



**West Wimmera Shire Council  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2016*

# West Wimmera Shire Council

## Financial Report

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## Comprehensive Income Statement For the Year Ended 30 June 2016

|  | Note | 2016<br>\$        | 2015<br>\$        |
|--|------|-------------------|-------------------|
| <b>Income</b>  |      |                   |                   |
| Rates and charges  | 3    | 6,804,194         | 6,360,168         |
| Statutory fees and fines   | 4    | 111,923           | 135,558           |
| User fees  | 5    | 440,264           | 519,080           |
| Grants - operating   | 6    | 3,976,536         | 9,108,055         |
| Grants - capital   | 6    | 3,488,457         | 2,112,604         |
| Contributions - monetary   | 7    | 62,076            | 7,341             |
| Net gain (or loss) on disposal of property, infrastructure, plant and equipment    | 8    | 119,506           | 56,624            |
| Share of net profits (or loss) of associates and joint ventures                    | 15   | 844               | 21,990            |
| Other income   | 9    | 2,653,037         | 2,965,151         |
| <b>Total income</b>  |      | <b>17,656,837</b> | <b>21,286,571</b> |
| <b>Expenses</b>  |      |                   |                   |
| Employee costs   | 10   | 6,338,700         | 6,505,894         |
| Materials and services   | 11   | 5,084,214         | 6,220,390         |
| Bad and doubtful debts   | 12   | 15,042            | -                 |
| Depreciation and amortisation  | 13   | 6,370,889         | 6,663,316         |
| Borrowing costs  | 14   | 13,634            | 23,315            |
| Other expenses   | 15   | 323,586           | 268,825           |
| <b>Total expenses</b>  |      | <b>18,146,065</b> | <b>19,681,740</b> |
| <b>Surplus/(deficit) for the year</b>  |      | <b>(489,228)</b>  | <b>1,604,831</b>  |
| <b>Other comprehensive income</b>  |      |                   |                   |
| <b>Items that will not be reclassified to surplus or deficit in future periods</b> |      |                   |                   |
| Net asset revaluation increment/(decrement)  | 22   | -                 | 423,852           |
| Share of other comprehensive income of associates and joint ventures               | 16   | (11,205)          | 12,925            |
| <b>Items that may be reclassified to surplus or deficit in future periods</b>      |      |                   |                   |
| <b>Total comprehensive result</b>  |      | <b>(500,433)</b>  | <b>2,041,608</b>  |

The above comprehensive income statement should be read in conjunction with the accompanying notes.



## Balance Sheet As at 30 June 2016

|  | Note | 2016               | 2015               |
|--|------|--------------------|--------------------|
|  |      | \$                 | \$                 |
| <b>Assets</b>                                  |      |                    |                    |
| <b>Current assets</b>                          |      |                    |                    |
| Cash and cash equivalents                      | 17   | 8,563,246          | 8,760,478          |
| Trade and other receivables                    | 18   | 594,068            | 588,913            |
| Inventories                                    | 19   | 178,731            | 166,043            |
| Non-current assets classified as held for sale | 20   | 19,000             | 20,000             |
| Other assets                                   | 21   | 74,649             | 179,876            |
| <b>Total current assets</b>                    |      | <b>9,429,694</b>   | <b>9,715,310</b>   |
| <b>Non-current assets</b>                      |      |                    |                    |
| Investments in associates and joint ventures   | 16   | 392,875            | 403,235            |
| Property, infrastructure, plant and equipment  | 22   | 167,441,380        | 167,527,190        |
| <b>Total non-current assets</b>                |      | <b>167,834,255</b> | <b>167,930,425</b> |
| <b>Total assets</b>                            |      | <b>177,263,949</b> | <b>177,645,735</b> |
| <b>Liabilities</b>                             |      |                    |                    |
| <b>Current liabilities</b>                     |      |                    |                    |
| Trade and other payables                       | 23   | 837,324            | 648,218            |
| Trust funds and deposits                       | 24   | 35,655             | 73,397             |
| Provisions                                     | 25   | 1,936,734          | 1,893,508          |
| Interest-bearing loans and borrowings          | 26   | 123,614            | 117,399            |
| <b>Total current liabilities</b>               |      | <b>2,933,327</b>   | <b>2,732,522</b>   |
| <b>Non-current liabilities</b>                 |      |                    |                    |
| Provisions                                     | 24   | 227,036            | 185,580            |
| Interest-bearing loans and borrowings          | 26   | 163,910            | 287,524            |
| <b>Total non-current liabilities</b>           |      | <b>390,946</b>     | <b>473,104</b>     |
| <b>Total liabilities</b>                       |      | <b>3,324,273</b>   | <b>3,205,626</b>   |
| <b>Net assets</b>                              |      | <b>173,939,676</b> | <b>174,440,109</b> |
| <b>Equity</b>                                  |      |                    |                    |
| Accumulated surplus                            |      | 36,151,737         | 37,509,190         |
| Reserves                                       | 27   | 137,787,939        | 136,930,919        |
| <b>Total Equity</b>                            |      | <b>173,939,676</b> | <b>174,440,109</b> |

The above balance sheet should be read in conjunction with the accompanying notes.



## Statement of Changes in Equity For the Year Ended 30 June 2016

|   | Note  | Total              | Accumulated<br>Surplus | Revaluation<br>Reserve | Other<br>Reserves |
|---|-------|--------------------|------------------------|------------------------|-------------------|
| <b>2016</b>                                 |       |                    |                        |                        |                   |
| Balance at beginning of the financial year  |       | 174,440,109        | 37,509,190             | 136,091,285            | 839,634           |
| Surplus/(deficit) for the year              |       | (500,433)          | (500,433)              | -                      | -                 |
| Net asset revaluation increment/(decrement) | 27(a) | -                  | -                      | -                      | -                 |
| Transfers to other reserves                 | 27(b) | -                  | (960,428)              | -                      | 960,428           |
| Transfers from other reserves               | 27(b) | -                  | 103,408                | -                      | (103,408)         |
| <b>Balance at end of the financial year</b> |       | <b>173,939,676</b> | <b>36,151,737</b>      | <b>136,091,285</b>     | <b>1,696,654</b>  |

|   |       | Total<br>\$        | Accumulated<br>Surplus<br>\$ | Revaluation<br>Reserve<br>\$ | Other<br>Reserves<br>\$ |
|---|-------|--------------------|------------------------------|------------------------------|-------------------------|
| <b>2015</b>                                 |       |                    |                              |                              |                         |
| Balance at beginning of the financial year  |       | 172,398,501        | 35,978,417                   | 135,667,433                  | 752,651                 |
| Surplus/(deficit) for the year              |       | 1,617,756          | 1,617,756                    | -                            | -                       |
| Net asset revaluation increment/(decrement) | 27(a) | 423,852            | -                            | 423,852                      | -                       |
| Transfers to other reserves                 | 27(b) | -                  | (107,657)                    | -                            | 107,657                 |
| Transfers from other reserves               | 27(b) | -                  | 20,674                       | -                            | (20,674)                |
| <b>Balance at end of the financial year</b> |       | <b>174,440,109</b> | <b>37,509,190</b>            | <b>136,091,285</b>           | <b>839,634</b>          |

The above statement of changes in equity should be read in conjunction with the accompanying notes.



## Statement of Cash Flows For the Year Ended 30 June 2016

|   |      | 2016<br>Inflows/<br>(Outflows)<br>\$ | 2015<br>Inflows/<br>(Outflows)<br>\$ |
|---|------|--------------------------------------|--------------------------------------|
|   | Note |                                      |                                      |
| <b>Cash flows from operating activities</b>                         |      |                                      |                                      |
| Rates and charges   |      | 6,803,817                            | 6,387,548                            |
| Statutory fees and fines  |      | 111,923                              | 135,558                              |
| User fees   |      | 435,486                              | 519,080                              |
| Grants - operating  |      | 3,976,536                            | 9,108,055                            |
| Grants - capital  |      | 3,488,457                            | 3,162,604                            |
| Contributions - monetary  |      | 62,076                               | 7,341                                |
| Interest received   |      | 199,108                              | 170,402                              |
| Trust funds and deposits taken                                      |      | -                                    | 450                                  |
| Other receipts  |      | 2,325,715                            | 2,476,236                            |
| Net GST refund/(payment)  |      | 682,796                              | 846,481                              |
| Employee costs  |      | (6,254,018)                          | (6,505,894)                          |
| Materials and services  |      | (5,437,697)                          | (6,345,404)                          |
| Trust funds and deposits repaid                                     |      | (37,742)                             | (5,251)                              |
| Other payments  |      | (226,803)                            | (341,083)                            |
| <b>Net cash provided by/(used in) operating activities</b>          | 28   | <b>6,129,654</b>                     | <b>9,616,123</b>                     |
| <b>Cash flows from investing activities</b>                         |      |                                      |                                      |
| Payments for property, infrastructure, plant and equipment          | 22   | (6,477,961)                          | (6,417,988)                          |
| Proceeds from sale of property, infrastructure, plant and equipment |      | 282,108                              | 172,635                              |
| Loans and advances made   |      | -                                    | (15,000)                             |
| <b>Net cash provided by/(used in) investing activities</b>          |      | <b>(6,195,853)</b>                   | <b>(6,260,353)</b>                   |
| <b>Cash flows from financing activities</b>                         |      |                                      |                                      |
| Finance costs   |      | (13,634)                             | (23,315)                             |
| Proceeds from borrowings  |      | -                                    | -                                    |
| Repayment of borrowings   |      | (117,399)                            | (111,529)                            |
| <b>Net cash provided by/(used in) financing activities</b>          |      | <b>(131,033)</b>                     | <b>(134,844)</b>                     |
| Net increase (decrease) in cash and cash equivalents                |      | (197,232)                            | 3,220,926                            |
| Cash and cash equivalents at the beginning of the financial year    |      | 8,760,478                            | 5,539,552                            |
| <b>Cash and cash equivalents at the end of the financial year</b>   |      | <b>8,563,246</b>                     | <b>8,760,478</b>                     |
| Financing arrangements  | 29   |                                      |                                      |
| Restrictions on cash assets   | 17   |                                      |                                      |

The above statement of cash flow should be read in conjunction with the accompanying notes.



## Statement of Capital Works For the Year Ended 30 June 2016

|  | Note | 2016<br>\$       | 2015<br>\$       |
|--|------|------------------|------------------|
| <b>Property</b>                            |      |                  |                  |
| Land improvements                          |      | 17,867           | 474,597          |
| <b>Total land</b>                          |      | <u>17,867</u>    | <u>474,597</u>   |
| Buildings                                  |      | 489,226          | 767,409          |
| <b>Total buildings</b>                     |      | <u>489,226</u>   | <u>767,409</u>   |
| <b>Total property</b>                      |      | <u>507,093</u>   | <u>1,242,006</u> |
| <br><b>Plant and equipment</b>             |      |                  |                  |
| Plant, machinery and equipment             |      | 908,165          | 1,129,604        |
| Fixtures, fittings and furniture           |      | 38,796           | 23,924           |
| <b>Total plant and equipment</b>           |      | <u>946,961</u>   | <u>1,153,528</u> |
| <br><b>Infrastructure</b>                  |      |                  |                  |
| Roads                                      |      | 4,412,817        | 3,754,942        |
| Bridges                                    |      | 432,102          | 127,535          |
| Footpaths and cycleways                    |      | 103,220          | 105,202          |
| Drainage                                   |      | 55,727           | 33,915           |
| Parks, open space and streetscapes         |      | -                | 12,820           |
| <b>Total infrastructure</b>                |      | <u>5,003,867</u> | <u>4,034,414</u> |
| <br><b>Total capital works expenditure</b> |      | <u>6,457,921</u> | <u>6,429,948</u> |
| <br><b>Represented by:</b>                 |      |                  |                  |
| New asset expenditure                      |      | 344,824          | 609,855          |
| Asset renewal expenditure                  |      | 5,418,239        | 4,264,216        |
| Asset expansion expenditure                |      | -                | 256,930          |
| Asset upgrade expenditure                  |      | 694,858          | 1,298,947        |
| <b>Total capital works expenditure</b>     |      | <u>6,457,921</u> | <u>6,429,948</u> |

The above statement of capital works should be read in conjunction with the accompanying notes.



### Introduction

The West Wimmera Shire Council was established by an Order of the Governor in Council on 20th January 1995 and is a body corporate.

The Council's main office is located at 49 Elizabeth Street, Edenhope, Vic 3318.

### Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

## Note 1 Significant accounting policies

### (a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1 (m) )
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (n) )
- the determination of employee provisions (refer to Note 1 (t) )

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

### (b) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

### (c) Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2016, and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated.

There are no entities consolidated into Council.

### (d) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.





**Note 1 Significant accounting policies (cont.)**

**(e) Accounting for investments in associates and joint arrangements**

*Associates*

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

*Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

*(i) Joint operations*

Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

*(ii) Joint ventures*

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

**(f) Revenue recognition**

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

*Rates and Charges*

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

*Statutory fees and fines*

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

*User fees*

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

*Grants*

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

*Contributions*

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

*Sale of property, infrastructure, plant and equipment*

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

*Interest*

Interest is recognised as it is earned.

*Dividends*

Dividend revenue is recognised when the Council's right to receive payment is established.

*Other Income*

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.



**Note 1 Significant accounting policies (cont.)**

**(g) Fair value measurement**

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**(h) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

**(i) Trade and other receivables**

Receivables are carried at amortised cost using the effective interest rate method. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred.

**(j) Other financial assets**

Other financial assets are valued at fair value, being market value, at balance date. Term deposits are measured at amortised cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

**(k) Inventories**

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories are measured at the lower of cost and net realisable value.

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

**(l) Non-current assets classified as held for sale**

A non-current asset classified as held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

**(m) Recognition and measurement of property, plant and equipment, infrastructure, intangibles**

*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits detailed in Note 1 n have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.



**Note 1 Significant accounting policies (cont.)**

**(m) Recognition and measurement of property, plant and equipment, infrastructure, intangibles (cont'd)**

*Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 22 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 3 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

*Land under roads*

No land under roads have been acquired after 30 June 2008. Council does not recognise land under roads that it controlled prior to that period in its financial report.

**(n) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles**

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life. Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.



**Note 1 Significant accounting policies (cont.)**

**(n) Depreciation and amortisation of property, infrastructure plant and equipment and intangibles (cont'd)**

*Asset recognition thresholds and depreciation periods*

|                                       | Depreciation Period | Threshold Limit |
|---------------------------------------|---------------------|-----------------|
| Property                              |                     |                 |
| land                                  | -                   | 5,000           |
| land improvements                     | 6 - 50 years        | 5,000           |
| Buildings                             |                     |                 |
| buildings                             | 30 - 120 years      | 5,000           |
| building improvements                 | 30 - 120 years      | 5,000           |
| leasehold improvements                | 30 - 120 years      | 5,000           |
| Plant and Equipment                   |                     |                 |
| plant, machinery and equipment        | 3 - 40 years        | 1,000           |
| fixtures, fittings and furniture      | 3 - 10 years        | 1,000           |
| computers and telecommunications      | 3 - 10 years        | 1,000           |
| Infrastructure                        |                     |                 |
| road pavements and seals              | 17 - 75 years       | 5,000           |
| road substructure                     | 75 years            | 5,000           |
| road formation and earthworks         | 75 years            | 5,000           |
| road kerb, channel and minor culverts | 50 - 70 years       | 5,000           |
| bridges deck                          | 35 - 80 years       | 5,000           |
| bridges substructure                  | 35 - 80 years       | 5,000           |
| footpaths and cycleways               | 25 - 50 years       | 5,000           |
| drainage                              | 70 - 80 years       | 5,000           |

**(o) Repairs and maintenance**

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

**(p) Investment property**

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise. Rental income from the leasing of investment properties is recognised in the comprehensive income statement on a straight line basis over the lease term.

**(q) Impairment of assets**

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

**(r) Trust funds and deposits**

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 23).

**(s) Borrowings**

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method. The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

*Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.



**Note 1 Significant accounting policies (cont.)**

**(t) Employee costs and benefits**

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

*Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

*Long service leave*

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability - unconditional LSL is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at :

- present value - component that is not expected to be wholly settled within 12 months.
- nominal value - component that is expected to be wholly settled within 12 months.

*Classification of employee costs*

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

**(u) Leases**

*Finance leases*

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. At 30 June 2016 Council has no finance leases.

*Operating leases*

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

**(v) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(w) Financial guarantees**

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet, are disclosed at Note 33 contingent liabilities and contingent assets.

**(x) Contingent assets and contingent liabilities and commitments**

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of Note and presented inclusive of the GST payable.



**Note 1 Significant accounting policies (cont.)**

**(y) Pending accounting standards**

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

**(z) Rounding**

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statement may not equate due to rounding.



## Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10.0 percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on Day Month Year. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

### (a) Income and Expenditure

|  | Budget<br>2016<br>\$ | Actual<br>2016<br>\$ | Variance<br>2016<br>\$ | Ref |
|--|----------------------|----------------------|------------------------|-----|
| <b>Income</b>  |                      |                      |                        |     |
| Rates and charges  | 6,852,280            | 6,804,194            | (48,086)               |     |
| Statutory fees and fines   | 128,900              | 111,923              | (16,977)               | 1   |
| User fees  | 2,000,131            | 440,264              | (1,559,867)            | 2   |
| Grants - operating   | 5,813,434            | 3,976,536            | (1,836,898)            | 3   |
| Grants - capital   | 2,500,360            | 3,488,457            | 988,097                | 4   |
| Contributions - monetary   | 97,300               | 62,076               | (35,224)               | 5   |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | 158,920              | 119,506              | (39,414)               | 6   |
| Share of net profits/(losses) of associates and joint ventures               | -                    | 844                  | 844                    |     |
| Other income   | 573,600              | 2,653,037            | 2,079,437              | 7   |
| <b>Total income</b>  | <b>18,124,925</b>    | <b>17,656,837</b>    | <b>(468,088)</b>       |     |
| <b>Expenses</b>  |                      |                      |                        |     |
| Employee costs   | 6,334,361            | 6,338,700            | (4,339)                |     |
| Materials and services   | 5,460,473            | 5,084,214            | 376,259                | 8   |
| Bad and doubtful debts   | -                    | 15,042               | (15,042)               | 9   |
| Depreciation and amortisation  | 6,260,106            | 6,370,889            | (110,783)              | 10  |
| Borrowing costs  | 18,893               | 13,634               | 5,259                  |     |
| Other expenses   | 312,392              | 323,586              | (11,194)               |     |
| <b>Total expenses</b>  | <b>18,386,225</b>    | <b>18,146,065</b>    | <b>240,160</b>         |     |
| <b>Surplus/(deficit) for the year</b>  | <b>(261,300)</b>     | <b>(489,228)</b>     | <b>(227,928)</b>       |     |

### (i) Explanation of material variations

| Variance<br>Ref | Item                     | Explanation   |
|-----------------|--------------------------|---|
| 1               | Statutory fees and fines | Funds collected through Statutory Fees and Fines have returned 13.2% less than originally budgeted. The major contributor to this decline was in the area of building fees, which were considerably lower (\$13,197) than the previous year as a result of lower building activity recorded.  |
| 2               | User Fees                | The original budget placed reimbursements from VicRoads (\$1,633,000) into User Fees rather than Other Income. Removing these from User Fees original budget leaves a variance of \$73,133 or 20% over budget. The major Variances here include:<br>→ Private Works which provided Council with \$122,711 income which was not budgeted.<br>→ Pre-school fee revenue was \$45,004 below the budgeted level which was offset by drought assistance grants received by Council. |



|    |  |  |
|----|--|--|
| 3  | Grants - Operating   | Operating grants show a significant variance of 31.6% below the anticipated amount. This was fundamentally a result of the Federal Government's decision to prepay 50% of the 2015-16 Financial Assistance Grants allocation to Council on June 30 2015, resulting in that payments being receipted in the 2014-15 accounts. Council's budget for 2015-16 included all of the payment to be received during 2015-16. This action of the Federal Government led to Council receipting \$2,479,051 less in 2015-16 than budgeted. This shortfall was partially offset by increased grants received in the following areas:<br>→ Community Projects Grants \$344,499.48 more than budgeted (relating to the Kaniva Community Hub project);<br>→ Pre-School revenue received from drought assistance programs \$155,688 more than budgeted;<br>→ Pest Control grants received by Council \$86,595 more than budgeted.  |
| 4  | Grants - Capital   | Capital grants show a significant variance of 39.5% above the originally budgeted amount. The major variance here relates to the fact that Council has received \$901,468 additional funds under the Roads to Recovery program than was originally budgeted. This is a result of the Federal Government allocating additional funds for 2015-16 year which were not included in Council's initial budget.<br>There also significantly more grant funds received for building renewal projects than budgeted - relating to the Henley park redevelopment project (\$126,000) and the Seasonal Pools program (\$100,500). These increases were partly offset by budgeted grants amounts not received relating to bridge works which were rescope (\$140,000)   |
| 5  | Contributions - Monetary   | Contributions received by Council were 36.2% lower than originally budgeted. The only contribution received during 2015-16 was from the Kaniva community as part of the Kaniva community Hub project.  |
| 6  | Net gain/(loss) on disposal of property, infrastructure, plant and equipment | Council recorded a net gain on the disposal of property, infrastructure, plant and equipment which was 24.8% lower than budgeted. This is largely due to Council deciding for operational reasons to defer renewal of one patching truck (budgeted gain on sale of \$30,000).  |
| 7  | Other Income   | The original budget placed reimbursements from VicRoads (\$1,633,000) into User Fees rather than Other Income. Adding the \$1,633,000 budget for reimbursements to Other Income results in a variance of \$442,780 or 20%. The major variances included here include:<br>→ Reimbursements from VicRoads for state road maintenance works were \$199,474 higher than budgeted, as a result of a higher level of works undertaken than anticipated;<br>→ Interest earned on investments was \$90,454 higher than budgeted, as a result of Council holding higher cash balances at the start of the year due to the pre-payment of 50% of the 2015/16 Financial Assistance Grants on 30 June 2015, as well as a high focus on investment management by Council;<br>→ Reimbursements from Quarry Operations were \$65,702 higher than budgeted, representing greater turnover of materials.  |
| 8  | Materials & Services   | Materials & Services show a \$376,259 variance below budget for the year. A number of factors contributed to this, including:<br>→ External Plant Hire was \$86,798 below budget, as Council's own plant was sufficient for requirements over the year;<br>→ Fuel costs were \$55,240 below budget due in main to significantly lower pricing than was included in the budget;<br>→ Sundry expenses were \$77,017 below budget due to significantly tighter controls being placed on spending. The major functional areas where this saving was made include Community Support (\$17,308), Youth Services (\$14,276), Halls & Community Centres (\$9,821), Children's Services (\$9,500), Pre-Schools (\$6,348), Swimming Pools (\$6,160) and Bores Maintenance (\$6,000).<br>→ Council's contribution to the 'Lighting the Regions' project to install LED street lighting was \$64,620 under budget, as a result of the program expenses being considerably lower than anticipated.<br>→ Electricity costs were \$32,166 lower than originally budgeted as the full effect of upgrading Council's streetlight to LED was realised. |
| 9  | Bad and doubtful debts   | Council did not budget for any bad or doubtful debts over 2014-15. In the event, Council resolved to write off a debt owing by a community group (\$7,500), and thought it prudent to increase its provision for doubtful debts after a thorough review of its sundry and rate debtors list.   |
| 10 | Depreciation   | Depreciation expense for 2015-16 was \$110,783 over initial expectations. Depreciation is an accounting measure representing the consumption of Council's Assets. Council increased its Assets by \$6.46 million over the year (as represented by the Capital Works Statement). This represents an additional capital spend of \$944,821 over budget (\$5.52 million), resulting in a higher than anticipated depreciation expense.  |





Note 2 Budget comparison (cont)

(b) Capital Works

|  | Budget<br>2016 | Actual<br>2016 | Variance<br>2016 | Ref |
|--|----------------|----------------|------------------|-----|
| <b>Property</b>                        |                |                |                  |     |
| Land improvements                      | 15,000         | 17,867         | 2,867            | 1   |
| <b>Total Land</b>                      | 15,000         | 17,867         | 2,867            |     |
| Buildings                              | 325,000        | 489,226        | 164,226          | 2   |
| <b>Total Buildings</b>                 | 325,000        | 489,226        | 164,226          |     |
| <b>Total Property</b>                  | 340,000        | 507,093        | 167,093          |     |
| <b>Plant and Equipment</b>             |                |                |                  |     |
| Plant, machinery and equipment         | 1,132,500      | 908,165        | (224,335)        | 3   |
| Fixtures, fittings and furniture       | 40,000         | 38,796         | (1,204)          |     |
| <b>Total Plant and Equipment</b>       | 1,172,500      | 946,961        | (225,539)        |     |
| <b>Infrastructure</b>                  |                |                |                  |     |
| Roads                                  | 3,571,800      | 4,412,817      | 841,017          | 4   |
| Bridges                                | 280,000        | 432,102        | 152,102          | 5   |
| Footpaths and cycleways                | 102,600        | 103,220        | 620              |     |
| Drainage                               | 50,000         | 55,727         | 5,727            | 6   |
| <b>Total Infrastructure</b>            | 4,004,400      | 5,003,867      | 999,467          |     |
| <b>Total Capital Works Expenditure</b> | 5,516,900      | 6,457,921      | 941,021          |     |
| <b>Represented by:</b>                 |                |                |                  |     |
| New asset expenditure                  | 132,000        | 344,824        | 212,824          |     |
| Asset renewal expenditure              | 4,835,900      | 5,418,239      | 582,339          |     |
| Asset expansion expenditure            | 451,000        | -              | (451,000)        |     |
| Asset upgrade expenditure              | 98,000         | 694,858        | 596,858          |     |
| <b>Total Capital Works Expenditure</b> | 5,516,900      | 6,457,921      | 941,021          |     |



(i) Explanation of material variations

| Variance Ref | Item                           | Explanation  |
|--------------|--------------------------------|--|
| 1            | Land Improvements              | The original budget for Land Improvements called for \$15,000 of works in renewing play equipment at Council's various playgrounds. Over the year Council spent \$7,440 on this task. Land Improvements also includes \$10,427 of minor works on Township signage and necessary repairs to a Council owned bore site which were not budgeted.  |
| 2            | Buildings                      | Buildings capital works show a significant 50% overspend on budget. The majority of this came from projects which were transferred from Works In Progress for which it was not possible to include in the original budget. These include:<br>→ Henley Park redevelopment \$193,381<br>→ Kaniva Men's Shed \$25,227<br>There was also additional unbudgeted expenditure relating to the replacement of fencing for the former Kaniva aerodrome site (\$14,775) which was required before the site could be leased.<br>These amounts are partially offset by a reduction in other projects which for operational reasons were not undertaken during 2015-16, including:<br>→ Fencing at Kaniva Band Park (\$90,000)<br>→ Kaniva Hall air conditioning (\$15,000) |
| 3            | Plant, Machinery and Equipment | The Plant, Machinery and Equipment area show an actual capital spend of 20% below budget. This was due to the deferral of the purchase of a patching truck.  |
| 4            | Roads                          | Roads show a significant variance to budget with an overspend of \$841,016. There were a number of projects contributing to this. These were funded by additional grants under the Roads to Recovery program, which was significantly expanded for the 2015-16 year by the Federal Government, and also by reductions to local road resheets (\$194,379) and general sealing jobs (\$65,401).  |
| 5            | Bridges                        | Bridges show a significant 54% overspend to budget. This was the result of the Dorodong Road bridge requiring significantly more works than first anticipated. The additional works were funded from the enhanced 2015-16 Roads to Recovery program.   |
| 6            | Drainage                       | Drainage shows a variance of \$5,727 over original budget, which equates to 11.5% of original budget. This occurred as essential works returned a slightly higher than anticipated cost.   |



|  | 2016<br>\$       | 2015<br>\$       |
|--|------------------|------------------|
| <b>Note 3 Rates and charges</b>  |                  |                  |
| Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is its current market value determined by Council's contract valuer. |                  |                  |
| The valuation base used to calculate general rates for 2015/16 was \$1,773.75 million (2014/15 \$1,637.83 million).  |                  |                  |
| General Rates  | 5,959,011        | 5,640,742        |
| Municipal charge   | 399,224          | 378,596          |
| Waste management charge  | 445,959          | 340,830          |
| <b>Total rates and charges</b>   | <b>6,804,194</b> | <b>6,360,168</b> |
| The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2016.                        |                  |                  |
| <b>Note 4 Statutory fees and fines</b>   |                  |                  |
| Animal management  | 28,928           | 28,836           |
| Building fees  | 18,803           | 36,753           |
| Permits  | 16,346           | 13,155           |
| Town planning fees   | 14,217           | 15,598           |
| Infringements and costs  | 3,157            | 3,349            |
| Court recoveries   | -                | 3,857            |
| Other  | 30,472           | 34,010           |
| <b>Total statutory fees and fines</b>  | <b>111,923</b>   | <b>135,558</b>   |
| <b>Note 5 User fees</b>  |                  |                  |
| Community services user charges  | 217,075          | 264,825          |
| Private and contract works   | 122,711          | 61,853           |
| Refuse disposal fees   | 43,707           | 123,103          |
| User charges   | 25,264           | 28,625           |
| Caravan park fees  | 20,511           | 21,307           |
| Other fees and charges   | 10,996           | 19,367           |
| <b>Total user fees</b>   | <b>440,264</b>   | <b>519,080</b>   |



|  | 2016<br>\$       | 2015<br>\$        |
|--|------------------|-------------------|
| <b>Note 6 Grants</b>                                 |                  |                   |
| Grants were received in respect of the following :   |                  |                   |
| <b>Summary of grants</b>                             |                  |                   |
| Commonwealth funded grants                           | 5,454,617        | 8,603,127         |
| State funded grants                                  | 2,010,376        | 2,617,532         |
| <b>Total grants received</b>                         | <b>7,464,993</b> | <b>11,220,659</b> |
| <b>Operating Grants</b>                              |                  |                   |
| <b>Recurrent - Commonwealth Government</b>           |                  |                   |
| Victoria Grants Commission                           | 2,377,789        | 7,455,860         |
| <b>Recurrent - State Government</b>                  |                  |                   |
| HACC programs  | 405,856          | 380,724           |
| Preschool operating                                  | 299,174          | 239,183           |
| Maternal and child health                            | 159,221          | 144,006           |
| Pest & weed control                                  | 116,595          | 50,000            |
| Preschool cluster management                         | 57,128           | 45,001            |
| Meals services                                       | 39,587           | 35,985            |
| Senior Citizens                                      | 36,746           | 39,245            |
| Youth initiatives FreeZa program                     | 19,600           | 19,600            |
| Other  | 41,028           | 21,729            |
| <b>Total recurrent operating grants</b>              | <b>3,552,724</b> | <b>8,431,333</b>  |
| <b>Non-recurrent - Commonwealth Government</b>       |                  |                   |
| Ausnac/Workco - Apprenticeship scheme                | -                | 15,000            |
| <b>Non-recurrent - State Government</b>              |                  |                   |
| Kaniva Hub   | 300,000          | -                 |
| Drought Response program                             | 55,000           | -                 |
| Fire Service Levy Implementation Grant               | 38,193           | 37,097            |
| Public Hall Upgrades                                 | 10,000           | -                 |
| Lake Wallace Boating Safety                          | 9,304            | -                 |
| One Tree per Child program                           | 3,315            | -                 |
| Douglas Tennis Club (DHHS)                           | 3,300            | 29,700            |
| Harrow/Goroke Precinct Plan                          | 3,000            | 27,000            |
| Connewirricoo Tennis Club (DHHS)                     | 1,700            | 15,300            |
| Kaniva Industrial Estate                             | -                | 191,000           |
| Community Planning Grant (VASP - DELWP)              | -                | 175,000           |
| Apsley Recreation Reserve Upgrade (DHS)              | -                | 90,000            |
| Regional Living Expo                                 | -                | 20,000            |
| Vulnerable Persons Co-ordination Funding             | -                | 20,000            |
| Anzac Commemorative                                  | -                | 17,375            |
| Icons of Edenhope (DEDJTR)                           | -                | 15,000            |
| Kaniva Streetlife                                    | -                | 8,148             |
| Edenhope Streetlife                                  | -                | 8,102             |
| Edenhope/Apsley Community Precinct Plan              | -                | 3,000             |
| Kaniva Community Precinct Plan                       | -                | 3,000             |
| Community Facility Funding - Lighting Grant          | -                | 2,000             |
| <b>Total non-recurrent operating grants</b>          | <b>423,812</b>   | <b>676,722</b>    |
| <b>Total operating grants</b>                        | <b>3,976,536</b> | <b>9,108,055</b>  |
| <b>Capital Grants</b>                                |                  |                   |
| <b>Recurrent - Commonwealth Government</b>           |                  |                   |
| Roads to recovery                                    | 3,076,828        | 1,132,267         |
| <b>Total recurrent capital grants</b>                | <b>3,076,828</b> | <b>1,132,267</b>  |
| <b>Non-recurrent - Commonwealth Government</b>       |                  |                   |
| Add additional grants grouped by type as appropriate |                  |                   |
| <b>Non-recurrent - State Government</b>              |                  |                   |
| Henley Park (DEDJTR)                                 | 126,000          | 84,000            |
| Better Pools program                                 | 100,500          | -                 |
| Kaniva Playspace                                     | 90,000           | -                 |
| Edenhope Transfer Station (Sustain Vic)              | 24,000           | 6,000             |
| Kaniva Transfer Station (Sustain Vic)                | 23,200           | 5,800             |
| Local Government Infrastructure Program (DELWP)      | 20,453           | 705,000           |
| War Memorial Restoration Grants                      | 19,476           | -                 |
| Kaniva Men's Shed                                    | 8,000            | -                 |
| Signage Grant (DEDJTR)                               | -                | 108,000           |
| Vicroads Fullarton's Road                            | -                | 66,462            |
| Fire Access Grant                                    | -                | 5,075             |
| <b>Total non-recurrent capital grants</b>            | <b>411,629</b>   | <b>980,337</b>    |
| <b>Total capital grants</b>                          | <b>3,488,457</b> | <b>2,112,604</b>  |



|  | 2016<br>\$       | 2015<br>\$       |
|--|------------------|------------------|
| <b>Note 6 Grants (Contd)</b>   |                  |                  |
| Unspent grants received on condition that they be spent in a specific manner               |                  |                  |
| Balance at start of year   | 162,780          | -                |
| Received during the financial year and remained unspent at balance date                    | 322,120          | 162,780          |
| Received in prior years and spent during the financial year                                | 77,960           | -                |
| Balance at year end  | <u>406,940</u>   | <u>162,780</u>   |
| <b>Note 7 Contributions</b>  |                  |                  |
| Monetary   | 62,076           | 7,341            |
| <b>Total contributions</b>   | <u>62,076</u>    | <u>7,341</u>     |
| <b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b> |                  |                  |
| Proceeds of sale   | 282,108          | 172,635          |
| Written down value of assets disposed  | (162,602)        | (116,011)        |
| <b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>  | <u>119,506</u>   | <u>56,624</u>    |
| <b>Note 9 Other income</b>   |                  |                  |
| Reimbursements - VicRoads  | 1,749,474        | 1,963,861        |
| Quarry operations  | 340,703          | 332,829          |
| Interest   | 199,108          | 170,403          |
| Reimbursements - other   | 196,839          | 244,820          |
| Insurance refunds  | 55,759           | 114,662          |
| Rent   | 44,987           | 43,995           |
| Fuel tax refund  | 43,707           | 40,857           |
| Gain on valuation of inventory land  | 4,000            | 8,040            |
| Recyclable sales   | -                | 2,074            |
| Transfer stations scrap metal sales  | -                | 25,073           |
| Other  | 18,460           | 18,537           |
| <b>Total other income</b>  | <u>2,653,037</u> | <u>2,965,151</u> |
| <b>Note 10 (a) Employee costs</b>  |                  |                  |
| Wages and salaries   | 5,562,814        | 5,767,865        |
| WorkCover  | 106,448          | 100,911          |
| Superannuation   | 591,508          | 579,193          |
| Fringe benefits tax  | 77,930           | 57,925           |
| <b>Total employee costs</b>  | <u>6,338,700</u> | <u>6,505,894</u> |
| <b>Note 10 (b) Superannuation</b>  |                  |                  |
| Council made contributions to the following funds:   |                  |                  |
| <b>Defined benefit fund</b>  |                  |                  |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super)             | 65,489           | 76,757           |
|  | <u>65,489</u>    | <u>76,757</u>    |
| Employer contributions payable at reporting date.  | -                | -                |
| <b>Accumulation funds</b>  |                  |                  |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super)             | 251,358          | 491,049          |
| Employer contributions - other funds   | 274,661          | 11,387           |
|  | <u>526,019</u>   | <u>502,436</u>   |
| Employer contributions payable at reporting date.  | -                | -                |
| Refer to note 32 for further information relating to Council's superannuation obligations. |                  |                  |



