

Audit and Governance Committee Wednesday 8 February 2023 Attachments

6.1 Confirmation of Audit and Governance Committee Minutes 30 November 2022.....	2
6.1.1 Audit and Governance Committee Minutes of 30 November 2022.....	2
8.1 Audited Financial Statements for the year ended 30 June 2022.....	27
8.1.1 Annual Financial Statement for the year ended 30 June 2022.....	27
8.1.2 Draft External Audit Opinion to Town of Bassendean 2022.....	81
8.1.3 Audit Planning Memorandum (APM) - Town of Bassendean FY 2022.....	84
8.1.7 ToB Management Representation letter 30 June 2022.....	113



TOWN OF
Bassendean

MINUTES

Audit & Governance Committee Meeting

Wednesday 30 November 2022, 5:30 pm

in the Council Chamber, Administration Building
48 Old Perth Road, Bassendean WA 6054

1 Declaration Of Opening; Acknowledgment of Country; Acknowledgment of Visitors; Disclaimer

The Presiding Member declared the meeting open, welcomed all those in attendance and acknowledged the past and present traditional owners and custodians of the land on which the meeting was held.

2 Announcements by the Presiding Member without Discussion

Nil

3 Attendances, Apologies and Leave of Absence

Present

Members

Cr Hilary MacWilliam, Presiding Member
Cr Kathryn Hamilton
Cr Renee McLennan - *Cr McLennan is authorised to attend the meeting through electronic means (regulation 14C)*
Cr Paul Poliwka
Patrick Eijkenboom

Staff/Consultants

Paul White, Director Corporate Services
Raj Malde, Manager Finance
Elizabeth Kania, Manager Governance & Strategy
Tina Lane, Project Officer
Jay Teichert, Office of the Auditor General
Ron Back, Advisor to the Committee
Amy Holmes, Minute Secretary

Apologies

Kim Stewart
Duy Vo, William Buck

4 Declarations of Interest

Nil

5 Presentations or Deputations

Nil

6 Confirmation of Minutes – 7 September 2022

These minutes were not noted at this meeting and are yet to be confirmed as a true and correct record.

7 Business Deferred from Previous Meeting

Nil

8 Reports

8.1 Review of Investment Policy	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	GOVN/CCLMEET/1
Department	{use-custom-field-directorate-do-not-remove}
Previous Reports	N/A
Authority/Discretion	Legislative Includes adopting local laws, town planning schemes & policies.
Attachments	<ol style="list-style-type: none"> 1. Investment Policy - 2018 [8.1.1 - 7 pages] 2. Draft Amended Investment Policy - Nov 2022 - Tracked Changes [8.1.2 - 8 pages] 3. Draft Amended Investment Policy - Nov 2022 [8.1.3 - 5 pages]

Purpose

The purpose of this report is for the Audit and Governance Committee to review Council's Investment Policy and make a recommendation to Council as to the interest rate differential and maximum basis point differential that should be accepted for investment with non-fossil fuel lenders.

Background

In December 2015, Council resolved that the existing policy be amended:

“to incorporate deliberative preference for investment with financial institutions that do not invest in or finance the fossil fuel industry where:

- a) The investment is compliant with Council’s investment policy with regards to risk diversification & credit rating;*
- b) The investment rate of interest is favourable to Council relative to other similar investments that may be on offer to Council at the time of investment.”*

Council referred the matter to the next Audit and Risk Management Committee meeting to review the policy.

In March 2016, the Committee considered the policy and recommended that Council amends the policy to include:

“Preference will be given to invest in financial institutions who do not invest in or finance the fossil fuel industry.”

Later in March 2016, Council adopted the revised Investment Policy.

In May 2017, section 19C(2)(b) of the *Local Government (Financial Management) Regulations 1996* was amended to change the maximum fixed term deposit period for investments from 12 months to three years.

In June 2017, the Audit and Risk Management Committee recommended to Council that the Investment Policy be amended to accommodate the change in the Regulations, and Council adopted the amended policy at its June 2017 Ordinary Council Meeting.

Meanwhile, Council reviewed all leadership and governance policies, with a workshop held on 1 March 2017. The revised policies that followed were presented to Council for adoption at the June 2017 Ordinary Council Meeting. Council resolved to adopt the policies for the purposes of public consultation.

In September 2017, following receipt of public comments (two public comments were received, each commenting on multiple policies), Council considered the leadership and governance policies and resolved to (among other things) adopt the policy without any further modification.

