written notice advising them of the outcome of their application? *

Yes

Add comments

—

22. Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F? *

N/A

Add comments

—

Documents

There are no notes to display.

[Close](#)[Previous](#)[Next](#)



Shire of Morawa

Audit & Risk Committee Meeting

14 March 2024

Attachment 1 *10.3a Financial Management Review
Status Report Update*

Attachment 2 *10.3b FIN12 Recognition and Depreciation
of Assets – Draft Policy*

Item 10.3 **Financial Management Review 2022 –
Status Report Update**



SHIRE OF MORAWA – STATUS REPORT – FINANCIAL MANAGEMENT REVIEW 2022

Monitoring Activities (MA):

Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
Fixed Assets	Management regularly reviews valuation of fixed assets (i.e. methodology and useful lives of assets) to ensure that assets' valuation is appropriate and in accordance with Australian Accounting Standards. (Exception 2)	Yellow	Unable to obtain evidence of management's review of fixed assets (methodology & Useful lives).	Development and implementation of year end procedures that ensure asset depreciation rates and useful lives are reviewed and evidence retained.	EMCCS & CCSO	Jun-23	A Draft " Recognition and Depreciation of Assets: Policy has been included with this report for comment.	
	Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable. (Exception 2)	Yellow	Unable to obtain evidence of management's review of depreciation rates and methodology.		EMCCS & CCSO	Jun-23	Depreciation rates have been reviewed as part of the budget process and the revaluation of assets.	Jun-23

Key control (KC) activities

Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
Revenue	Documented procedures are in place to ensure the VGO is informed of any building works approved. (Exception 5)	Green	The Shire does not have documented procedures to ensure the VGO is informed of any building works approved.	Ensure that a procedure is written and followed when a permit is issued and is reportable	EMCCS & Rates Officer	Jun-24	This has not been started at this time	

Risk Matrix

Controls in place satisfactory	Minor	Moderate	Significant
	Green	Yellow	Red

FIN11 RECOGNITION AND DEPRECIATION OF ASSETS

Aim	The purpose of this policy is to establish correct financial accounting of Council owned assets.
Application	All Elected Members and employees
Statutory Environment	Local Government (Financial Management) Regulations 1996 Part 2 5A Local Governments to comply with the AAS. Local Government (Financial Management) Regulations 1996 Part 2 17A Valuation of certain assets for financial reports.
Approval Date	
Last Review	
Next Review	2028
Review Period	4 years

1. Objective

The purpose of this policy is to establish correct financial accounting of Council owned assets.

The Shire owns, creates, purchases and manages assets and must ensure that effective and accountable systems are in place to safeguard the Shire's resources. This includes the development of appropriate systems to record the location and value of fixed assets acquired or constructed by the Shire. The classification of assets determines the threshold value for asset capitalisation and how depreciation is to be treated.

2. Definitions

Carrying amount – is defined in the Australian Accounting Standards Board (AASB) 116 as the amount at which a non-financial asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost – is defined in AASB 116 as the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised.

Depreciable amount – is defined in AASB 116 as the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation – is defined in AASB 116 as the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value – is defined in AASB 13 as the price that would be received to sell a non-financial asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Intangible asset – is defined in AASB 138 as an identifiable, non-monetary asset without physical substance.

Last valuation date – is defined in the Local Government (Financial Management) Regulations 1996 17A as –

- (a) If the asset has been revalued – the date of the revaluation;
- (b) Otherwise, the date of acquisition.

Reportable value – is defined in the Local Government (Financial Management) Regulations 1996 17A is the reportable value of a non-financial asset of the local government is the fair value of the asset at its last valuation date minus the following (to the extent applicable) –

- a) the accumulated depreciated in respect of the asset subsequent to its last valuation date;
- b) the accumulated impairment losses in respect of the asset subsequent to its last valuation date.

Right of use (RoU) asset – is defined in the Local Government (Financial Management) Regulations 1996 17A as an asset that the local government has a right to use –

- a) Crown land; or
- b) Other land that is not owned by the local government,

That is vested in the local government at nil or nominal cost for an indefinite period for the purpose of roads or for any other purpose.

Residual value of an asset – is defined in AASB 116 as the estimated amount that an entity would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal if the asset were already of the age and in the condition expected at the end of its useful life.

Useful life of an asset – is defined in AASB 116 as the period over which an asset is expected to be available for use by an entity.

Vested improvements - is defined in the Local Government (Financial Management) Regulations 1996 17A as a pre-existing improvement on land of which care, control or management is vested in the local government at nil or nominal cost for an indefinite period.

3. Policy

With the exception of plant and equipment and other ‘right of use’ assets, the shire values its assets using the fair value model in accordance with Australian Accounting Standards.

Fair value is considered to be the best estimate of the price reasonably obtainable in the market at the date of the valuation. It is the most advantageous price reasonably obtainable by the seller and by the buyer.

When determining fair value, there is a presumption that the entity disposing of the asset is a going concern and has no aim to liquidate assets or materially alter the scale of its operations. It is also assumed that the asset is exchanged after an adequate period of marketing to obtain its most advantageous price.