|   | 2016<br>\$       | 2015<br>\$       |
|---|------------------|------------------|
| <b>Note 11 Materials and services</b>   |                  |                  |
| Contract payments   | 2,708,188        | 2,872,755        |
| Plant and equipment maintenance   | 715,504          | 807,448          |
| Utilities   | 336,910          | 347,917          |
| Office administration   | 53,201           | 50,204           |
| Information technology  | 194,459          | 71,951           |
| Insurance   | 292,096          | 317,791          |
| Consultants   | 72,356           | 255,196          |
| Other materials and services  | 711,500          | 1,497,128        |
| <b>Total materials and services</b>   | <b>5,084,214</b> | <b>6,220,390</b> |
| <b>Note 12 Bad and doubtful debts</b>   |                  |                  |
| Rates debtors   | 7,908            | -                |
| Other debtors   | 7,134            | -                |
| <b>Total bad and doubtful debts</b>   | <b>15,042</b>    | <b>-</b>         |
| <b>Note 13 Depreciation and amortisation</b>  |                  |                  |
| Property  | 715,138          | 658,614          |
| Plant and equipment   | 871,911          | 902,956          |
| Infrastructure  | 4,783,840        | 5,101,746        |
| <b>Total depreciation</b>   | <b>6,370,889</b> | <b>6,663,316</b> |
| Intangible assets   | -                | -                |
| <b>Total depreciation and amortisation</b>  | <b>6,370,889</b> | <b>6,663,316</b> |
| <i>Refer to note 21 for a more detailed breakdown of depreciation and amortisation charges</i>                |                  |                  |
| <b>Note 14 Borrowing costs</b>  |                  |                  |
| Interest - Borrowings   | 13,634           | 23,315           |
| Less capitalised borrowing costs on qualifying assets   | -                | -                |
| <b>Total borrowing costs</b>  | <b>13,634</b>    | <b>23,315</b>    |
| <b>Note 15 Other expenses</b>   |                  |                  |
| Councillors' allowances   | 135,204          | 128,428          |
| Operating lease rentals   | 85,818           | 90,706           |
| Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals | 30,195           | 29,895           |
| Decrease in fair value of asset held for resale   | 15,240           | -                |
| Auditors' remuneration - Internal   | 16,875           | 10,250           |
| Other   | 40,254           | 9,546            |
| <b>Total other expenses</b>   | <b>323,586</b>   | <b>268,825</b>   |



|   | 2016<br>\$     | 2015<br>\$     |
|---|----------------|----------------|
| <b>Note 16 Investments in associates, joint ventures and subsidiaries</b>   |                |                |
| Investments in associates accounted for by the equity method are:   |                |                |
| - Wimmera Regional Library Corporation  | 357,361        | 368,397        |
| - Wimmera Development Association   | 35,514         | 34,838         |
| <b>Wimmera Regional Library Corporation</b>   |                |                |
| <i>Background</i>   |                |                |
| Council's investment in the Wimmera Regional Library Corporation is based on the equity method of accounting. Refer Note 1 (e). |                |                |
| Council's interest in equity.   | 11.43%         | 11.79%         |
| <b>Fair value of Council's investment in Wimmera Regional Library Corporation</b>   | <b>357,361</b> | <b>368,397</b> |
| <b>Council's share of accumulated surplus/(deficit)</b>   |                |                |
| Council's share of accumulated surplus(deficit) at start of year  | 164,492        | 204,395        |
| Reported surplus(deficit) for year  | 169            | 16,551         |
| Transfers (to) from reserves  | 1,383          | (13,599)       |
| Change in equity share apportionment  | (4,970)        | (42,855)       |
| Council's share of accumulated surplus(deficit) at end of year  | <b>161,074</b> | <b>164,492</b> |
| <b>Council's share of reserves</b>  |                |                |
| Council's share of reserves at start of year  | 203,904        | 134,491        |
| Transfers (to) from reserves  | (1,383)        | 13,599         |
| Change in equity share apportionment  | (6,234)        | 55,814         |
| Council's share of reserves at end of year  | <b>196,287</b> | <b>203,904</b> |
| <b>Movement in carrying value of specific investment</b>  |                |                |
| Carrying value of investment at start of year   | 368,397        | 338,887        |
| Share of surplus(deficit) for year  | 169            | 16,551         |
| Share of asset revaluation  | -              | -              |
| Change in equity share apportionment  | (11,205)       | 12,959         |
| Carrying value of investment at end of year   | <b>357,361</b> | <b>368,397</b> |
| <b>Council's share of expenditure commitments</b>   |                |                |
| Operating commitments   | -              | -              |
| Capital commitments   | -              | -              |
| Council's share of expenditure commitments  | -              | -              |







|   | 2016             | 2015             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Note 17 Cash and cash equivalents</b>  |                  |                  |
| Cash on hand  | 1,270            | 1,270            |
| Cash at bank  | 2,469,703        | 7,792,027        |
| Cash deposits   | 6,092,273        | 967,181          |
|   | <u>8,563,246</u> | <u>8,760,478</u> |
| Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:  |                  |                  |
| - Unspent Grants (Note 6)   | 406,940          | 162,780          |
| - Trust funds, deposits and fire service levy (Note 24)   | 35,655           | 73,397           |
| Total restricted funds  | <u>442,595</u>   | <u>236,177</u>   |
| Total unrestricted cash and cash equivalents  | <u>8,120,651</u> | <u>8,524,301</u> |
| <b>Intended allocations</b>   |                  |                  |
| Although not externally restricted the following amounts have been allocated for specific future purposes by Council:   |                  |                  |
| - Cash held to fund carried forward capital works   | 714,450          | 388,000          |
| - Cash held to fund long service leave provision  | 1,289,849        | 1,188,620        |
| - Cash held for 2015-2016 grant revenue received in advance   | -                | 2,477,842        |
| - Other discretionary reserves  | 1,696,654        | 839,634          |
| Total funds subject to intended allocations   | <u>3,700,953</u> | <u>4,894,096</u> |
| <b>Note 18 Trade and other receivables</b>  |                  |                  |
| <b>Current</b>  |                  |                  |
| Rates debtors   | 254,526          | 254,149          |
| Provision for doubtful debts - rates  | (90,978)         | (83,070)         |
| Loans and advances to community organisations   | -                | 15,000           |
| Other debtors   |                  |                  |
| - Sundry Debtors  | 393,616          | 358,833          |
| - GST Receivable  | 41,371           | 47,558           |
| - Employee Superannuation   | (1,416)          | (140)            |
| Provision for doubtful debts - other debtors  | (3,051)          | (3,417)          |
| Total current trade and other receivables   | <u>594,068</u>   | <u>588,913</u>   |
| <b>Total trade and other receivables</b>  | <u>594,068</u>   | <u>588,913</u>   |
| <b>(a) Ageing of Receivables</b>  |                  |                  |
| At balance date other sundry debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was: |                  |                  |
| Current (not yet due)   | 327,523          | 9,728            |
| Past due by up to 30 days   | 21,812           | 237,665          |
| Past due between 31 and 180 days  | 336              | 13,758           |
| Past due between 181 and 365 days   | 2,760            | 54,289           |
| Past due by more than 1 year  | 41,185           | 43,393           |
| Total trade & other receivables   | <u>393,616</u>   | <u>358,833</u>   |
| <b>(b) Movement in provisions for doubtful debts</b>  |                  |                  |
| Balance at the beginning of the year  | 83,070           | 83,070           |
| New Provisions recognised during the year   | 7,908            | -                |
| Amounts already provided for and written off as uncollectible   | -                | -                |
| Amounts provided for but recovered during the year  | -                | -                |
| Balance at end of year  | <u>90,978</u>    | <u>83,070</u>    |
| <b>Note 19 Inventories</b>  |                  |                  |
| Inventories held for distribution   | 178,731          | 166,043          |
| <b>Total inventories</b>  | <u>178,731</u>   | <u>166,043</u>   |



|   | 2016<br>\$    | 2015<br>\$     |
|---|---------------|----------------|
| <b>Note 20 Non current assets classified as held for sale</b> |               |                |
| Fair value of land held for resale                            | 19,000        | 20,000         |
| <b>Total non current assets classified as held for sale</b>   | <b>19,000</b> | <b>20,000</b>  |
| <br><b>Note 21 Other assets</b>                               |               |                |
| Prepayments   | 74,649        | 84,093         |
| Accrued income  | -             | 95,783         |
| <b>Total other assets</b>                                     | <b>74,649</b> | <b>179,876</b> |



**Note 22 Property, infrastructure, plant and equipment**

**Summary of property, infrastructure, plant and equipment**

|                     | At Fair Value 30<br>June 2016 | Accumulated<br>Depreciation | WDV 30 June<br>2016 | At Fair Value 30<br>June 2015 | Accumulated<br>Depreciation | WDV 30 June<br>2015 |
|---------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|-----------------------------|---------------------|
| Land                | 4,100,500                     | (915,173)                   | 3,185,327           | 3,930,514                     | (791,386)                   | 3,139,128           |
| Buildings           | 31,733,413                    | (16,229,091)                | 15,504,322          | 30,924,460                    | (15,769,300)                | 15,155,160          |
| Plant and Equipment | 9,055,612                     | (5,870,725)                 | 3,184,888           | 8,902,308                     | (5,646,408)                 | 3,255,900           |
| Infrastructure      | 223,067,701                   | (77,637,146)                | 145,430,556         | 218,126,018                   | (72,853,306)                | 145,272,711         |
| Work in progress    | 136,288                       | -                           | 136,288             | 704,291                       | -                           | 704,291             |
|                     | <u>268,093,513</u>            | <u>(100,652,135)</u>        | <u>167,441,380</u>  | <u>262,587,591</u>            | <u>(95,060,400)</u>         | <u>167,527,190</u>  |

**Summary of Work in Progress**

|                     | Opening WIP    | Additions      | Transfers        | Write Offs | Closing WIP    |
|---------------------|----------------|----------------|------------------|------------|----------------|
| Buildings           | 624,646        | 1,000          | (624,646)        | -          | 1,000          |
| Plant and Equipment | 33,799         | 27,258         | (33,799)         | -          | 27,258         |
| Infrastructure      | 45,846         | 108,030        | (45,846)         | -          | 108,030        |
| Total               | <u>704,291</u> | <u>136,288</u> | <u>(704,291)</u> | <u>-</u>   | <u>136,288</u> |



**Note 22 Property, infrastructure, plant and equipment (cont'd)**

| <b>Land and Buildings</b>                        | <b>Note</b> | Land - specialised | Land - non specialised | Land improvements | <b>Total Land</b> | Heritage buildings | Buildings - specialised | Buildings - non specialised | <b>Total Buildings</b> | Work In Progress | <b>Total Property</b> |
|--|-------------|--------------------|------------------------|-------------------|-------------------|--------------------|-------------------------|-----------------------------|------------------------|------------------|-----------------------|
| At fair value 1 July 2015                        |             | 952,900            | 66,000                 | 2,911,614         | <b>3,930,514</b>  | 58,800             | 29,653,160              | 1,212,500                   | <b>30,924,460</b>      | 624,646          | <b>35,479,620</b>     |
| Accumulated depreciation at 1 July 2015          |             | -                  | -                      | (791,386)         | <b>(791,386)</b>  | (45,044)           | (15,196,327)            | (527,929)                   | <b>(15,769,300)</b>    | -                | <b>(16,560,686)</b>   |
|  |             | 952,900            | 66,000                 | 2,120,228         | <b>3,139,128</b>  | 13,756             | 14,456,833              | 684,571                     | <b>15,155,160</b>      | 624,646          | <b>18,918,934</b>     |
| <b>Movements in fair value</b>                   |             |                    |                        |                   |                   |                    |                         |                             |                        |                  |                       |
| Acquisition of assets at fair value              |             | -                  | -                      | 17,867            | <b>17,867</b>     | -                  | 489,226                 | -                           | <b>489,226</b>         | -                | <b>507,093</b>        |
| Revaluation increments/decrements                |             | -                  | -                      | -                 | -                 | -                  | -                       | -                           | -                      | -                | -                     |
| Fair value of assets disposed                    |             | -                  | -                      | -                 | -                 | -                  | -                       | -                           | -                      | -                | -                     |
| Impairment losses recognised in operating result |             | -                  | -                      | -                 | -                 | -                  | -                       | -                           | -                      | -                | -                     |
| Transfers  |             | -                  | -                      | 152,119           | <b>152,119</b>    | -                  | 319,727                 | -                           | <b>319,727</b>         | (623,646)        | <b>151,800</b>        |
|  |             | -                  | -                      | 169,986           | <b>169,986</b>    | -                  | 808,953                 | -                           | <b>808,953</b>         | (623,646)        | <b>355,293</b>        |
| <b>Movements in accumulated depreciation</b>     |             |                    |                        |                   |                   |                    |                         |                             |                        |                  |                       |
| Depreciation and amortisation                    |             | -                  | -                      | (123,787)         | <b>(123,787)</b>  | (1,058)            | (568,289)               | (22,004)                    | <b>(591,351)</b>       | -                | <b>(715,138)</b>      |
| Accumulated depreciation of disposals            |             | -                  | -                      | -                 | -                 | -                  | -                       | -                           | -                      | -                | -                     |
| Impairment losses recognised in operating result |             | -                  | -                      | -                 | -                 | -                  | -                       | -                           | -                      | -                | -                     |
| Transfers  |             | -                  | -                      | -                 | -                 | -                  | 131,560                 | -                           | <b>131,560</b>         | -                | <b>131,560</b>        |
|  |             | -                  | -                      | (123,787)         | <b>(123,787)</b>  | (1,058)            | (436,729)               | (22,004)                    | <b>(459,791)</b>       | -                | <b>(583,578)</b>      |
| At fair value 30 June 2016                       |             | 952,900            | 66,000                 | 3,081,600         | <b>4,100,500</b>  | 58,800             | 30,462,113              | 1,212,500                   | <b>31,733,413</b>      | 1,000            | <b>35,834,913</b>     |
| Accumulated depreciation at 30 June 2016         |             | -                  | -                      | (915,173)         | <b>(915,173)</b>  | (46,102)           | (15,633,056)            | (549,933)                   | <b>(16,229,091)</b>    | -                | <b>(17,144,264)</b>   |
|  |             | 952,900            | 66,000                 | 2,166,427         | <b>3,185,327</b>  | 12,698             | 14,829,057              | 662,567                     | <b>15,504,322</b>      | 1,000            | <b>18,690,649</b>     |

**Note 22** Property, infrastructure, plant and equipment (cont'd)

| <b>Plant and Equipment</b>                       | <b>Note</b> | Plant<br>machinery and<br>equipment | Fixtures fittings<br>and furniture | Work In<br>Progress  | <b>Total plant and<br/>equipment</b> |
|--|-------------|-------------------------------------|------------------------------------|----------------------|--------------------------------------|
| At fair value 1 July 2015                        |             | 7,597,006                           | 1,305,302                          | 33,799               | <b>8,936,107</b>                     |
| Accumulated depreciation at 1 July 2015          |             | (4,500,087)                         | (1,146,321)                        | -                    | <b>(5,646,408)</b>                   |
|  |             | <u>3,096,919</u>                    | <u>158,981</u>                     | <u>33,799</u>        | <u><b>3,289,699</b></u>              |
| <b>Movements in fair value</b>                   |             |                                     |                                    |                      |                                      |
| Acquisition of assets at fair value              |             | 908,165                             | 38,796                             | -                    | <b>946,961</b>                       |
| Revaluation increments/decrements                |             | -                                   | -                                  | -                    | -                                    |
| Fair value of assets disposed                    |             | (800,198)                           | -                                  | -                    | <b>(800,198)</b>                     |
| Impairment losses recognised in operating result |             | -                                   | -                                  | -                    | -                                    |
| Transfers  |             | 33,799                              | (27,258)                           | (6,541)              | -                                    |
|  |             | <u>141,766</u>                      | <u>11,538</u>                      | <u>(6,541)</u>       | <u><b>146,763</b></u>                |
| <b>Movements in accumulated depreciation</b>     |             |                                     |                                    |                      |                                      |
| Depreciation and amortisation                    |             | (815,001)                           | (56,910)                           | -                    | <b>(871,911)</b>                     |
| Accumulated depreciation of disposals            |             | 647,594                             | -                                  | -                    | <b>647,594</b>                       |
| Impairment losses recognised in operating result |             | -                                   | -                                  | -                    | -                                    |
| Transfers  |             | -                                   | -                                  | -                    | -                                    |
|  |             | <u>(167,407)</u>                    | <u>(56,910)</u>                    | <u>-</u>             | <u><b>(224,317)</b></u>              |
| At fair value 30 June 2016                       |             | 7,738,772                           | 1,316,840                          | 27,258               | <b>9,082,870</b>                     |
| Accumulated depreciation at 30 June 2016         |             | (4,667,494)                         | (1,203,231)                        | -                    | <b>(5,870,725)</b>                   |
|  |             | <u><b>3,071,278</b></u>             | <u><b>113,609</b></u>              | <u><b>27,258</b></u> | <u><b>3,212,145</b></u>              |

# Notes to the Financial Report

## For the Year Ended 30 June 2016

**Note 212 Property, infrastructure, plant and equipment (cont'd)**

| Infrastructure                                   | Note | Roads              | Bridges          | Footpaths<br>and<br>cycleways | Drainage         | Work In<br>Progress | Total<br>Infrastructure |
|--|------|--------------------|------------------|-------------------------------|------------------|---------------------|-------------------------|
| At fair value 1 July 2015                        |      | 196,014,405        | 3,449,294        | 3,974,252                     | 14,688,067       | 45,846              | 218,171,864             |
| Accumulated depreciation at 1 July 2015          |      | (61,974,449)       | (1,761,111)      | (630,102)                     | (8,487,644)      | -                   | (72,853,306)            |
|  |      | <b>134,039,956</b> | <b>1,688,183</b> | <b>3,344,150</b>              | <b>6,200,423</b> | <b>45,846</b>       | <b>145,318,558</b>      |
| <b>Movements in fair value</b>                   |      |                    |                  |                               |                  |                     |                         |
| Acquisition of assets at fair value              |      | 4,412,817          | 432,102          | 103,220                       | 55,727           |                     | 5,003,867               |
| Revaluation increments/decrements                |      | -                  | -                | -                             | -                | -                   | -                       |
| Fair value of assets disposed                    |      | -                  | -                | -                             | -                | -                   | -                       |
| Impairment losses recognised in operating result |      | -                  | -                | -                             | -                | -                   | -                       |
| Transfers  |      | (92,295)           | 30,111           | -                             | -                | 62,184              | -                       |
|  |      | <b>4,320,522</b>   | <b>462,213</b>   | <b>103,220</b>                | <b>55,727</b>    | <b>62,184</b>       | <b>5,003,867</b>        |
| <b>Movements in accumulated depreciation</b>     |      |                    |                  |                               |                  |                     |                         |
| Depreciation and amortisation                    |      | (4,451,922)        | (45,676)         | (79,887)                      | (206,355)        | -                   | (4,783,840)             |
| Accumulated depreciation of disposals            |      | -                  | -                | -                             | -                | -                   | -                       |
| Impairment losses recognised in operating result |      | -                  | -                | -                             | -                | -                   | -                       |
| Transfers  |      | -                  | -                | -                             | -                | -                   | -                       |
|  |      | <b>(4,451,922)</b> | <b>(45,676)</b>  | <b>(79,887)</b>               | <b>(206,355)</b> | <b>-</b>            | <b>(4,783,840)</b>      |
| At fair value 30 June 2016                       |      | 200,334,927        | 3,911,507        | 4,077,472                     | 14,743,794       | 108,030             | 223,175,731             |
| Accumulated depreciation at 30 June 2016         |      | (66,426,371)       | (1,806,787)      | (709,989)                     | (8,693,999)      | -                   | (77,637,146)            |
|  |      | <b>133,908,556</b> | <b>2,104,720</b> | <b>3,367,483</b>              | <b>6,049,795</b> | <b>108,030</b>      | <b>145,538,585</b>      |