In January 2018, Council considered the draft amended Policy which included the following addition:

“The Town will not make investments in companies that derive any revenues in the following areas of activity:

- a) *Controversial weapons: Companies involved in the manufacture and/or production of controversial weapons such as land mines, cluster bombs and nuclear weapons;*
- b) *Tobacco: Companies involved in the manufacture and/or production of tobacco products.*

The Town will not make investments in companies that derive 10% or more of their revenues in the following areas of activity:

- a) *Armaments: Companies involved in the manufacture and/or production of armaments;*
- b) *Gambling: Companies involved in the manufacture and/or production of gambling machines and services and/or ownership of outlets housing these machines;*
- c) *Old growth logging: Companies involved in the logging of old growth forests; or*
- d) *Uranium Mining/Nuclear: companies involved in uranium mining and production of nuclear energy.*

The Town has determined that the Fund will not make investments in companies that derive 1/3 (one-third) or more of their revenues in high carbon sensitive activities.”

Council resolved to adopt the Investment Policy (with the above amendments), plus the following additional amendment:

“That the Town will not engage in leverage investments or securities.”

The amendments to the Investment Policy adopted by Council in January 2018 were closely aligned with public comments received in response public consultation, which Council had considered, but declined to make any consequential amendment at the September 2017 Ordinary Council Meeting.

The amendment for the Town not to engage in leverage investments of securities was unnecessary given restrictions on the type of investments local governments can make under the *Local Government (Financial management) Regulations 1996*. Local governments cannot invest in securities other than term deposits or government bonds, which cannot be leveraged.

The Town is unable to implement the remaining policy amendments made in January 2018, with present resources and currently available and reported information, while complying with the important portfolio and counterparty limits specified in the policy.

Finally, the policy does not provide sufficient guidance for the administration to properly give effect to Council's preference for non-fossil fuel investment, while seeking to achieve a suitable investment yield, providing a revenue source for the Town. Consequently, the draft Amended Investment Policy proposes inclusion of an interest rate differential, subject to a basis point cap, to guide investment decisions.

While the core components of the Investment Policy remain valid, it is considered a major review of the policy is required to:

- Simplify the policy in alignment with the Town's other more recent policies;
- Remove provisions that are incapable of application in practice; and
- Remove unnecessary content.

Further, review of the policy presents an opportunity to give practical effect to Council's desire for a focus on investment with non-fossil fuel lending institutions by setting an interest rate differential and maximum basis point differential for investment with non-fossil fuel lenders.

Proposal

That the Audit and Governance Committee review the existing Investment Policy and recommend that Council adopts the draft amended Investment Policy. In doing so, the Committee is requested to make a recommendation to Council as to the interest rate differential and maximum basis point differential Council should accept for investment with non-fossil fuel lenders.

Communication and Engagement

A desktop review of comparable local governments in the Perth metropolitan area was undertaken and from the 15 local governments surveyed, 11 have a policy statement on non-fossil fuel investment. Most policy statements specify a preference for investment in non-fossil fuel lenders, subject to risk considerations and favourable terms (interest rates).

The 'favourable terms' qualification operates to restrict investment in non-fossil fuel lenders to a relatively low level in most local governments. Two local governments specify an interest rate differential the local government is prepared to accept for investment in non-fossil fuel lenders (5 basis points and 10 basis points). For example, if the best fossil fuel lender interest rate available was 3.0%, the required non-fossil fuel lender interest rate is 2.95% in the first instance and 2.9% in the second instance.

Of the 15 local governments surveyed, the Town had the highest level of actual investment in non-fossil fuel lenders, at 70% as of 31 October 2022, with other local governments ranging from zero to 50%. The lower uptake is primarily due to higher investments returns available from fossil fuel banks and secondarily due to lower risk profiles of banks from this category.

The portfolio limits and institution limits specified in the investment policies of other local governments vary widely. For local governments that specified limits for A – 1 rated and A – 2 rated institutions, the range was:

	Portfolio limit		Institution limit	
	Upper	Lower	Upper	Lower
A – 1 rated	100%	80%	50%	15%
A – 2 rated	80%	15%	40%	10%

The Town has the highest A – 1 rated institution limit at 50% and for A – 2 rated institutions at 30%.