A principal test in determining fair value is whether there is an active and liquid market for the asset. Where a quoted market price in such a market is available, that price represents the best evidence of the asset’s fair value.

Fair value is also determined in reference to an asset’s highest and best use, which takes into account the use of the asset that is physically possible, legally permissible, and financially feasible.

A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows to

produce an investment return that market participants would require from an investment in that asset put to that use.

AASB 116 provides that the fair value of land and buildings is usually determined from market-based evidence and appraisal by professionally qualified valuers, however there is no statutory requirement to use valuers. Where there is no market-based evidence of fair value because of the specialised nature of the asset (and the item is rarely sold), fair value may need to be estimated using an income or a depreciated replacement cost approach.

AASB 13 notes that fair value is a market-based measurement and not an entity-specific measurement. While market information might be available for some assets and liabilities, market information may not be available for others. Hence another valuation technique may be required. The valuation techniques are:

1. Market approach - uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities or group of assets and liabilities.
2. Cost approach - the amount that would be required currently to replace the service capacity of an asset (also referred to as 'current replacement cost').
3. Income approach - involves converting future amounts (cash flows or income and expense) to a single current (discounted) amount.
4. Depreciated replacement cost - 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.

All new assets are measured initially at their cost of acquisition. In accordance with the AASB, where an asset is acquired at no cost, the cost of the acquisition is deemed to be the asset's fair value. When an asset is valued at fair value all assets of that class must be valued using the same method.

There are some assets that are "specialised" in nature, which is where the market evidence might not be available to guide fair value measurement. Such specialised assets may include infrastructure, land under infrastructure, sewerage plants, and historical or cultural assets. AASB 116 recognises the specialised nature of some assets and as previously mentioned, provides for an income or depreciated replacement cost approach to be used to determine fair value. Note: Land and buildings are separate classes of assets and need to be valued separately.

3.1 Recognition

As part of preparing the statutory financial statements, expenditures incurred by the Shire must be classified as either being 'operational in nature' or being such that they result in the creation, renewal or upgrade of a 'fixed asset' (capital in nature). The manner in which expenditure is classified has a major impact on results disclosed in the Operating Statement and on the financial position disclosed in the Shire's Statement of Financial Position. Those items which are 'capitalised' must be depreciated over their useful life, which is determined according to the particular asset class to which that item belongs. Items that are 'expensed'

rather than capitalised are to be included as operating expenditure at the time of incurring the cost.

The nature of the expenditure must be carefully considered to determine whether it creates a new fixed asset or whether it constitutes a repair or maintenance. Reference to relevant professional accounting standards and practice statements provide guidance in this regard.

To effectively balance the administrative workload of recording and maintaining a reliable Asset Register with the risk and compliance issues attaching to the proper classification of capital expenditure, regulation 17A (5) of the *Local Government (Financial Management) Regulations 1996* states:

"A non-financial asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000"

Non-infrastructure assets are capitalised progressively throughout the year, at the time of acquisition or commissioning ready for use. Infrastructure assets are capitalised only at the conclusion of the financial year after the close off of accounts or at the time during the financial year that it can be determined that all expenditure relating to that item has been completed for the year.

Assets under construction are not depreciated until the project is completed and the asset is available for use. Assets under construction are to be recognised separately in the Annual Financial Report as Works in Progress.

All purchases of new assets are to be from Council approved capital budgets. Decisions and procedures to purchase new assets must be consistent with the Council's procurement policy.

3.2 Depreciation

Depreciation will commence from the date of acquisition or in respect of internally constructed assets, when the asset is first brought into use or held ready for use. Depreciation is recognised on a straight-line basis.

An addition or extension, which becomes an integral part of an existing asset, should be depreciated over the remaining useful life of that asset. An addition or extension, which remains a separate identity and will be capable of being used after the existing asset is disposed of, should be capitalised, and depreciated independently.

Assets will be depreciated with regards to the following schedule of useful lives:

Asset Class	Useful Life
Buildings – non-specialised	40 to 100 years
Buildings - specialised	40 to 100 years
Furniture and equipment	5 to 10 years
Plant and Equipment	5 to 15 years
Infrastructure - Roads	20 to 80 years
Infrastructure - Footpaths	50 years
Other Infrastructure – Parks & Ovals	10 to 60 years
Other Infrastructure – Sewerage	30 to 75 years

Other Infrastructure – Airfields	50 years
Other Infrastructure – Dams	40 to 100 years
Other Infrastructure – Playground Equipment	5 to 15 years
Other Infrastructure – Other	10 to 60 years

Depreciation and useful life will be reviewed on non-financial assets excluding plant and equipment and furniture and equipment when the assets are revalued every 5 years unless determined that a class of assets needs to be reviewed or revalued sooner (due to possible impairment or other circumstances). These assets will be reported in the financial statements at reportable value in the years following the revaluation until they are revalued again.

Depreciation and useful life of plant and equipment and furniture and equipment assets will be reviewed at intervals of every 2 years and will be reported in the financial statements at reportable value.