**Note 22 Property, infrastructure, plant and equipment cont'd**

*Valuation of land and buildings*

Valuation of land and buildings were undertaken by a qualified independent valuer [Mr Ian Wilson, Contract Valuer, Australian Property Institute member 7297]. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserved) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

|                             | Level 1 | Level 2           | Level 3           |
|-----------------------------|---------|-------------------|-------------------|
| Land                        | -       | 66,000            | -                 |
| Specialised land            | -       | -                 | 952,900           |
| Land improvements           | -       | -                 | 2,166,427         |
| Heritage buildings          | -       | -                 | 12,698            |
| Buildings - specialised     | -       | -                 | 662,567           |
| Buildings - non specialised | -       | 14,829,057        | -                 |
| <b>Total</b>                | -       | <b>14,895,057</b> | <b>3,7945,592</b> |

*Valuation of infrastructure*

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Mr Des White Adv Dip, E.T., Local Government Engineer as at 30 June 2014. The condition assessment and valuation of the roads was done by Mr Peter Moloney of Moloney Asset Management Systems.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2016 are as follows:

|                         | Level 1 | Level 2 | Level 3            |
|-------------------------|---------|---------|--------------------|
| Roads                   | -       | -       | 133,908,557        |
| Bridges                 | -       | -       | 2,104,720          |
| Footpaths and cycleways | -       | -       | 3,367,483          |
| Drainage                | -       | -       | 6,049,795          |
|                         | -       | -       | -                  |
| <b>Total</b>            | -       | -       | <b>145,430,556</b> |



**Note 22 Property, infrastructure, plant and equipment (cont'd)**

**2016**  
\$

**2015**  
\$

*Description of significant unobservable inputs into level 3 valuations*

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 30% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$350 to \$1,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 40 years to 60 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

**Reconciliation of specialised land**

|  |                |                |
|--|----------------|----------------|
| Municipal Office Land                    | 103,000        | 103,000        |
| Waste Disposal Land                      | 116,000        | 116,000        |
| Community Services Land                  | 83,500         | 83,500         |
| Infrastructure and Works Operations Land | 324,500        | 324,500        |
| Recreational and Sundry Council Land     | 325,900        | 325,900        |
| <b>Total specialised land</b>            | <b>952,900</b> | <b>952,900</b> |





|   | 2016<br>\$     | 2015<br>\$     |
|---|----------------|----------------|
| <b>Note 23 Trade and other payables</b> |                |                |
| Trade payables                          | 716,113        | 529,535        |
| Accrued Salaries                        | 119,434        | 51,441         |
| Accrued expenses                        | 1,777          | 67,242         |
| <b>Total trade and other payables</b>   | <b>837,324</b> | <b>648,218</b> |

|  |               |               |
|--|---------------|---------------|
| <b>Note 24 Trust funds and deposits</b>              |               |               |
| Refundable Trust Kaniva Rotary Club                  | 15,000        | 15,000        |
| Refundable deposits                                  | 5,796         | 3,796         |
| Refundable Trust Newlands lake restoration           | 3,359         | 3,359         |
| Refundable Trust Lake Wallace committee proceeds     | 2,274         | 2,274         |
| Refundable Trust Edenhope skateboard park fund       | 960           | 960           |
| Refundable Trust Kaniva skateboard park fund raising | 55            | 55            |
| Refundable Trust Kaniva R/Res improvement fund       | -             | 46,118        |
| Refundable Kindergarten Photography Deposits         | -             | 450           |
| Fire services levy                                   | 8,211         | 1,385         |
| <b>Total trust funds and deposits</b>                | <b>35,655</b> | <b>73,397</b> |

*Purpose and nature of items*

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

| <b>Note 25 Provisions</b>   | <b>Annual Leave</b> | <b>Long Service Leave</b> | <b>Rostered Days Off</b> | <b>Time In Lieu</b> | <b>Total</b>     |
|---|---------------------|---------------------------|--------------------------|---------------------|------------------|
|   | <b>\$ '000</b>      | <b>\$ '000</b>            | <b>\$ '000</b>           | <b>\$ '000</b>      | <b>\$ '000</b>   |
| <b>2016</b>   |                     |                           |                          |                     |                  |
| Balance at beginning of the financial year  | 777,080             | 1,188,620                 | 51,553                   | 61,835              | 2,079,088        |
| Additional provisions   | 444,886             | 164,953                   | 203,309                  | 59,729              | 872,877          |
| Amounts used  | (472,026)           | (153,222)                 | (192,221)                | (76,553)            | (894,022)        |
| Increase in the discounted amount arising because of time and the effect of any change in the discount rate | 16,329              | 89,498                    | -                        | -                   | 105,827          |
| Balance at the end of the financial year  | <b>766,269</b>      | <b>1,289,849</b>          | <b>62,641</b>            | <b>45,011</b>       | <b>2,163,770</b> |
| <b>2015</b>   |                     |                           |                          |                     |                  |
| Balance at beginning of the financial year  | 668,536             | 1,135,117                 | 48,349                   | 52,646              | 1,904,648        |
| Additional provisions   | 499,963             | 61,660                    | 188,035                  | 85,493              | 835,151          |
| Amounts used  | (398,187)           | (101,369)                 | (184,831)                | (76,304)            | (760,691)        |
| Increase in the discounted amount arising because of time and the effect of any change in the discount rate | 6,768               | 93,212                    | -                        | -                   | 99,980           |
| Balance at the end of the financial year  | <b>777,080</b>      | <b>1,188,620</b>          | <b>51,553</b>            | <b>61,835</b>       | <b>2,079,088</b> |



| Note 25 Provisions (cont'd)  |  | 2016             | 2015             |
|--|--|------------------|------------------|
|  |  | \$'000           | \$'000           |
| <b>Employee provisions</b>   |  |                  |                  |
| <b>Current provisions expected to be wholly settled within 12 months</b> |  |                  |                  |
| Annual leave   |  | 486,445          | 495,646          |
| Long service leave   |  | 140,771          | 131,801          |
| Rostered Days Off  |  | 62,641           | 51,553           |
| Time In Lieu   |  | 45,010           | 61,835           |
|  |  | <b>734,867</b>   | <b>740,835</b>   |
| <b>Current provisions expected to be wholly settled after 12 months</b>  |  |                  |                  |
| Annual leave   |  | 279,825          | 281,434          |
| Long service leave   |  | 922,042          | 871,239          |
|  |  | <b>1,201,867</b> | <b>1,152,673</b> |
| Total current employee provisions  |  | <b>1,936,734</b> | <b>1,893,508</b> |
| <b>Non-current</b>   |  |                  |                  |
| Long service leave   |  | 227,036          | 185,580          |
| Total non-current employee provisions                                    |  | <b>227,036</b>   | <b>185,580</b>   |
| Aggregate carrying amount of employee provisions:                        |  |                  |                  |
| Current  |  | 1,936,734        | 1,893,508        |
| Non-current  |  | 227,036          | 185,580          |
| Total aggregate carrying amount of employee provisions                   |  | <b>2,163,770</b> | <b>2,079,088</b> |

**Note 26 Interest-bearing loans and borrowings**

|                          |  |                |                |
|--------------------------|--|----------------|----------------|
| <b>Current</b>           |  |                |                |
| Borrowings - secured (1) |  | 123,614        | 117,399        |
|                          |  | <b>123,614</b> | <b>117,399</b> |
| <b>Non-current</b>       |  |                |                |
| Borrowings - secured (1) |  | 163,910        | 287,524        |
|                          |  | <b>163,910</b> | <b>287,524</b> |
| <b>Total</b>             |  | <b>287,524</b> | <b>404,923</b> |

(1) Borrowings are secured by a lien over Council's rate revenue.

(a) The maturity profile for Council's borrowings is:

|   |                |                |
|---|----------------|----------------|
| Not later than one year                           | 123,614        | 117,399        |
| Later than one year and not later than five years | 163,910        | 287,524        |
|   | <b>287,524</b> | <b>404,923</b> |



**Note 27 Reserves**

|  | Balance at<br>beginning of<br>reporting period | Increment<br>(decrement)              | Share of increment<br>(decrement) on revaluation<br>by an associate | Balance at end of<br>reporting period |
|--|--|---------------------------------------|---|---------------------------------------|
|  | \$   | \$                                    | \$  | \$                                    |
| <b>(a) Asset revaluation reserves</b>  |  |                                       |   |                                       |
| <b>2016</b>  |  |                                       |   |                                       |
| <b>Property</b>  |  |                                       |   |                                       |
| Land   | 724,387  | -                                     | -   | 724,387                               |
| Land Improvements  | 198,041  | -                                     | -   | 198,041                               |
| Buildings  | 9,485,014                                      | -                                     | -   | 9,485,014                             |
|  | 10,407,442                                     | -                                     | -   | 10,407,442                            |
| <b>Infrastructure</b>  |  |                                       |   |                                       |
| Roads  | 115,390,721                                    | -                                     | -   | 115,390,721                           |
| Bridges  | 575,750  | -                                     | -   | 575,750                               |
| Footpaths and cycleways  | 5,808,546                                      | -                                     | -   | 5,808,546                             |
| Drainage   | 3,908,826                                      | -                                     | -   | 3,908,826                             |
|  | 125,683,843                                    | -                                     | -   | 125,683,843                           |
| <b>Total asset revaluation reserves</b>  | <b>136,091,285</b>                             | <b>-</b>                              | <b>-</b>  | <b>136,091,285</b>                    |
| <b>2015</b>  |  |                                       |   |                                       |
| <b>Property</b>  |  |                                       |   |                                       |
| Land   | 300,535  | 423,852                               | -   | 724,387                               |
| Land Improvements  | 198,041  | -                                     | -   | 198,041                               |
| Buildings  | 9,485,014                                      | -                                     | -   | 9,485,014                             |
|  | 9,983,590                                      | 423,852                               | -   | 10,407,442                            |
| <b>Infrastructure</b>  |  |                                       |   |                                       |
| Roads  | 115,390,721                                    | -                                     | -   | 115,390,721                           |
| Bridges  | 575,750  | -                                     | -   | 575,750                               |
| Footpaths and cycleways  | 5,808,546                                      | -                                     | -   | 5,808,546                             |
| Drainage   | 3,908,826                                      | -                                     | -   | 3,908,826                             |
|  | 125,683,843                                    | -                                     | -   | 125,683,843                           |
| <b>Total asset revaluation reserves</b>  | <b>135,667,433</b>                             | <b>423,852</b>                        | <b>-</b>  | <b>136,091,285</b>                    |
| The asset revaluation reserve is used to record the increased (net) value of Council's assets over time. |  |                                       |   |                                       |
|  | Balance at<br>beginning of<br>reporting period | Transfer to<br>accumulated<br>surplus | Transfer from<br>accumulated<br>surplus                             | Balance at end of<br>reporting period |
|  | \$'000   | \$'000                                | \$'000  | \$'000                                |
| <b>(b) Other reserves</b>  |  |                                       |   |                                       |
| <b>2016</b>  |  |                                       |   |                                       |
| Plant replacement  | 270,647  | -                                     | 68,777  | 339,424                               |
| Crabtree trust   | 25,961   | -                                     | 649   | 26,610                                |
| Quarry restoration   | 101,593  | -                                     | 2,540   | 104,133                               |
| Capital improvement  | 273,495  | -                                     | 6,766   | 280,261                               |
| Rates revaluation  | 127,088  | (103,408)                             | 71,668  | 95,348                                |
| Elections  | 40,850   | -                                     | 34,650  | 75,500                                |
| Kindergarten operation   | -  | -                                     | 60,928  | 60,928                                |
| Carried Forward Project Reserve  | -  | -                                     | 714,450   | 714,450                               |
| <b>Total Other reserves</b>  | <b>839,634</b>                                 | <b>(103,408)</b>                      | <b>960,428</b>  | <b>1,696,654</b>                      |
| <b>2015</b>  |  |                                       |   |                                       |
| Plant replacement  | 264,046  | -                                     | 6,601   | 270,647                               |
| Crabtree trust   | 25,328   | -                                     | 633   | 25,961                                |
| Quarry restoration   | 99,115   | -                                     | 2,478   | 101,593                               |
| Capital improvement  | 266,824  | -                                     | 6,671   | 273,495                               |
| Rates revaluation  | 77,338   | (20,674)                              | 70,424  | 127,088                               |
| Elections  | 20,000   | -                                     | 20,850  | 40,850                                |
| <b>Total Other reserves</b>  | <b>752,651</b>                                 | <b>(20,674)</b>                       | <b>107,657</b>  | <b>839,634</b>                        |
| <b>Total Reserves</b>  |  |                                       |   |                                       |
| <b>2016</b>  | <b>136,930,919</b>                             | <b>(103,408)</b>                      | <b>960,428</b>  | <b>137,787,939</b>                    |
| <b>2015</b>  | <b>136,420,084</b>                             | <b>403,178</b>                        | <b>107,657</b>  | <b>136,930,919</b>                    |



**Note 27 Reserves (cont'd)**

Description of nature and purpose of each of Council's discretionary reserves are:

- (i) The Plant Replacement is funded by the Plant Operating Surplus and is maintained to replace all Major Items of Plant and Equipment but excludes utility and fleet replacements.
- (ii) Crabtree Trust Reserve was bequeathed to Council to provide funds for the upgrade of facilities at the Lake Charlegrark Reserve.
- (iii) The Quarry Restoration Reserve was generated via a charge against the sale price of quarry stocks that was retained to restore the quarry sites to natural levels once quarrying has ceased. There have been no further charges (other than nominal interest) generated for this reserve since 1997/98 financial year as the retained reserve is considered adequate to undertake restoration works.
- (iv) Capital Improvement Reserve is generated via transfers from Surplus Funds from time to time as determined by council for use on any significant capital infrastructure projects.
- (v) Rates Revaluation Reserve provides funds to undertake each property revaluation for rating purposes every two years.
- (vi) The Elections Reserve provides funds to undertake Council Elections every 4th year.
- (vii) The Kindergarten Operation Reserve provides that unspent budgeted funds from each year are brought forward and made available for kindergarten spending in future years. In this way any negative effects of falling enrollments can be minimised.
- (viii) The Carried Forward Projects Reserve provides for all budgeted amounts which have not been spent as at 30 June and which are required to be carried forward to the next financial year and are not budgeted in the next financial year.



|  | 2016<br>\$       | 2015<br>\$       |
|--|------------------|------------------|
| <b>Note 28 Reconciliation of cash flows from operating activities to surplus/(deficit)</b> |                  |                  |
| Surplus/(deficit) for the year   | (489,228)        | 1,604,831        |
| Depreciation/amortisation  | 6,370,889        | 6,663,316        |
| Profit/(loss) on disposal of property, infrastructure, plant and equipment                 | (119,506)        | (56,624)         |
| Finance Costs  | 13,634           | 23,315           |
| Share of net (profit)/loss of associates   | (845)            | (21,990)         |
| <b>Change in assets and liabilities:</b>   |                  |                  |
| (Increase)/decrease in trade and other receivables   | (5,155)          | 1,159,438        |
| Decrease in prepayments  | 9,444            | 110,041          |
| Increase/(decrease) in accrued income  | 95,783           | (99,396)         |
| Increase/(decrease) in trade and other payables  | 189,106          | (6,186)          |
| (Decrease)/increase in other assets & liabilities  | (6,462)          | 34,530           |
| (Increase)/decrease in inventories   | (12,688)         | 30,528           |
| Increase/(Decrease) in provisions  | 84,682           | 174,320          |
| Net cash provided by/(used in) operating activities  | <b>6,129,654</b> | <b>9,616,123</b> |
| <b>Note 29 Financing arrangements</b>  |                  |                  |
| Bank overdraft   | 2,000,000        | 2,000,000        |
| Credit card facilities   | 16,000           | 16,000           |
| Total facilities   | <b>2,016,000</b> | <b>2,016,000</b> |
| Used facilities  | -                | -                |
| Unused facilities  | <b>2,016,000</b> | <b>2,016,000</b> |



### Note 30 Commitments

The Council has entered into the following commitments

| 2016                             | Not later than 1<br>year | Later than 1 year<br>and not later than<br>2 years | Later than 2 years<br>and not later than<br>5 years | Later than 5<br>years | Total            |
|----------------------------------|--------------------------|--|---|-----------------------|------------------|
|                                  | \$                       | \$   | \$  | \$                    | \$               |
| <b>Operating</b>                 |                          |  |   |                       |                  |
| Building Control Services        | -                        | -  | -   | -                     | -                |
| Caravan park caretaker           | 18,200                   | 9,100  | -   | -                     | 27,300           |
| Cleaning of council buildings    | 221,384                  | -  | -   | -                     | 221,384          |
| Garbage collection               | 72,650                   | -  | -   | -                     | 72,650           |
| Grass maintenance                | 83,938                   | -  | -   | -                     | 83,938           |
| Meals for delivery               | 88,583                   | -  | -   | -                     | 88,583           |
| Recycling                        | 71,775                   | -  | -   | -                     | 71,775           |
| Service of transfer station bins | 63,996                   | -  | -   | -                     | 63,996           |
| Street cleaning services         | 203,176                  | -  | -   | -                     | 203,176          |
| Swimming pool management         | 141,700                  | -  | -   | -                     | 141,700          |
| Valuation services               | 11,418                   | 102,764  | -   | -                     | 114,182          |
| <b>Total</b>                     | <b>976,820</b>           | <b>111,864</b>                                     | <b>-</b>  | <b>-</b>              | <b>1,088,684</b> |
| <b>Capital</b>                   |                          |  |   |                       |                  |
| Plant and Equipment              | -                        | -  | -   | -                     | -                |
| <b>Total</b>                     | <b>-</b>                 | <b>-</b>   | <b>-</b>  | <b>-</b>              | <b>-</b>         |

| 2015                             | Not later than 1<br>year | Later than 1 year<br>and not later than<br>2 years | Later than 2 years<br>and not later than<br>5 years | Later than 5<br>years | Total            |
|----------------------------------|--------------------------|--|---|-----------------------|------------------|
|                                  | \$                       | \$   | \$  | \$                    | \$               |
| <b>Operating</b>                 |                          |  |   |                       |                  |
| Building Control Services        | 34,560                   | -  | -   | -                     | 34,560           |
| Caravan park caretaker           | 18,200                   | 18,200   | 9,100   | -                     | 45,500           |
| Cleaning of council buildings    | 221,384                  | 221,384  | -   | -                     | 442,768          |
| Garbage collection               | 145,300                  | 72,650   | -   | -                     | 217,950          |
| Grass maintenance                | 41,349                   | -  | -   | -                     | 41,349           |
| Meals for delivery               | 106,300                  | 88,583   | -   | -                     | 194,883          |
| Recycling                        | 95,700                   | 71,755   | -   | -                     | 167,455          |
| Service of transfer station bins | 95,995                   | 63,996   | -   | -                     | 159,991          |
| Street cleaning services         | 203,176                  | 203,176  | -   | -                     | 406,352          |
| Swimming pool management         | 138,800                  | 141,200  | -   | -                     | 280,000          |
| Valuation services               | 108,818                  | -  | 114,182   | -                     | 223,000          |
| <b>Total</b>                     | <b>1,209,582</b>         | <b>880,944</b>                                     | <b>123,282</b>                                      | <b>-</b>              | <b>2,213,808</b> |
| <b>Capital</b>                   |                          |  |   |                       |                  |
| Plant and Equipment              | 60,000                   | -  | -   | -                     | 60,000           |
| <b>Total</b>                     | <b>60,000</b>            | <b>-</b>   | <b>-</b>  | <b>-</b>              | <b>60,000</b>    |



|  | 2016           | 2015           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>Note 31 Operating leases</b>  |                |                |
| <b>(a) Operating lease commitments</b>   |                |                |
| At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities): |                |                |
| Not later than one year  | 80,665         | 86,813         |
| Later than one year and not later than five years  | 75,793         | 123,414        |
| Later than five years  | -              | -              |
|  | <u>156,458</u> | <u>210,227</u> |

**Note 32 Superannuation**

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

**Accumulation**

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% as required under Superannuation Guarantee legislation).