Strategic Implications

Priority Area 4: Driving Financial Suitability

4.1 Ensure there is sufficient, effective and sustainable use of assets

Comment

Non-Fossil Fuel Lenders

The existing Policy presently states:

“Preference will be given to invest in financial institutions who do not invest on or finance the fossil fuel industry. “

However, this is subject to the Policy Objective, which presently states:

“To invest funds to ensure the maximisation of returns with due consideration of the associated risks, whilst protecting the initial capital investment and future cash flows.”

Presently, the administration must give effect to Council’s desire for a preference for investment in non-fossil fuel lenders, while maximising returns. Where available interest rates for investments with non-fossil fuel lenders are lower than those available for fossil fuel lenders for an equivalent investment option, the administration must resort to qualitative considerations of balance between these two competing objectives.

It is necessary for the administration to receive guidance from Council, to quantify Council's interest rate expectations for investment in non-fossil fuel lenders so the administration can implement the Investment Policy in a consistent and transparent way.

Consequently, the Committee is now requested to quantify the interest rate differential it recommends Council ought to accept, as well as a cap on that differential expressed in terms of a number of basis points, for comparable investment options with non-fossil fuel lenders.

Broader Restrictions on Investments

The draft amended policy proposes that the inclusions adopted by Council in January 2018 be removed, as the Town is unable to implement those policy measures.

Implementation of the January 2018 amendments requires not only an in-depth understanding of the business of the Authorised Deposit-taking Institution (ADI) and its policies, but also detailed calculations of sources of revenue that are not reported or otherwise publicly available. For non-fossil fuel lenders, the Town uses Marketforces to identify institutions the Town regards as non-fossil fuel lenders. The Marketforces website is regularly updated and is used by many local governments to determine fossil fuel status.

According to its website, Marketforces "*exposes the institutions that are financing environmentally destructive projects and help Australians hold these institutions accountable*". Marketforces categorises financial institutions according to their fossil fuel lending practices, identifying whether they are engaged in lending to fund fossil fuel industries.

There is no equivalent body undertaking the same or similar activity that would assist the Town to categorise financial institutions in terms of the January 2018 amendments to the policy. While most ADIs have corporate positions on environmental, social and governance (ESG) issues which tend to make general statements, with most ADIs stating a commitment to positive change on ESG issues, confirmation of individual investment or financing in areas of controversial weapons, armaments, gambling or old growth logging becomes more complicated with little or no information being included in annual reports or on lender websites. The research showed no reliable or up-to-date websites which provide this information.

As stated in the Background section above, the January 2018 amendment for the Town not to engage in leverage investments of securities is unnecessary given restrictions on the type of investments local governments can make under the *Local Government (Financial management) Regulations 1996*. Local governments cannot invest in securities other than term deposits or government bonds, which cannot be leveraged.

Legislative Requirements

Legislative requirements are included in the document control box at the end of the policy and it is not necessary to repeat the list of Acts within the policy itself. Consequently, this section of the policy is proposed to be removed.

Delegation of Authority

Delegations are included in the Council-adopted Delegations Register which is regularly reviewed. As such, inclusion of such matters in the policy is not necessary. Further, any amendment to the Delegations Register will also require amendment to the Policy. Consequently, this section of the policy is proposed to be removed.

Ethics and Conflicts of Interest

This is covered by the Town's Code of Conduct. Consequently, this section of the policy is proposed to be removed.

Credit Ratings

The portfolio credit framework and counterparty credit framework have been reviewed for appropriateness and benchmarked against other metropolitan local governments, as outlined in the Communication and Engagement section above.

The administration considers the portfolio credit framework and counterparty credit framework to be appropriate for the Town, to achieve the objectives of the policy. Consequently, no change to the existing policy is recommended.

While increasing the A – 2 rated portfolio limit from 60% to 75%, for example, would make it easier for the Town to achieve a higher level of non-fossil fuel investment, it does pose additional risks which may be inconsistent with the principal objective of the policy to preserve capital.

Authorised Investments

The requirements have been summarised in the draft amended policy, rather than re-stating the Regulations.

Fossil Fuel Free Investments

It is proposed to insert a new section into the draft amended policy to give effect to Council's preference for the Town's investments to be made with non-fossil fuel lenders. This is discussed extensively throughout this report.

The administration will aim to achieve investment of 60% of the Town's funds available for investment at any given time with non-fossil fuel lenders, subject to Council's decision in terms of the interest rate differential; noting that the lower the differential, the harder it will be for the Town to meet the criteria enabling higher investments in fossil fuel free deposits.