The depreciable amount of each component of all non-current assets are to be depreciated on a systematic basis over their useful life using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the shire. Consideration is required to be given to ensuring:

1. The method used matches the expected pattern of consumption of the asset's future economic benefits;
2. Where the asset has a number of different components with varying patterns of consumption, the asset is depreciated at an average rate of depreciation unless an additional item is purchased for the asset and recorded separately in which case it is depreciated separately;
3. Depreciation is to be calculated on a straight line basis over the asset's useful life;
4. A residual value has been determined to ensure the depreciation is allocated against the depreciable amount.

3.3 Revaluation

If a class of assets is valued at fair value, the carrying amount of those non-financial assets in the financial statements should not materially differ from the fair value of the assets at the date of reporting. Where a non-current asset is measured at fair value. AASB 116 state:

“After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.”

Regulation 17A(4) of the *Local Government (Financial Management) Regulations 1996* states:

“A local government must revalue a non-financial asset of the local government referred to in sub regulation (2)(a) —

- a) If the asset is an investment property;
 - 1. whenever required under the AASB140; and
 - 2. in any event, on the day after the period of 5 years beginning on the asset's last valuation date;
- b) otherwise on the day after the period of 5 years beginning on the asset's last valuation date.

Regulation 17A(2b) of the *Local Government (Financial Management) Regulations 1996* specifically excludes plant and equipment type assets from the revaluation requirement, with such assets to be measured using the cost model approach.

The Shire applies a process of rolling revaluations by asset class providing all assets in a class are valued within the same financial year and before the reporting date.

The following 5-year cycle for revaluing each asset class is to be applied:

Financial Year	Asset Class
Assets last revalued 2022-2023	
2025-2026, 2030-2031, 2035-2036,	Land and buildings and other infrastructure
2027-2028, 2032-2033, 2037-2038,	Infrastructure roads and footpaths

3.4 Right of Use (RoU) Assets / Leased Assets

There are 2 types of RoU that Council may deal with. Those RoU's that come from leased assets and those from vested assets.

Under the Local Government (Financial Management) Regulations 1996 Part 2 Section 17A a RoU is determined to include the local governments right to use: Crown Land or other land that is not owned by the local government but is vested in the local government at nil or nominal cost for an indefinite period for the purpose of roads or for any other purpose excluding vested improvements should be measured using the cost model in accordance with the AAS.

Vested improvements are to be measured at fair value where the improvement is in the care and control of the local government.

RoU assets that are leased are capitalised at cost at the inception of the contract and depreciated over the term of the lease unless the lease is for a low value asset (under the \$5,000 threshold) which are recognised as an operating expense. over the remaining period of the financial year in which the item was purchased.

At the commencement date, a right of use asset and a corresponding lease liability are recognised at the present value of all future lease payments (cost). The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined within the lease agreement, the Shire uses its incremental borrowing rate as published by the Western Australian Treasury Corporation (WATC).

Regulation 17A of the Local Government Act (Financial Management) Regulations 1996 specifically requires right of use assets to be valued at cost. Concessionary leases ('peppercorn leases') such as vested crown land and other land, which is not owned by the local government, but which is under its control or management, is a concessionary lease right

of use asset and should be reported at zero cost. This includes land that was previously classed as having state or regional significance such as golf courses, showgrounds, or racecourses.

3.4.1 Depreciation of Leased Assets

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

3.5 Portable and Attractive Assets

Assets under \$5,000 do not meet the criteria to be capitalised but may be defined as portable and attractive. If defined as such they will need to be properly recorded and monitored. This will include the following:

1. Appropriate records for assets should include information to enable identification, management, and maintenance of assets;
2. Annual process to prevent theft or loss of non-consumable assets that are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale; and
3. Reporting on any discrepancies from the annual process.

A separate Executive Policy must be developed by the CEO to properly address the areas of concern with this type of asset.

3.6 Impairment of Assets

Fixed assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, but the local government is not required to comply with AASB 136 to determine the recoverable amounts of its non-financial assets referred to in the Local Government (Financial Management) Regulations 1996 17A. sub regulation (2)(a) for an impairment indicator of a general decrease in asset values.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

For assets whose economic benefits are not dependant on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use (infrastructure assets) is the depreciated replacement cost.

Carrying amount is “the amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon”.

Recoverable amount is “the higher of its fair value less costs to sell (price in an arm’s length transaction less the costs of disposal) and its value in use (for infrastructure assets generally mean depreciated replacement cost)”. Where the recoverable amount of the asset is less than its carrying amount, the carrying amount shall be reduced to its recoverable amount, creating an impairment loss.

An impairment loss on a re-valued asset is recognised directly against any revaluation reserve for the asset class to the extent that the impairment loss does not exceed the amount in the

revaluation reserve for that same asset class. An asset is impaired when its carrying amount exceeds its recoverable amount.

For local governments 'value in use' is deemed to be depreciated replacement cost for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows, and where the local government would, if deprived of the asset, replace its remaining future economic benefits.

DRAFT