**Defined Benefit**

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

**Funding arrangements**

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns 7.0% pa  
Salary information 4.25% pa  
Price inflation (CPI) 2.5% pa.



**Note 32 Superannuation (cont'd)**

Vision Super has advised that the estimated VBI at 30 June 2016 was 102.0%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

**Employer contributions**

**Regular contributions**

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with any increase to the contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

**Funding calls**

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

**2015 Interim actuarial investigation surplus amounts**

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2015 VBI during August 2015.

**Future superannuation contributions**

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$121,400

**Note 33 Contingent liabilities and contingent assets**

**Contingent liabilities**

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 31. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

**Guarantees for loans to other entities**

There are no loans to other entities at balance date

**Contingent assets**

Council has no contingent assets at balance date.





**Note 34 Financial instruments**

**(a) Objectives and policies**

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

**(b) Market risk**

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

**Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

**(c) Credit risk**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

- council have a policy for establishing credit limits for the entities Council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 32.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

**(d) Liquidity risk**

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 32, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 25.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.



**Note 34 Financial instruments (cont'd)**

**(e) Fair value**

*Fair value hierarchy*

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

**(f) Sensitivity disclosure analysis**

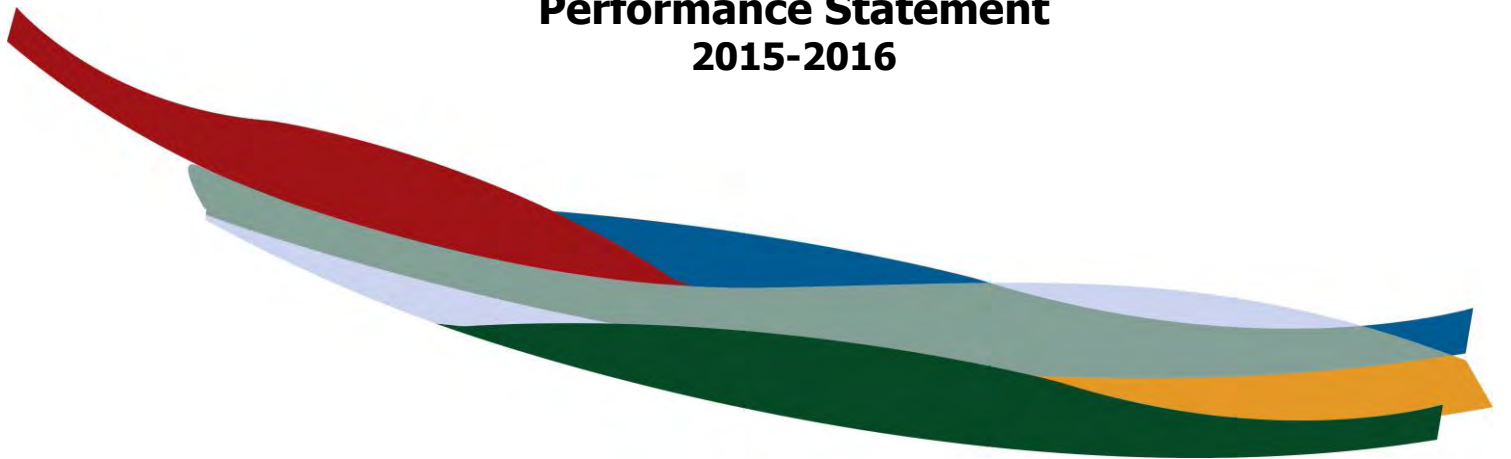
Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 3.0%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.



**Performance Statement  
2015-2016**

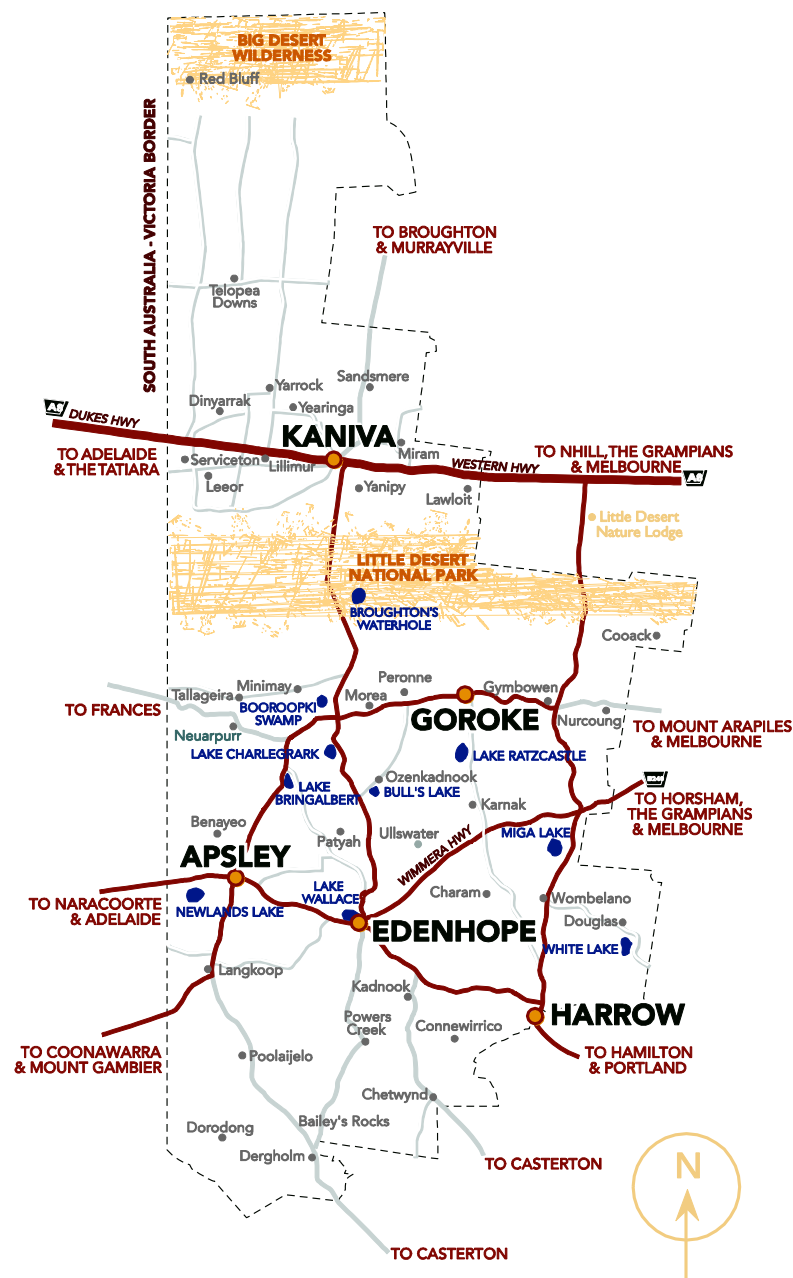


## Performance Statement

For the year ended 30 June 2016

### Description of municipality

West Wimmera Shire Council is located in Western Victoria and has a strong economy, primarily based on agriculture with growth sectors in health, education and retail. The Shire covers an area of 9,256 square kilometres and includes the townships of Apsley, Edenhope and Harrow to the south of the Shire and Goroke, Kaniva and Serviceton to the north.



## Sustainable Capacity Indicators

For the year ended 30 June 2016

| Indicator/measure  | Results<br>2015 | Results<br>2016 | Material<br>Variations  |
|--|-----------------|-----------------|---|
| <b>Population</b>  |                 |                 |   |
| <i>Expenses per head of municipal population</i><br>[Total expenses / Municipal population]                | \$4,942.49      | \$4,678.01      | No material variations  |
| <i>Infrastructure per head of municipal population</i><br>[Value of infrastructure / Municipal population] | \$42,071.07     | \$42,352.15     | No material variations  |
| <i>Population density per length of road</i><br>[Municipal population / Kilometres of local roads]         | 1.46            | 1.43            | No material variations  |
| <b>Own-source revenue</b>  |                 |                 |   |
| <i>Own-source revenue per head of municipal population</i><br>[Own-source revenue / Municipal population]  | \$2,525.87      | \$2,611.24      | No material variations  |
| <b>Recurrent grants</b>  |                 |                 |   |
| <i>Recurrent grants per head of municipal population</i><br>[Recurrent grants / Municipal population]      | \$2,401.81      | \$1,709.20      | 2014/15<br>Included<br>Financial<br>Assistance Grant<br>pre-payment |
| <b>Disadvantage</b>  |                 |                 |   |
| <i>Relative Socio-Economic Disadvantage</i><br>[Index of Relative Socio-Economic Disadvantage by decile]   | 5.00            | 5.00            | No material variations  |

### Definitions

"adjusted underlying revenue" means total income other than—

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"infrastructure" means non-current property, plant and equipment excluding land

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"population" means the resident population estimated by council

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA



"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website

## Service Performance Indicators

For the year ended 30 June 2016

| Service/indicator/measure  | Results<br>2015 | Results<br>2016 | Material<br>Variations  |
|--|-----------------|-----------------|---|
| <b>Aquatic Facilities</b>  |                 |                 |   |
| <b>Utilisation</b>   |                 |                 |   |
| <i>Utilisation of aquatic facilities</i><br>[Number of visits to aquatic facilities / Municipal population]  | 3.45            | 3.51            |   |
| <b>Animal Management</b>   |                 |                 |   |
| <b>Health and safety</b>   |                 |                 |   |
| <i>Animal management prosecutions</i><br>[Number of successful animal management prosecutions]   | 0.00            | 0.00            | No prosecutions during 2015/16  |
| <b>Food Safety</b>   |                 |                 |   |
| <b>Health and safety</b>   |                 |                 |   |
| <i>Critical and major non-compliance outcome notifications</i><br>[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100 | 100.00%         | 0.00%           | No critical and major notifications in 2015/16                          |
| <b>Governance</b>  |                 |                 |   |
| <b>Satisfaction</b>  |                 |                 |   |
| <i>Satisfaction with council decisions</i><br>[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]   | 58.00           | 56.00           |   |
| <b>Home and Community Care (HACC)</b>  |                 |                 |   |
| <b>Participation</b>   |                 |                 |   |
| <i>Participation in HACC service</i><br>[Number of people that received a HACC service / Municipal target population for HACC services] x100   | 40.78%          | 52.53%          | Improved take up of service arising from referrals from health services |
| <b>Participation</b>   |                 |                 |   |
| <i>Participation in HACC service by CALD people</i><br>[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100  | 6.96%           | 6.90%           |   |
| <b>Libraries</b>   |                 |                 |   |
| <b>Participation</b>   |                 |                 |   |
| <i>Active library members</i><br>[Number of active library members / Municipal population] x100  | 16.37%          | 13.38%          |   |



| Service/indicator/measure   | Results<br>2015 | Results<br>2016 | Material<br>Variations   |
|---|-----------------|-----------------|--|
| <b>Maternal and Child Health (MCH)</b>  |                 |                 |  |
| <b>Participation</b>  |                 |                 |  |
| Participation in the MCH service  | 88.78%          | 72.04%          | Significant distances involved in rural settings can discourage attendance |
| [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100   |                 |                 |  |
| <b>Participation</b>  |                 |                 |  |
| Participation in the MCH service by Aboriginal children   | 66.67%          | 100.00%         | Only two Aboriginal Children enrolled                                      |
| [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100                         |                 |                 |  |
| <b>Roads</b>  |                 |                 |  |
| <b>Satisfaction</b>   |                 |                 |  |
| Satisfaction with sealed local roads  | 49              | 48              |  |
| [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]  |                 |                 |  |
| <b>Statutory Planning</b>   |                 |                 |  |
| <b>Decision making</b>  |                 |                 |  |
| Council planning decisions upheld at VCAT   | 100.00%         | 0.00%           | No VCAT appeals in 2015/16   |
| [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100 |                 |                 |  |
| <b>Waste Collection</b>   |                 |                 |  |
| <b>Waste diversion</b>  |                 |                 |  |
| Kerbside collection waste diverted from landfill  | 17.77%          | 17.99%          |  |
| [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100                   |                 |                 |  |



## **Definitions**

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006

"active library member" means a member of a library who has borrowed a book from the library

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

"class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act

"class 2 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth

"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health

"food premises" has the same meaning as in the *Food Act 1984*

"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age

"population" means the resident population estimated by council

"target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth

"WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.





## Financial Performance Indicators

For the year ended 30 June 2016

| Dimension/indicator/measure   | Results<br>2015 | Results<br>2016 | Forecasts  |            |            |            | Material Variations and Comments  |
|---|-----------------|-----------------|------------|------------|------------|------------|---|
|   |                 |                 | 2017       | 2018       | 2019       | 2020       |   |
| <b>Efficiency</b>   |                 |                 |            |            |            |            |   |
| <b>Revenue level</b>  |                 |                 |            |            |            |            |   |
| <i>Average residential rate per residential property assessment</i>   | \$620.01        | \$619.00        | \$635.50   | \$651.39   | \$667.67   | \$684.36   |   |
| [Residential rate revenue / Number of residential property assessments]   |                 |                 |            |            |            |            |   |
| <b>Expenditure level</b>  |                 |                 |            |            |            |            |   |
| <i>Expenses per property assessment</i>   | \$4,152.11      | \$3,629.20      | \$3,773.00 | \$3,848.80 | \$3,939.40 | \$4,033.80 | Reductions in depreciation and materials & contracts due to improved asset management data and significant revenue pressures being placed on small rural Councils from rate capping and funding freezes preventing spending |
| [Total expenses / Number of property assessments]   |                 |                 |            |            |            |            |   |
| <b>Workforce turnover</b>   |                 |                 |            |            |            |            |   |
| <i>Resignations and terminations compared to average staff</i>  | 12.90%          | 21.50%          | 12.15%     | 12.15%     | 12.15%     | 12.15%     | A larger level of natural attrition during 2015/16 than was anticipated   |
| [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100 |                 |                 |            |            |            |            |   |
| <b>Liquidity</b>  |                 |                 |            |            |            |            |   |
| <b>Working capital</b>  |                 |                 |            |            |            |            |   |
| <i>Current assets compared to current liabilities</i>   | 355.60%         | 321.40%         | 378.63%    | 353.51%    | 364.97%    | 410.96%    | Increased cash 2014/15 due to holding Financial Assistance Grant prepayment   |
| [Current assets / Current liabilities] x100   |                 |                 |            |            |            |            |   |
| <b>Unrestricted cash</b>  |                 |                 |            |            |            |            |   |
| <i>Unrestricted cash compared to current liabilities</i>  | 312.04%         | 252.42%         | 344.89%    | 319.69%    | 330.75%    | 376.65%    | Increased cash 2014/15 due to holding Financial Assistance Grant prepayment   |
| [Unrestricted cash / Current liabilities] x100  |                 |                 |            |            |            |            |   |



| Dimension/indicator/measure  | Results<br>2015 | Results<br>2016 | Forecasts |        |        |        | Material Variations and Comments   |
|--|-----------------|-----------------|-----------|--------|--------|--------|--|
|  |                 |                 | 2017      | 2018   | 2019   | 2020   |  |
| <b>Obligations</b>   |                 |                 |           |        |        |        |  |
| <b><i>Asset renewal</i></b>  |                 |                 |           |        |        |        |  |
| <i>Asset renewal compared to depreciation</i>  | 64.00%          | 85.12%          | 80.19%    | 86.40% | 80.04% | 66.53% | Increased capital works program, aided by increase in Roads to Recovery funding  |
| [Asset renewal expense / Asset depreciation] x100  |                 |                 |           |        |        |        |  |
| <b><i>Loans and borrowings</i></b>   |                 |                 |           |        |        |        |  |
| <i>Loans and borrowings compared to rates</i>  | 6.35%           | 4.23%           | 2.35%     | 0.48%  | 0.00%  | 0.00%  | In line with Council's debt schedules. No new borrowings forecast  |
| [Interest bearing loans and borrowings / Rate revenue] x100                                      |                 |                 |           |        |        |        |  |
| <i>Loans and borrowings repayments compared to rates</i>   | 2.12%           | 1.93%           | 1.93%     | 1.90%  | 0.46%  | 0.00%  |  |
| [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100 |                 |                 |           |        |        |        |  |
| <b><i>Indebtedness</i></b>   |                 |                 |           |        |        |        |  |
| <i>Non-current liabilities compared to own source revenue</i>                                    | 4.70%           | 3.86%           | 5.33%     | 5.04%  | 5.09%  | 5.13%  |  |
| [Non-current liabilities / Own source revenue] x100  |                 |                 |           |        |        |        |  |
| <b>Operating position</b>  |                 |                 |           |        |        |        |  |
| <b><i>Adjusted underlying result</i></b>   |                 |                 |           |        |        |        |  |
| <i>Adjusted underlying surplus (or deficit)</i>  | 3.06%           | -5.22%          | -2.81%    | -3.56% | -7.14% | -7.25% | Like other small rural Councils, Council is facing a significant decline in its underlying position due to rate capping and the Financial Assistance Grant freeze. 2014/15 result was inflated by the Financial Assistance Grant prepayment. |
| [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100                        |                 |                 |           |        |        |        |  |



| Dimension/indicator/measure   | Results | Results | Forecasts |        |        |        | Material Variations and Comments                       |
|---|---------|---------|-----------|--------|--------|--------|--|
|   | 2015    | 2016    | 2017      | 2018   | 2019   | 2020   |  |
| <b>Stability</b>  |         |         |           |        |        |        |  |
| <b>Rates concentration</b>  |         |         |           |        |        |        |  |
| <i>Rates compared to adjusted underlying revenue</i>                                    | 31.33%  | 39.45%  | 38.02%    | 38.48% | 39.87% | 39.95% | 2014/15 included Financial Assistance Grant prepayment |
| [Rate revenue / Adjusted underlying revenue] x100                                       |         |         |           |        |        |        |  |
| <b>Rates effort</b>   |         |         |           |        |        |        |  |
| <i>Rates compared to property values</i>  | 0.39%   | 0.41%   | 0.39%     | 0.40%  | 0.39%  | 0.40%  |  |
| [Rate revenue / Capital improved value of rateable properties in the municipality] x100 |         |         |           |        |        |        |  |

## Definitions

"adjusted underlying revenue" means total income other than—

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"population" means the resident population estimated by council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges



"recurrent grant "means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"unrestricted cash" means all cash and cash equivalents other than restricted cash.