When investing the funds, the Town must consider risk, liquidity (cash flow requirements), diversification, the lenders' stance on fossil fuel and the restrictions in the policy. This can be a difficult balance, and subject to fluctuation from time-to-time, particularly given different investments are for varying lengths of time, depending on the purpose for which the funds are held by the Town and cash flow requirements. Also, the Town normally holds some funds at call, in an interest-bearing account with its banker, Commonwealth Bank (CBA), which is a fossil fuel lender.

Several corporate takeovers are beginning to have major implications for the Town's investments with non-fossil fuel lenders and may mean the Town will find it more difficult to achieve the target 60% investment with non-fossil fuel lenders. The Town may need to expand its portfolio either via further direct investments in other non-fossil fuel lenders that meet the criteria or via an investment broker with wider access to ADI's.

More specifically, the ANZ (a fossil fuel lender) is presently engaged in a buyout of Suncorp. As the only A-1 rated non-fossil fuel lender, the Town presently relies heavily on Suncorp, with current investment of \$6.5 million as of 31 October 2022 (32% of total funds under investment). If approved by the ACCC, this buyout is expected to be completed in the second half of 2023, removing the only A – 1 rated non-fossil fuel lender as an investment option for the Town.

The Bank of Queensland (BoQ) has recently acquired ME Bank, with ME Bank completing the migration to BoQ's banking system in July 2022. BoQ does not directly fund fossil fuel mining projects but has some exposure through asset and equipment finance used in the extraction of fossil fuels. BoQ has committed to cease funding equipment directly involved in the extraction of fossil fuels by 2024, at which point they will be regarded as a non-fossil fuel lender.

The Town's current investments with ME Bank total \$4.4 million as of 31 October 2022 (21%) and as these investments were made prior to the system migration they are classified by the Town as non-fossil investments. Any new funds invested with ME Bank will be classified as fossil fuel investments.

The Town has recently held meetings with both National Australia Bank and CBA regarding "green" term deposits and bonds and the difference in interest rates that may apply. The Town is awaiting further information to determine whether they represent suitable investment options.

Investment Advisor

It is proposed to make wording changes and incorporate the ability to use an external platform to manage the Town's investments, should the Town need to access a broader range of ADI's.

Reporting and Review

It is proposed to make wording changes.

Glossary of Terms

Considered unnecessary and is proposed to be removed from the draft amended policy.

Application

Considered unnecessary and is proposed to be removed from the draft amended policy.

Statutory Requirements

A local government must comply with the requirements of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996* when investing funds, as follows.

Local Government Act 6.14 Power to invest

(1) Money held in the municipal fund or the trust fund of a local government that is not, for the time being, required by the local government for any other purpose may be invested as trust funds may be invested under the Trustees Act 1962 Part III.

(2A) A local government is to comply with the regulations when investing money referred to in subsection (1).

(2) Regulations in relation to investments by local governments may —

(a) make provision in respect of the investment of money referred to in subsection (1); and

[(b) deleted]

(c) prescribe circumstances in which a local government is required to invest money held by it; and

(d) provide for the application of investment earnings; and

(e) generally provide for the management of those investments.

Local Government (Financial Management) Regulations 1996

19C. Investment of money, restrictions on (Act s. 6.14(2)(a))

1. *In this regulation —*
2. **authorised institution** means —
 - a. *an authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or*
 - b. *the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986;*

foreign currency means a currency except the currency of Australia.

3. *When investing money under section 6.14(1), a local government may not do any of the following —*
 - a. *deposit with an institution except an authorised institution;*
 - b. *deposit for a fixed term of more than 3 years;*
 - c. *invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;*
 - d. *invest in bonds with a term to maturity of more than 3 years;*
 - e. *invest in a foreign currency*

Financial Considerations

The draft amended Investment Policy contains the following clauses in relation to investments in non-fossil fuel lenders:

“8.1 When making investment decisions, the Town will give preference to institutions that do not invest in or finance the fossil fuel industry, where:

8.1.1 The investment complies with all other elements of this Policy, and

*8.1.2 The interest rate is at least **XX** of, and no more than **XX** basis points below, the interest rate available for comparable investment options available at the time.”*

The Committee is requested to make a recommendation to Council as to the interest rate differential and maximum basis point differential that it should accept for investment with non-fossil fuel lenders. The recommendation of the administration is that the interest rate differential be set between zero and 10%, and the basis points cap be set between zero and 50 basis points. The following examples show the effect of some different options open to the Committee.