## Other Information

For the year ended 30 June 2016

### 1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 18 June 2015 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting Council.



## Certification of the performance statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

---

Mr Ashley Roberts B.Com CPA  
**Principal Accounting Officer**  
**Dated:** *(Date)*

In our opinion, the accompanying performance statement of the West Wimmera Shire Council for the year ended 30 June 2016 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2014 to certify this performance statement in its final form.

---

*(Councillor 1 Name)*  
**Councillor**  
**Dated:** *(Date)*

---

*(Councillor 2 Name)*  
**Councillor**  
**Dated:** *(Date)*

---

Mr David Leahy  
**Chief Executive Officer**  
**Dated:** *(Date)*







**Victorian Auditor-General's Office**

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

31 August 2016

File No.:

Cr Annette Jones  
Mayor  
West Wimmera Shire Council  
PO Box 201  
EDENHOPE VIC 3419

Dear Cr Jones

**FINAL MANAGEMENT LETTER – 2015–16**

The purpose of this correspondence is to bring to your attention any final matters arising from the audit of the financial report of West Wimmera Shire Council for the year ended 30 June 2016.

This letter should be read in conjunction with our interim management letter issued on 24 May 2016. It identified deficiencies in internal controls and/or financial reporting issues that came to our attention during the interim audit phase of the audit.

The attached final management letter includes matters relating to control weaknesses and financial reporting issues identified during the final audit. The status of issues raised during our interim audit and all outstanding prior period issues are also detailed in the final management letter.

As explained in the audit strategy, the financial audit is designed to enable the Auditor-General to express an opinion on the annual financial report. It does not constitute a complete examination of all relevant data and was not designed to uncover all processing errors and therefore may not have detected all breaches and irregularities that could have occurred.

I have also provided copies of the Final Management Letter to Mr David Leahy, CEO and Mr Geoff Price, Chair of the Audit Committee.

The assistance provided by management and staff during the course of the audit is acknowledged.

If you have any queries concerning this final management letter, please contact one of the following:

|                   |                |  |
|-------------------|----------------|--|
| Narelle McLean on | ☎ 03 5562 3544 | ✉ <a href="mailto:nm@coffeyhunt.com.au">nm@coffeyhunt.com.au</a>                   |
| Tim Loughnan on   | ☎ 03 8601 7086 | ✉ <a href="mailto:tim.loughnan@audit.vic.gov.au">tim.loughnan@audit.vic.gov.au</a> |

Yours sincerely

N.L. MCLEAN  
Partner  
Coffey Hunt  
VAGO Audit Service Provider





Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

31 August 2016

Mr David Leahy  
CEO  
West Wimmera Shire Council  
PO Box 201  
EDENHOPE VIC 3419

Dear David

**FINAL MANAGEMENT LETTER – 2015–16**

The purpose of this correspondence is to bring to your attention any final matters arising from the audit of the financial report of West Wimmera Shire Council for the year ended 30 June 2016.

This letter should be read in conjunction with our interim management letter issued on 24 May 2016. It identified deficiencies in internal controls and/or financial reporting issues that came to our attention during the interim audit phase of the audit.

The attached final management letter includes matters relating to control weaknesses and financial reporting issues identified during the final audit. The status of issues raised during our interim audit and all outstanding prior period issues are also detailed in the final management letter.

As explained in the audit strategy, the financial audit is designed to enable the Auditor-General to express an opinion on the annual financial report. It does not constitute a complete examination of all relevant data and was not designed to uncover all processing errors and therefore may not have detected all breaches and irregularities that could have occurred.

I have also provided copies of the Final Management Letter to Cr Annette Jones, Mayor and Mr Geoff Price, Chair of the Audit Committee.

The assistance provided by management and staff during the course of the audit is acknowledged.

If you have any queries concerning this final management letter, please contact one of the following:

|                   |                |  |
|-------------------|----------------|--|
| Narelle McLean on | ☎ 03 5562 3544 | ✉ <a href="mailto:nm@coffeyhunt.com.au">nm@coffeyhunt.com.au</a>                   |
| Tim Loughnan on   | ☎ 03 8601 7086 | ✉ <a href="mailto:tim.loughnan@audit.vic.gov.au">tim.loughnan@audit.vic.gov.au</a> |

Yours sincerely

N.L. MCLEAN  
Partner  
Coffey Hunt  
VAGO Audit Service Provider



**Victorian Auditor-General's Office**

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

31 August 2016

Mr Geoff Price  
Chair of the Audit Committee  
West Wimmera Shire Council  
PO Box 201  
EDENHOPE VIC 3419

Dear Geoff

**FINAL MANAGEMENT LETTER – 2015–16**

The purpose of this correspondence is to bring to your attention any final matters arising from the audit of the financial report of West Wimmera Shire Council for the year ended 30 June 2016.

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| Tim Loughnan on   | ☎ 03 8601 7086 | ✉ <a href="mailto:tim.loughnan@audit.vic.gov.au">tim.loughnan@audit.vic.gov.au</a> |

Yours sincerely

N.L. MCLEAN  
Partner  
Coffey Hunt  
VAGO Audit Service Provider



Victorian Auditor-General's Office

West Wimmera Shire Council

Final management letter

Year ended 30 June 2016

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# 1 Executive summary

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## 1.1 Purpose of the management letter

The purpose of this management letter is to bring to your attention matters arising from the final phase of the financial report audit of the West Wimmera Shire Council for the year ended 30 June 2016. This letter should be read in conjunction with the interim management letter issued on 24 May 2016 and the closing report issued on 31 August 2016. All three documents together satisfy our communication responsibilities with regards to reporting significant control deficiencies identified during the audit and other significant matters relevant to the financial reporting process.

As explained in the audit strategy issued in March 2016, the financial audit is designed to enable the Auditor-General to express an opinion on the annual financial report and whilst the audit considered internal controls relevant to the preparation of the financial report, the audit does not express an opinion on the effectiveness of those controls.

## 1.2 Scope of work performed

In accordance with our planned audit approach, the final audit included audit procedures relating to the following material components and disclosures of the financial statements:

- Expenditure
- Revenue
- Employee Benefits
- Internal Environmental Controls

The work conducted was not a comprehensive audit of all systems and processes and was not designed to uncover all deficiencies, breaches and irregularities in those systems and processes. Inherent limitations in any management process and system of internal control may mean that errors or irregularities might occur and not be detected.

## 1.3 Summary of findings

We observed deficiencies in the design and implementation of controls and other significant matters relevant to the financial reporting process during the final phase of the audit.

The ratings provided in this report reflect our assessment of the likelihood and degree of a misstatement occurring due to the identified deficiency/matter relating to:

- financial reporting and
- effective and efficient operations, including issues of probity, waste and compliance with applicable laws.

Appendix A explains the basis for the criteria used to determine ratings and includes a timetable for corrective action.

### 1.3.1 Current year final findings

The following table is a summary of the issues arising from the final phase of the financial report audit. For further details of each issue, including management's responses, refer to Section 2.

| Issue reference | Description of finding   | Rating  |      |        |     |
|-----------------|--------------------------|---------|------|--------|-----|
|                 |                          | Extreme | High | Medium | Low |
| 2.1             | Road Condition Reports   |         |      | X      |     |
| 2.2             | Capturing Road Disposals |         |      | X      |     |
| 2.3             | Matching of Invoices     |         |      |        | X   |
|                 | <b>Total</b>             |         |      | 2      | 1   |

### 1.3.2 Status of current year interim findings

The following table is a summary of the status of issues raised in our interim management letter. For further details of each issue refer to section 3.

| Issue reference | Description of finding  | Risk rating | Issues raised | Status |
|-----------------|---|-------------|---------------|--------|
| 3.1             | Development of a Revaluation Policy                               | Medium      | May 2016      | Open   |
| 3.2             | Masterfile Change Reports   | Medium      | May 2016      | Open   |
| 3.3             | Independent Review of Termination Calculations                    | Low         | May 2016      | Open   |
| 3.4             | Review of Procurement Policy                                      | Low         | May 2016      | Open   |
| 3.5             | Recognition of Depreciation Expense in Monthly Management Reports | Low         | May 2016      | Open   |

### 1.3.3 Prior year findings

The following table is a summary of issues arising from previous audits and the status of remediation activities. For a detailed analysis of each issue refer to section 4.

| Issue reference | Description of finding                             | Risk rating | Issues raised | Status |
|-----------------|--|-------------|---------------|--------|
| 4.1             | Performance Statement Policy                       | Medium      | Sept 2015     | Closed |
| 4.2             | Calculation of Leave Entitlements                  | Medium      | Sept 2015     | Open   |
| 4.3             | Accrued leave in excess of EBA limits              | Low         | Sept 2015     | Open   |
| 4.4             | Independent review of credit notes                 | Medium      | May 2015      | Open   |
| 4.5             | Completion and review of creditors reconciliations | Medium      | 2013-14       | Open   |
| 4.6             | Review of Access Levels to Authority               | Low         | 2013-14       | Open   |
| 4.7             | Reconciliation of Clearing Accounts                | Low         | 2013-14       | Open   |
| 4.8             | Change Management                                  | High        | 2012-13       | Open   |
| 4.9             | Land under roads                                   | High        | 2012-13       | Open   |
| 4.10            | Fixed Asset Register                               | High        | 2012-13       | Open   |

## 1.4 Management acceptance

All findings have been discussed with management. Action plans have been developed by management to address each recommendation.

## 2 Detailed findings and recommendations

---

This section outlines the observation, implication, recommendation and management comments and action plans for each audit finding.

### 2.1 Road Condition Reports

Rating: Medium

#### 2.1.1 Observation

The Council received two Road Conditions Reports during the year. Both reports are from known experts in the field, however one report indicated that roads are in good condition and the other indicated that roads are in poor condition.

As a result of the conflicting condition assessment for roads, a movement in fair value has not being recognised during 2015/16.

#### 2.1.2 Implication

The change in the condition of roads has not being recognised due to the inconsistency reported by individual experts during the year.

#### 2.1.3 Recommendation

Management should follow up with the experts (Moloney and A Baimbirdge) the basis for their assessments and request that revised reports are provided to ensure that the condition of roads can be accurately determined and recognised during 2016/17.

#### 2.1.4 Management comments and action plan

Management has allocated funds in the 2016/17 Budget for a comprehensive road asset condition assessment to be undertaken. This assessment shall form the basis of a revaluation of the fair value of road assets during 2016/17.

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

It is anticipated the condition review will take place by February 2017 with the revaluation being completed by March 2017

#### Responsible officer:

Senavi Abeykoon (Asset Manager) & Ashley Roberts (Finance Manager)

Implementation date: 31 March 2016

## 2.2 Capturing Road Disposals

Rating: Medium

### 2.2.1 Observation

Over the past three years the Council has had road additions of \$11.6mil, however no road disposals have been recognised over this period. Whilst we recognise that the frequency of the road revaluations is likely to capture road disposals, the capturing process should be improved. When road seals are replaced the old seal should be removed from the asset register, otherwise there is a risk that the fair value of roads may be overstated.

### 2.2.2 Implication

The fair value of roads may be overstated if disposals are not captured and recorded on a timely basis.

### 2.2.3 Recommendation

Management should consider how the disposal of roads should be captured and recorded in the asset management program to ensure that the value of roads is fairly stated.

### 2.2.4 Management comments and action plan

Management will develop a process by which any assets that have been removed in the reconstruction process are written as that occurs.

Recommendation accepted: Yes ☒ No ☐

Management comment/action plan:

Responsible officer:

Senavi Abeykoon (Asset Manager) & Ashley Roberts (Finance Manager)

Implementation date: 31 May 2016



## 2.3 Matching of Invoices

Rating: Low

### 2.3.1 Observation

A review of the aged payables identified that when invoices are being paid they have not been consistently being matched to the outstanding invoice. As a result, the aged listing contains a number of long outstanding invoices and subsequent negative amounts which may be current. The net position is correct, however from a management perspective it is difficult to clearing identify invoices for payment.

### 2.3.2 Implication

The aging of payables reported to management is not accurate, as payments have not been matched against the outstanding invoice.

### 2.3.3 Recommendation

Management should review the process in Civica to ensure that payments are accurately matched to outstanding invoices to ensure that the aging report accurately reflects outstanding amounts.

### 2.3.4 Management comments and action plan

This is a known issue within the Civica system. Council will discuss the problem with Civica to find a solution. The Aged Trial Balance report is not used to manage creditor payments. These are managed through the Payment Preview report each fortnight which lists outstanding invoices within the system.

Recommendation accepted: Yes ☒ No ☐

Management comment/action plan:

Responsible officer: Graeme Shurdington (Senior Finance Officer) / Louise Gabbe (Assistant Finance Manager)

Implementation date: 30/6/18

## 3 Status of issues from interim management letter

---

This section outlines the current status of management actions to address the audit recommendation from the interim management letter issued on 24 May 2016.

### 3.1 Development of Revaluation Policy

Rating: Medium

Status: Open

#### 3.1.1 Observation

The VAGO focus area for 2015/16 is the Revaluation of Assets as indicated in the Audit Strategy issued in March 2016. The completion of this review identified that the Council does not have a documented Revaluation Policy.

#### 3.1.2 Implication

Lack of policy result in an inconsistent frequency and method applied to the revaluation of land, buildings and infrastructure, which may result in the assets not been fairly stated.

#### 3.1.3 Recommendation

A Revaluation Policy should be established by the Council to document the objective of the revaluation, responsibilities of management, the use of external or internal valuers, the frequency of the revaluation periods and the methods to be used. The Policy should be appropriately approved and implemented to ensure that assets are fairly stated.

#### 3.1.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

##### Management comment/action plan:

Management agrees with this recommendation and will develop a revaluation policy. This has also been highlighted via the STEP asset management process and will become a priority for both purposes.

##### Responsible officer:

Manager Finance / Manager Assets

##### Implementation date:

31 December 2016

#### 3.1.5 Current status of management action plan

Status: Open

##### Audit Comment:

Policy has not yet been developed or adopted by Council.

## 3.2 Masterfile Change Reports

Rating: Medium

Status: Open

### 3.2.1 Observation

Management have recently identified a report which indicates changes to the suppliers masterfile data. As this report has only recently been identified it has not been produced or independently reviewed on a regular basis during the financial year.

There is also no evidence of independent review of the Payroll Masterfile Change Report.

A report for changes to rates standing data is currently not produced, and therefore is not independently reviewed.

### 3.2.2 Implication

Inappropriate changes may be made to the standing data which may not be detected.

### 3.2.3 Recommendation

The Creditors Masterfile Change Report should be produced on a monthly basis and independently reviewed to ensure that changes made to standing data is appropriate.

The Payroll Masterfile Change Report should be independently reviewed to ensure that changes made to standing data is appropriate.

A Rates Masterfile Change report should be produced on a monthly basis and independently reviewed to ensure that changes made to standing data is appropriate. We recommend that this report should capture, but not limited to:

- Changes to CIV valuations;
- Change to types of rates charged to properties; and
- Removal of properties from the rating system.

### 3.2.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Both creditors and payroll masterfile changes reports are currently existing and can be implemented immediately. These will be run on a monthly basis and approved by either the Manager Finance or the Assistant Manager Finance.

The rates masterfile changes report is more problematic as it does not currently exist in an appropriate format within the Civica system.

Council will investigate the possibility of Civica providing such a report or in the likely case of this not being possible, of writing a crystal report of excel based query to produce the necessary information.

It is considered that given the time required to do this it would not be possible to have such a report operational before 31 December at the earliest.

**Responsible officer:**

Manager Finance

**Implementation date:**

Creditors Masterfile Changes Report: immediately

Payroll Masterfile Changes Report: immediately

Rates Masterfile Changes Report: 31 December 2016

### 3.2.5 Current status of management action plan

**Status:** Open

**Audit Comment:**

The status will be reviewed at the interim visit in April 2017.

## 3.3 Independent Review of Termination Calculations

Rating: Low

Status: Open

### 3.3.1 Observation

Termination calculations can be significant due to the nature of the payment. There is currently no independent review of the termination calculations to ensure that they are accurately calculated. We note that the payroll reports are independently reviewed, however these do not contain adequate detail to ensure that the calculations are accurate.

### 3.3.2 Implication

Termination calculations may be incorrect and may not be detected due to lack of review.

### 3.3.3 Recommendation

Termination calculations should be independently reviewed to ensure that they are accurate and reflect correct entitlements outstanding.

### 3.3.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Council accepts this recommendation. Each termination calculation will be independently reviewed and approved by either the Manager Finance or the Assistant Manager Finance before being processed. At the moment Council considers that both the Manager Finance and the Assistant Manager Finance are sufficiently knowledgeable in payroll concepts to be capable of undertaking a sufficiently rigorous review and will ensure that sufficient ongoing training is delivered to these officers to continue to do so.

#### Responsible officer:

Manager Finance

#### Implementation date:

Immediately

### 3.3.5 Current status of management action plan

Status: Open

#### Audit Comment:

The status will be reviewed at the interim visit in April 2017.

## 3.4 Review of Procurement Policy

Rating: Low

Status: Open

### 3.4.1 Observation

The adopted Procurement Policy of the Council does not capture the delegation of authority for payments such as insurance, contracts and levies which are above the financial delegation.

### 3.4.2 Implication

Due to the value of these payments, executive staff are breaching the Procurement Policy when authorising payment.

### 3.4.3 Recommendation

The Procurement Policy should be reviewed to ensure that it adequately documents the delegated authority for the payment of expenses including for example, contract payments, insurance and levies.

### 3.4.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Management will ensure that Council's Procurement Policy is reviewed as an integrated corporate wide document rather than a stand alone document as it has been in the past. As such delegations for all Council operations will be included in the policy.

There will be staff training sessions held relating to procurement which refer to the revised Procurement Policy.

#### Responsible officer:

Manager Finance / Manager Contracts

#### Implementation date:

30 June 2017

### 3.4.5 Current status of management action plan

Status: Open

#### Audit Comment:

The status will be reviewed at the interim visit in April 2017.

## 3.5 Recognition of Depreciation Expense in Monthly Management Reports

Rating: Low

Status: Open

### 3.5.1 Observation

A review of the Council monthly management report indicated that the depreciation expense for the year to date had not been calculated or included in the management reports. Based on the prior year expense we estimate this to be \$4,998,000 compared to the variance in the identified accounts of \$4,637,000. Based on these calculations there is an additional variance of approximately \$360k which has not been identified or explained.

### 3.5.2 Implication

Underlying variances between actual and budget may not be adequately explained due to the significant difference for depreciation.

### 3.5.3 Recommendation

We understand that due to changes in staff, depreciation has not been calculated, however for management reporting purposes we recommend that a calculation is made at least on the prior year expense, to determine if there are any other variances which should be identified and explained.

### 3.5.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Management has spent some time reviewing the underlying assumptions around Asset useful lives and consumption when developing the 2016-17 draft budget. This has been done in conjunction with the STEP asset management program and also with Moloney Systems and will be ongoing over the next 12 months.

The implementation of Council's new asset management system will enable Council to have greater accuracy in calculation and forecasting depreciation, however, it is unlikely that this system will be fully operational by 30 June 2017.

In the interim Council will calculate and charge depreciation on a quarterly basis based upon the asset data and assumptions in place for the 2016/17 budget.

#### Responsible officer:

Manager Finance / Manager Assets

#### Implementation date:

July 2016

### **3.5.5 Current status of management action plan**

**Status:** Open

**Audit Comment:**

The status will be reviewed at the interim visit in April 2017.



## 4 Prior period issues

---

This section outlines the current status of management actions to address the audit recommendation from the prior period audit.

### 4.1 Performance Statement Policy

Rating: Medium

Status: Closed

#### 4.1.2 Observation

A revised performance statement has been presented for 30 June 2015 in accordance with the statutory requirements. We observe that the council has not adopted a policy in relation to the preparation and presentation of the performance statement. The policy should include:

- Councils objectives in reporting performance
- Identification of the key stakeholders
- Protocols for the dissemination of performance information
- Whether the council considers the prescribed indicators of service performance, financial performance and sustainable capacity to be a relevant, appropriate and comprehensive set of indicators of the council's performance against its stated strategic objectives
- The level of assurance that the CEO and principal accounting officer require to enable them to certify the performance statement
- The role of the audit committee in advising the council of the adequacy of the council's performance reporting to external stakeholders; and
- The level of assurance the councillors require to enable adoption of the performance statement.

#### 4.1.3 Implication

The reporting of the performance statement is not supported by a policy.

#### 4.1.4 Recommendation

A Performance Statement Policy should be developed and adopted to ensure a strong internal control environment around performance reporting.

#### 4.1.5 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

Management comment/action plan:

Agree with recommendation.

Responsible officer: Finance Manager

Implementation date: 30 June 2016

#### **4.1.6 Current status of management action plan**

**Status:** Closed

**Audit Comment:**

Performance Reporting Policy adopted in July 2016 meeting of Council.

## 4.2 Calculation of Leave Entitlements

Rating: Medium

Status: Open

### 4.2.1 Observation

The current calculations for leave provisions are completed within excel, although current systems are capable of producing the information. In the case of LSL, the data and nominal amounts should be obtained from the payroll system to enter into the department model. This would remove estimates for FTE and spreadsheet calculation/formula errors.

In current year, estimated wages for the new EBA have been used. These are based on a spreadsheet calculation and cannot be simply recalculated based on a % increase for each employee due to allowances etc.

### 4.2.2 Implication

Risk of error in the calculation of leave balances outstanding.

### 4.2.3 Recommendation

We recommend that management use the information and reporting functions within the system to reduce the risk of error in calculation.

### 4.2.4 Management comments and action plan.

Council agrees with the recommendation and payroll staff will continue to review leave balances for accuracy and make any adjustments that are required. Reports from the system will be used for leave accrual balances at year end, but for FTE information the intricacies of the system and the changing hours of some of the workforce mean the system cannot be relied on exclusively.

Recommendation accepted: Yes ☒ No ☐

Management comment/action plan:

We will continue to review these on an ongoing basis

Responsible officer: Assistant Finance Manager

Implementation date: 30 June 2016

### 4.2.5 Current status of management action plan

Status: Open

### Audit Comment:

Long service leave has been calculated using Civica for June 2016, however due to the errors made when the system was introduced some of the calculated balances are incorrect. The impact of these errors is considered immaterial, however management need to review and adjust the relevant balances to reflect actual entitlements.

## 4.3 Accrued leave in excess of EBA limits

Rating: Low

Status: Open

### 4.3.1 Observation

As noted in a prior year issue (4.13) there a number of staff with excessive annual leave balances. It was also noted as at 30 June 2015, there are the following excess accrued leave entitlements:

- 15 employees with over 5 days of RDO
- 9 employees with over 40 hours TIL
- These balances are in excess of the allowable limit per the EBA.

### 4.3.2 Implication

Breach of the entitled balance to accrue under the EBA.

### 4.3.3 Recommendation

Leave balances should be continually monitored and staff encouraged to take regular leave.

Management are responsible for ensuring balances accrued are kept within the EBA limits.

### 4.3.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

The Payroll Department is to provide a quarterly leave report to Managers to ensure awareness of staff leave and to enable them to work with their staff to reduce excessive leave balances.

#### Responsible officer:

Payroll Department/General Managers and Department Managers

#### Implementation date:

31st December 2015

### 4.3.5 Current status of management action plan

Status: Open

#### Audit Comment:

Management are continuing to encourage staff to take excessive leave balances. As at 30 June 2016 employees still had annual leave balances in excess of 8 weeks and excessive RDO and TIL balances.

## 4.4 Independent review of credit notes

Rating: Medium

Status: Open

### 4.4.1 Observation

A listing of credit notes raised can be produced in CIVICA however, this listing is currently not independently reviewed to ensure that credit notes raised are appropriate and adequately authorised.

### 4.4.2 Implication

Risk that independent credit notes could be raised and processed without appropriate review, resulting in lost income to the Council.

### 4.4.3 Recommendation

Credit notes should be independently reviewed to ensure that they are appropriate.

### 4.4.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Report exists and has been reviewed on ad-hoc basis previously. Internal process will be adjusted to ensure report is generated and reviewed on monthly basis.

#### Responsible officer:

Louise Gabbe / Dearne Chenhall

#### Implementation date:

30 June 2015

### 4.4.5 Current status of management action plan

Status: Open

#### Audit Comment:

All credit notes have been reviewed for the year to date, however this review occurred in May 2016, therefore we will review again at interim for 2017 to ensure that this review is occurring on a consistent basis.

## 4.5 Completion and Review of Creditors Reconciliations

Rating: Medium

Status: Open

### 4.5.1 Observation

There is no evidence that monthly creditors reconciliations are independently reviewed. Our review of the reconciliations indicated that a number of items are not been appropriately matched for example some creditors had both a credit and debt balance outstanding, which may indicate that the payment has not been matched to the invoice raised.

### 4.5.2 Implication

Long outstanding and reconciling items may not be identified and cleared on a timely basis.

### 4.5.3 Recommendation

The monthly creditors reconciliations should be independently reviewed. Balances in the aged creditors listing should be reviewed and reconciling items matched on a timely basis.

### 4.5.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Most credits are done after the tax invoice has been paid, so therefore we are unable to match the invoice with a credit with our open item maintenance. We will have discussions with our Authority Account Manager to find out if there is a way we can report and match these balances.

#### Responsible officer:

Graeme Shurdington / Louise Gabbe

#### Implementation date:

2014-15 Financial Year

### 4.5.5 Current status of management action plan

Status: Open

#### Audit Comment:

There is no evidence of independent review of the creditor monthly reconciliations. Debit and credit balances remained outstanding for a number of suppliers.

Audit will review at interim visit in April 2017.

## 4.6 Review of access levels to authority

Rating: Low

Status: Open

### 4.6.1 Observation

Management have been unable to produce a report detailing the access levels of staff to Authority, including the different modules.

### 4.6.2 Implication

Management are unable to review if the access levels are appropriate and reflect the requirements of the individual staff member.

### 4.6.3 Recommendation

Authority should be contacted regarding the ability to generate this report. The report should then be reviewed on a regular basis to ensure that the access levels are appropriate.

### 4.6.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Agreed. Staff access to all systems will be streamlined with the recruitment of human resources officer.

#### Responsible officer:

General Manager Corporate and Community Services

#### Implementation date:

31 March 2015

### 4.6.5 Current status of management action plan

Status: Open

#### Audit Comment:

Issue is still under investigation with Civica. At the interim audit a lengthy report was provided in the absence of a more concise report. Council will continue to review access levels to minimise risks and to ensure appropriateness of access for staff and also endeavour to source an improved, concise reporting option.

Audit will review at interim visit in April 2017.

## 4.7 Reconciliation of clearing accounts

Rating: Low

Status: Open

### 4.7.1 Observation

The Council have a number of clearing accounts relating to rates, employee superannuation and other minor balances. These accounts have not been appropriately reconciled and cleared on a timely basis.

### 4.7.2 Implication

The clearing accounts may not accurately reflect outstanding balances.

### 4.7.3 Recommendation

The clearing accounts should be reconciled monthly to supporting schedules to ensure that the amounts accurately reflect any outstanding balances.

### 4.7.4 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Due to the resources constraints reconciliations of clearing account will be undertaken quarterly from January 2015.

#### Responsible officer:

Finance Manager

#### Implementation date:

30 April 2015

### 4.7.5 Current status of management action plan

Status: Open

#### Audit Comment:

Management are continuing to review these account. It was observed that some accounts have failed to be cleared during the year including the rates overpayment account.

Audit will review at interim visit in April 2017.



## 4.8 Change management

Rating: High

Status: Open

### 4.8.1 Observation

We were advised that Council does not have documented change management procedures.

### 4.8.2 Recommendation

All changes made to systems should be documented. Council should develop and document a Change Management Policy and Procedure which prescribes as a minimum:

- approval, authorisation and responsibility;
- the nature of the change, eg. upgrade, fix or patch;
- impact assessment;
- prioritisation of change requests;
- how the change is to be applied;
- environments effected, timing;
- backup and rollout processes; and testing.

### 4.8.3 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Council has made a decision in the last Council meeting (24th May 2012) to implement a new finance system (Civica's authority). Implementation of the new system will commence around 1st October 2012 and expected to go online around 1st April 2013. Advanced finance system will require some changes to existing IT processes. Also new system will give the Council to more scope to administer and manage.

Not yet commenced.

There is currently still no documented process. This issue has also been identified by the risk management committee. No action has taken place as yet and there is no completion date at this stage. The Council currently has limited resources for a staff member to take responsibility of this action item.

Responsible officer: Finance Manager

Implementation date: 30 June 2015

### 4.8.4 Current status of management action plan

Status: Open

#### Audit Comment:

Change management procedures not yet developed. Audit will review at interim visit in April 2017.

## 4.9 Land under roads

Rating: Medium

Status: Open

### 4.9.1 Observation

Although not mandatory at this stage, it appears that valuation of land under roads may be compulsory in the near future.

At present, West Wimmera Shire does not have the resources required to execute the first time adoption of this valuation. This includes:

- no existing records of road shoulders;
- limited staff resources; and
- limited expertise for this type of valuation.
- Without forward planning, Council may struggle to comply with this requirement when it becomes compulsory.

### 4.9.2 Recommendation

Management should develop a plan to address the change in policy with regard to Valuation of Land Under Roads.

In developing this plan, management should consider;

- the data that is required to be capture; and
- the resources required to capture the data and conduct the valuation.

### 4.9.3 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Reserve measurements are being implemented into Asset Assist, the infrastructure asset register system, as the reserves are measured. Council are working at recognising 25% of road reserves per year with the aim of having all reserves in the asset register by 2014/2015.

Responsible officer: Manager Finance

Implementation date: 30 June 2015

### 4.9.4 Current status of management action plan

Status: Open

#### Audit Comment:

Work is still being completed on the recognition and inclusion of this data. Status to be reviewed at year end visit. Audit will review at interim visit in April 2017.

## 4.10 Fixed asset register

Rating: Medium

Status: Open

### 4.10.1 Observation

Discussion with the asset manager and the acting finance manager gave rise to concerns over the completeness, accuracy and existence of assets recorded in the fixed asset register.

Given the heavily manual nature of the register and the limited resources to adequately monitor the assets held, the existence of some items is uncertain. There are also continuing uncertainties around the completeness of the register (this year there was \$1m in found building assets brought to account).

Furthermore, the appropriateness of asset classifications and the estimated useful lives being applied to various assets is unsatisfactory.

A range of items are currently being recorded as building assets when they should be classified as either an improvement, or they should be expensed.

### 4.10.2 Recommendation

Management should undergo a detailed review and stock take of the fixed asset register.

- Particular areas for consideration in the review include:
- the useful lives being applied to determine depreciation rates for assets;
- the appropriateness of the asset class assets are being classified to;
- the completeness of the assets in the asset register; and
- the existence of the assets in the asset register.

### 4.10.3 Management comments and action plan

Recommendation accepted: Yes ☒ No ☐

#### Management comment/action plan:

Management are working their way through a detailed revision of the fixed asset registers. External assistance was utilised to ensure the asset registers were complete. An internal review has been conducted to ensure all assets on the registers do in fact exist. Civica is being used to replace excel as an asset register for non-infrastructure assets. Management are working through inputting all the relevant data into Civica. All infrastructure assets will be recorded in Asset Assist. Bridges are currently still in excel as the relevant module in Asset Assist has not yet been released.

Responsible officer: Finance Manager

Implementation date: 30 June 2014

#### 4.10.4 Current status of management action plan

Status: Open

**Audit Comment:**

The review of the fixed asset register is continuing. The asset register is reviewed each year and specific categories of asset such as furniture and equipment need cleansing to ensure items no longer held by Council are removed from register.

## Appendix A – Rating definitions

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity, propriety and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

We may include extreme, high or moderate rated issues in our reports to Parliament on the results of financial statement audits.

**Table: Rating definitions and management action**

| Rating         | Definition   | Management action required  |
|----------------|--|---|
| <b>Extreme</b> | <p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could cause or is causing <b>severe</b> disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a <b>material</b> misstatement in the financial report has occurred.</li> </ul>   | <p>Requires immediate management intervention with a detailed action plan to be implemented within 1 month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p> |
| <b>High</b>    | <p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a <b>major</b> adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a <b>material</b> misstatement in the financial report that is likely to occur.</li> </ul>   | <p>Requires prompt management intervention with a detailed action plan implemented within 2 months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>                                |
| <b>Medium</b>  | <p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a <b>moderate</b> adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is not material and has occurred.</li> </ul>  | <p>Requires management intervention with a detailed action plan implemented within 3 to 6 months.</p>   |
| <b>Low</b>     | <p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a <b>minor</b> control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is likely to occur but is not expected to be material, or</li> <li>• an opportunity to improve an existing process or internal control.</li> </ul> | <p>Requires management intervention with a detailed action plan implemented within 6 to 12 months.</p>  |



**Victorian Auditor-General's Office**

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

31 August 2016

File No.:

Cr Annette Jones  
Mayor  
West Wimmera Shire Council  
PO Box 201  
EDENHOPE VIC 3419

Dear Cr Jones

**CLOSING REPORT 2015–16**

I enclose for your information the closing report for the year ending 30 June 2016

The closing report provides an overview of the results of the audit and is a key tool for discharging our responsibilities in relation to communicating with those charged with the governance of West Wimmera Shire Council and includes matters for your attention relating to control weaknesses and financial reporting issues identified during the final audit.

The closing report will be discussed at the audit committee meeting on 12 September 2016.

I have also provided copies of the closing report to Mr David Leahy, CEO and Mr Geoff Price, the Chair of the Audit Committee. If you have any queries concerning this closing report, please contact one of the following:

Narelle McLean on ☎ 03 5562 3544 ✉ [nm@coffeyhunt.com.au](mailto:nm@coffeyhunt.com.au)

Tim Loughnan on ☎ 03 8601 7086 ✉ [tim.loughnan@audit.vic.gov.au](mailto:tim.loughnan@audit.vic.gov.au)

I also take this opportunity to thank your executive team and staff for the time they made available to us during the course of the audit.

Yours sincerely

N.L. MCLEAN  
Partner  
Coffey Hunt  
VAGO Audit Service Provider



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Level 24, 35 Collins Street  
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Facsimile 61 3 8601 7010  
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Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

31 August 2016

File No.:

Mr David Leahy  
CEO  
West Wimmera Shire Council  
PO Box 201  
EDENHOPE VIC 3419

Dear David

**CLOSING REPORT 2015–16**

I enclose for your information the closing report for the year ending 30 June 2016

The closing report provides an overview of the results of the audit and is a key tool for discharging our responsibilities in relation to communicating with those charged with the governance of West Wimmera Shire Council and includes matters for your attention relating to control weaknesses and financial reporting issues identified during the final audit.

The closing report will be discussed at the audit committee meeting on 12 September 2016.

I have also provided copies of the closing report to Cr Annette Jones, Mayor and Geoff Price, the Chair of the Audit Committee.

If you have any queries concerning this closing report, please contact one of the following:

Narelle McLean on

☎ 03 5562 3544

✉ [nm@coffeyhunt.com.au](mailto:nm@coffeyhunt.com.au)

Tim Loughnan on

☎ 03 8601 7086

✉ [tim.loughnan@audit.vic.gov.au](mailto:tim.loughnan@audit.vic.gov.au)

I also take this opportunity to thank your executive team and staff for the time they made available to us during the course of the audit.

Yours sincerely

N.L. MCLEAN  
Partner  
Coffey Hunt  
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31 August 2016

File No.:

Mr Geoff Price  
Chair of the Audit Committee  
West Wimmera Shire Council  
PO Box 201  
EDENHOPE VIC 3419

Dear Geoff

**CLOSING REPORT 2015–16**

I enclose for your information the closing report for the year ending 30 June 2016

The closing report provides an overview of the results of the audit and is a key tool for discharging our responsibilities in relation to communicating with those charged with the governance of West Wimmera Shire Council and includes matters for your attention relating to control weaknesses and financial reporting issues identified during the final audit.

The closing report will be discussed at the audit committee meeting on 12 September 2016.

I have also provided copies of the closing report to Mr David Leahy, CEO and Cr Annette Jones, Mayor.

If you have any queries concerning this closing report, please contact one of the following:

|                   |                |  |
|-------------------|----------------|--|
| Narelle McLean on | ☎ 03 5562 3544 | ✉ <a href="mailto:nm@coffeyhunt.com.au">nm@coffeyhunt.com.au</a>                   |
| Tim Loughnan on   | ☎ 03 8601 7086 | ✉ <a href="mailto:tim.loughnan@audit.vic.gov.au">tim.loughnan@audit.vic.gov.au</a> |

Yours sincerely

N.L. MCLEAN  
Partner  
Coffey Hunt  
VAGO Audit Service Provider





Victorian Auditor-General's Office

West Wimmera Shire Council

Closing report to the audit committee

Year ended 30 June 2016

Our aim is to provide assurance to Parliament on the accountability and performance of the Victorian public sector.

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## 1 Purpose of the report

---

This closing report has been prepared to communicate significant issues arising from our audit and as such is incidental to the audit. This document forms the basis for discussion at the Audit Committee Meeting on 12 September 2016 and is a key tool for discharging our responsibilities in relation to communicating with those charged with the governance of West Wimmera Shire Council.

## 2 Scope of the audit

---

The Auditor-General is an independent officer of Parliament appointed to report to Parliament on the management of public sector resources.

The *Audit Act 1994* requires the Auditor-General to form an opinion on your financial report and provide a copy of the auditor's report to you, the Minister responsible for your entity and the Minister for Finance. The audit has been conducted to gather sufficient appropriate evidence to form that opinion.

The audit approach focused on key financial report audit risks. This involved gaining an understanding of significant financial reporting processes and a combination of internal control testing and substantive audit procedures to assess the residual risk of material misstatement of the financial report.

We also considered the issues of waste, probity and lack of financial prudence in the use of public resources.

We did not design our audit approach to identify matters that may be appropriate to report to you.

Consequently, this report cannot be relied upon as a comprehensive report of all significant accountability and governance issues. You cannot assume that any matters reported to you indicate that there are no additional matters that you should be aware of in meeting your responsibilities.

## 3 Audit conclusion

---

Subject to satisfactory resolution of the outstanding items outlined in Appendix A, we conclude that the financial report and performance statement of West Wimmera Shire Council is presented fairly.

After the issue of the auditor's report we are required to undertake additional procedures. Any issues identified from this review will be reported to the Director Corporate and Community Services for remedial action. These have been outlined in Appendix A.

We have arrived at this opinion after consideration of the issues outlined below.

## 4 Disposition of key audit risks

This section examines the key risks of material misstatement identified in the audit, our audit response in relation to each and the results of our procedures.

### 4.1 Summary of audit risks relating to the financial report

The table below summarises the risks identified in the audit strategy and whether or not these risks have been satisfactorily addressed by audit procedures.

**Table: Summary of audit risks relating to the financial report**

| Risk |  | Fraud | Error | Significant judgements | Pervasive or Specific (P or S) | Risk addressed by audit procedures (Y or N) |
|------|--|-------|-------|------------------------|--------------------------------|---|
| 1    | Management override of controls              | ✓     |       |                        | P                              | Y   |
| 2    | Revaluation of property, plant and equipment |       | ✓     | ✓                      | S                              | Y   |
| 3    | Revenue recognition                          | ✓     | ✓     | ✓                      | S                              | Y   |
| 4    | Local Government Council elections           | ✓     | ✓     | ✓                      | S                              | Y   |
| 5    | Information technology and data integrity    |       | ✓     |                        | S                              | Y   |
| 6    | Form and content of financial report         |       | ✓     | ✓                      | S                              | Y   |
| 7    | Change in Key Personnel                      |       | ✓     | ✓                      | P                              | Y   |
| 8    | Superannuation funding call                  |       |       | ✓                      | S                              | Y   |

### 4.2 Detailed audit risks relating to the financial report

The table below provides additional details about the risks summarised in section 4.1 as well as providing detail about the audit procedures performed to respond to those risks.

**Table: Detailed audit risks relating to the financial report**

| Description of risks   | Audit procedures performed  | Results of procedures   |
|--|---|---|
| <b>Risk of fraud through management override of controls</b><br>There is a risk of fraud due to management override of controls. While the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. | We have assessed the processes in place to prevent and detect fraud. ASA 240 imposes specific audit procedures, including: <ul style="list-style-type: none"> <li>Tested the appropriateness of journal entries and other adjustments made in preparing the financial report</li> <li>Reviewed accounting estimates for biases, and</li> <li>Reviewed significant unusual transactions</li> </ul> | No instances of fraud identified during the completion of the audit. Satisfied with the processes in place for journals, accounting estimates and review of transactions. |

| Description of risks   | Audit procedures performed   | Results of procedures   |
|--|--|---|
| <b>Fair value assessment and revaluation of non-current physical assets</b><br>Non-current physical assets represent a material component of the total assets of the entity.<br>AASB116 requires these assets to be measured at fair value, which is based on significant estimation uncertainty and uses management's judgements and assumptions.   | We have: <ul style="list-style-type: none"> <li>tested the effectiveness of key controls and place reliance on them (if appropriate)</li> <li>considered reports of expert valuers including the reasonableness of assumptions used and the processes for consulting with the entity</li> <li>in the case of management valuations, reviewed the reasonableness of assumptions used</li> <li>substantiated the processed adjustments.</li> </ul>   | Fair value has been considered for infrastructure and buildings. Management have assessed that there have been no material movements in value for the 2015/16 financial year. |
| <b>Revenue recognition</b><br>Revenue recognition policies may use assumptions and require exercise of management judgement. Budgetary pressures and performance targets may influence the revenue recognition.  | We have: <ul style="list-style-type: none"> <li>reviewed and assessed the systems and process of capture and recording for each material revenue stream</li> <li>tested the operating effectiveness of key controls</li> <li>engaged specialist IT audit review on relevant computer processes and controls</li> <li>performed cut-off procedures</li> <li>assessed whether treatment of revenue is consistent with AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</li> </ul> | Satisfied with the controls in place for revenue recognition.   |
| <b>Local Government Council elections</b><br>The Council is due to hold general elections in October 2016.<br>This is expected to occur soon after the financial statements, performance statement and annual report are finalised and published.  | We have: <ul style="list-style-type: none"> <li>made enquiries of management on any changes occurring in advance of the elections</li> <li>reviewed minutes and management reports for large or unusual transactions</li> <li>monitored and assessed any subsequent events for disclosure requirements.</li> </ul>   | There have been no items noted as a result of the upcoming election that would require specific disclosure in the financial statements.                                       |
| <b>Information technology and data integrity</b><br>The entity is dependent on a number of IT systems and processes for preparing the financial statements. Such dependence creates risks for: <ul style="list-style-type: none"> <li>data integrity and infrastructure security</li> <li>complexity of and dependency on IT infrastructure</li> <li>business continuity and disaster recovery.</li> </ul> | Our specialist IT audit team have reviewed and assessed the effectiveness of general IT controls operating at your entity, including controls over security, change management, business continuity and disaster recovery.   | Satisfied with the controls in place.   |

| Description of risks  | Audit procedures performed   | Results of procedures   |
|---|--|---|
| <b>Form and content of financial report</b><br>The financial reporting requirements of the Australian accounting standards and Local Government Act 1989 or other legislation are extensive and complex.  | We have reviewed 'shell' accounts and the draft financial report against the local government council model financial report and the requirements of the Australian accounting standards.  | Draft accounts are consistent with model.   |
| <b>Change in key personnel</b><br>During the 2015/16 financial year there have been some significant changes in personnel including the CEO, Asset Manager and Finance Manager. These changes may impact on the effectiveness of the internal control environment.  | We have reviewed the internal control environment and evaluate the effectiveness of the environment.   | The internal control environment has been maintained during the year.   |
| <b>Superannuation funding call</b><br>The Local Authorities Superannuation Fund (LASF) is required to be fully funded. LASF monitors its Vested Benefit Index (VBI) on a quarterly basis and has set the shortfall limit at 97%. Where the VBI falls below 97% employers may be required to make top-up contributions. With the current volatility and downward trend in the stock market there is the potential for the VBI to fall below the 97%. The last superannuation funding call in 2011–12, resulted in the Council recognising a superannuation liability of \$1.2 million. | We have: <ul style="list-style-type: none"> <li>reviewed the fund position at each quarter</li> <li>reviewed disclosures for consistency with the Local Government Model Financial Report.</li> <li>reviewed council's ability to fund a superannuation call, should one be required.</li> </ul> | Note 31 Superannuation to be updated to incorporate June Vested Benefit Index information. No call has been made during 2015-16 or subsequent to year end which requires additional disclosure. |

## 4.3 Audit risks relating to the performance statement

Table: Audit risks relating to the performance statement

| Description of risks   | Audit procedures performed  | Results of procedures  |
|--|---|--|
| <b>Performance statement</b><br>The performance statement contains financial and non-financial data. Financial systems are predominantly established to capture financial data. Systems may not capture the non-financial data required to support figures in the performance statement. | We have: <ul style="list-style-type: none"> <li>reviewed the systems in place to capture the financial and non-financial data</li> <li>checked the calculations and assessed the reasonableness of explanations included in the report of significant variations</li> <li>reviewed the performance statement for compliance with legislative requirements.</li> </ul> | Satisfied with preparation and personation of the performance statement. |

## 4.4 Risks from fraud, irregularities, or regulatory non-compliance

The governing body and management have responsibility for maintaining internal controls that prevent or detect fraud or error and for ensuring regulatory compliance. The audit committee should be informed by management of any fraud or material errors.

We are not responsible for preventing or detecting fraud. However, we are required to consider the risk of material misstatement due to fraud when performing our risk assessments and analytical procedures.

The recent changes to the *Audit Act 1994* require us to notify the Independent Broad-based Anti-corruption Commission (IBAC) where we become aware of any matter that appears to involve corrupt conduct. If we need to notify IBAC, this will override the existing confidentiality provisions in the *Audit Act*.

Aside from the required standard risk due to management override of controls (as detailed in section 4) our audit procedures did not identify any further areas of material fraud risk or exposure, or regulatory non-compliance.

## 4.5 Other areas of audit focus

### 4.5.1 Waste, probity and financial prudence

In forming an opinion on the financial report, consistent with section 3A of the *Audit Act 1994*, we have considered waste, probity and lack of financial prudence.

Our audit procedures have not identified any material issues concerning waste, probity or lack of financial prudence.

### 4.5.2 Accounting policies

The audit committee/governing body should be made aware by management of the material accounting policies adopted or changes to policies; and of methods used to account for material unusual transactions.

We are not aware of any material unusual transactions or of accounting policies adopted that relate to controversial or emerging areas where there is a lack of authoritative guidance.

## 5 Audit adjustments and unadjusted differences

In the course of our audit we may identify amounts that we believe should be recorded differently in the financial report. In the interest of better practice and enhanced public accountability we have requested that management adjust the financial report for all identified amounts. Material amounts must be adjusted in the financial report.

The following differences were identified by audit and have been adjusted in the financial report.

**Table: Adjusted audit differences**

| Component(s) affected  | Amount of adjustment | Underlying cause of difference  |
|--|----------------------|---|
| Loan Receivable (CR)<br>Loan Forgiven Expense (DR)                     | \$7,500              | Remove the balance of the loan receivable which was forgiven by Council.                    |
| Inventory Quarry (DR)<br>Stock Adjustment Expense (CR)                 | \$6,750              | Increase the quarry inventory on hand due to error in the spreadsheet.                      |
| Provision for doubtful debts (CR)<br>Bad & Doubtful debts expense (DR) | \$10,959             | Increase the provision for doubtful debts for amounts which have been assessed as doubtful. |



| Component(s) affected   | Amount of adjustment                          | Underlying cause of difference   |
|---|---|--|
| Prepayments (DR)<br>Expenses (CR)   | \$51,860                                      | Increase the prepaid expenses for amounts paid which relate to 2016/17 financial year.   |
| Buildings (CR)<br>Accumulated Depreciation (DR)<br>Asset held for sale (DR)<br>Decrement in assets held for sale (DR) | \$151,800<br>\$131,560<br>\$5,000<br>\$15,240 | Transfer the carrying value of the Miga Hall to assets held for sale and reduce to proposed purchase price on offer.                       |
| Term Deposits (DR)<br>Interest income (CR)  | \$3,654                                       | Recognise interest paid on the term deposits as at balance date.   |
| Prepayments (DR)<br>Software expenses (DR)<br>Capital works in progress (CR)  | \$1,900<br>\$1,900<br>\$3,800                 | Remove from capital works in progress amounts relating to software licences and allocate based on the period to which they have been paid. |
| Annual Leave (DR)<br>Employee costs (CR)  | \$9,983                                       | Remove on-costs from leave loading.  |

The following table summarises all unadjusted differences identified during the audit for which the requested adjustments were not processed.

**Table: Unadjusted audit differences**

| Component(s) affected      | Amount of adjustment | Underlying cause of difference |
|----------------------------|----------------------|--------------------------------|
| Nil unadjusted differences |                      |                                |
|                            |                      |                                |
|                            |                      |                                |

## 6 Internal control issues

As advised in our arrangement letter, the governing body and management are responsible for establishing and maintaining effective internal controls which will enable the preparation of the financial report that presents fairly and is free from material misstatement, whether due to fraud or error.

We have considered the internal control framework as part of our audit procedures. Our audit of the financial report was not designed to assess, nor do we provide an opinion on, the effectiveness of internal control. However, we communicate to you—using our interim and final management letters—any significant weaknesses identified in the design or implementation of internal control over financial reporting that come to our attention during the audit.

### 6.1 Deficiencies in the design or operation of key internal controls

During the course of our audit we have noted areas that could be improved. In the interim management letter issued on the 24<sup>th</sup> of May 2016, we reported issues identified in the interim phase of the audit including internal control deficiencies, recommendations and management action plans.

The final management letter, contains the risk rated matters identified in the final phase of the audit.

To provide management with adequate time to action these 2015–16 internal control issues, a full follow up will be conducted by VAGO as part of the planning the 2016–17 audit. A full status update will be provided as part of the 2016-17 interim management letter.



## 6.2 Sector wide financial audit focus areas

The audit included a sector-wide review of areas of focus for reporting to Parliament in our Local Government 2015/16 report. This year the areas of focus were asset valuation.

The results of our review, which entails an analysis of observations across the sector, are still subject to our internal quality control assurance process.

Preliminary observations as they relate to your entity are:

| Area to be reported | Exceptions identified              | Recommendation                    |
|---------------------|------------------------------------|-----------------------------------|
| Asset valuation     | No formal asset revaluation policy | Included in the management letter |

The *Audit Act 1994* prohibits the Auditor-General from including in a report to Parliament any information that would prejudice any criminal investigation or proceeding, or any IBAC or Victorian Inspectorate investigation. If at any stage prior to the report being published you become aware of any such investigation or proceeding in relation to this audit or associated parliamentary report, please notify us immediately.

## 7 Additional matters for communication

The following section includes additional matters and findings from the audit which the auditing standards require us to communicate to those charged with governance.

### 7.1 Management representations

As part of our evidence gathering, we plan to obtain formal management representations in relation to a number of matters. A management representation letter has been requested and will be required to be signed by the chief executive officer on the same date as the certification of the financial report. A draft copy of the letter has been included with this report for your information. We do not rely solely on these representations, except where they are the only audit evidence reasonably available.

We relied on the following representations made by management in forming our audit opinion.

**Table: Management representations relied upon**

| Representation   | Made by                              | Component affected and implications for financial report   |
|--|--------------------------------------|--|
| Fair value   | CEO and Principal Accounting Officer | <ul style="list-style-type: none"> <li>Infrastructure, property, plant, equipment and vehicles</li> <li>AASB 13 disclosure requirements</li> </ul> |
| <p><i>"We consider the measurement methods, including the valuation premise, valuation techniques, assumptions and inputs used to determine fair values relating to assets and liabilities to be appropriate, consistently applied and in accordance with AASB 13 Fair Value Measurement. In particular, fair value measurements for non-financial assets comply with AASB 13 as they appropriately take into consideration the highest and best use from the perspective of market participants that is physically possible, legally permissible and financially feasible where applicable. Further, the financial report accurately and completely contains the disclosure requirements regarding assets and/or liabilities fair valuations and classifications within the fair value hierarchy in accordance with AASB 13."</i></p> |                                      |  |

## Appendix A – Outstanding issues

The following items relating to the completion of our audit procedures are outstanding at the date of this report and need to be resolved before we issue our auditor's report.

| Item                             | Action required                                       | Responsibility       |
|----------------------------------|---|----------------------|
| Subsequent events update         | Review transactions and events up to date of signing  | Management and audit |
| Financial report certification   | To be signed on adoption of the accounts by the Board | Management           |
| Management representation letter | To be signed on same date as the certification        | Management           |

After the issue of the auditor's report we are required to undertake the following procedures. Any issues identified from this review will be reported to the secretary/chief executive officer for remedial action.

| Item          | Action required  | Responsibility       |
|---------------|--|----------------------|
| Annual report | Review contents of annual report and confirm that correct audit report is included | Management and audit |
| Website       | Review website for correct audit report  | Management and audit |