Example One: Interest rate differential of 1%, with a basis points cap of 5 basis points:

- Where the highest available interest rate offered by a fossil fuel lender for the desired investment is less than 5.0% per annum, the Town will invest in a non-fossil fuel lender equivalent where it can obtain an interest rate within 1%. For example, if a fossil fuel lender is offering a rate of 3.00% for a term deposit taken over 12-months, the Town would be prepared to accept a reduced rate from a non-fossil fuel lender of 2.97% or above. For an investment of \$1 million for a 12-month term this could equate to a loss of potential investment income of up to \$300.
- Where the highest available interest rate offered by a fossil fuel lender for the desired investment is 5.0% per annum or higher, the Town will invest in a non-fossil fuel lender equivalent where it can obtain an interest rate within 5 basis points. For example, if a fossil fuel lender is offering a rate of 5.00% for a term deposit taken over 12-months, the Town would be prepared to accept a reduced rate from a non-fossil fuel lender of 4.95% or above. For an investment of \$1 million for a 12-month term this could equate to a loss of potential investment income of up to \$500.

Example Two: Interest rate differential of 5%, with a basis points cap of 25 basis points:

- Where the highest available interest rate offered by a fossil fuel lender for the desired investment is less than 5.0% per annum, the Town will invest in a non-fossil fuel lender equivalent where it can obtain an interest rate within 5%. For example, if a fossil fuel lender is offering a rate of 3.00% for a term deposit taken over 12-months, the Town would be prepared to accept a reduced rate from a non-fossil fuel lender of 2.85% or above. For an investment of \$1 million for a 12-month term this could equate to a loss of potential investment income of up to \$1,500.
- Where the highest available interest rate offered by a fossil fuel lender for the desired investment is 5.0% per annum or higher, the Town will invest in a non-fossil fuel lender equivalent where it can obtain an interest rate within 25 basis points. For example, if a fossil fuel lender is offering a rate of 5.00% for a term deposit taken over 12-months, the Town would be prepared to accept a reduced rate from a non-fossil fuel lender of 4.75% or above. For an investment of \$1 million for a 12-month term this could equate to a loss of potential investment income of up to \$2,500.

Example Three: Interest rate differential of 10%, with a basis points cap of 50 basis points:

- Where the highest available interest rate offered by a fossil fuel lender for the desired investment is less than 5.0% per annum, the Town will invest in a non-fossil fuel lender equivalent where it can obtain an interest rate within 10%. For example, if a fossil fuel lender is offering a rate of 3.00% for a term deposit taken over 12-months, the Town would be prepared to accept a reduced rate from a non-fossil fuel lender of 2.7% or above. For an investment of \$1 million for a 12-month term this could equate to a loss of potential investment income of up to \$3,000.
- Where the highest available interest rate offered by a fossil fuel lender for the desired investment is 5.0% per annum or higher, the Town will invest in a non-fossil fuel lender equivalent where it can obtain an interest rate within 50 basis points. For example, if a fossil fuel lender is offering a rate of 5.00% for a term deposit taken over 12-months, the Town would be prepared to accept a reduced rate from a non-fossil fuel lender of 4.5% or above. For an investment of \$1 million for a 12-month term this could equate to a loss of potential investment income of up to \$5,000.

The Town's total funds under investment in 2021/22 averaged \$15.5 million, with the actual amount under investment dependant on the time of year and other factors including the timing of rates instalments, grant income and cash flow requirements. Accordingly, the maximum theoretical loss in revenue from the proposed interest rate differential and basis points cap for non-fossil fuel lenders is approximately:

- Option One: \$ 7,750
- Option Two: \$38,750
- Option Three: \$77,500.

That is based on available interest rates of at least 5.0%, which are not presently available. Further, a significant portion of the Town's investments are for terms shorter than 12-months, which generally attract a lower rate of interest. Finally, the Town is unable to invest 100% of the funds available for investment with non-fossil fuel lenders at the present time, given the policies of the various ADI's, cash flow requirements and the portfolio and counterparty credit limits specified in the Investment Policy.

Assuming an average maximum interest rate available from fossil fuel lenders of 3.0%, with 60% of the Town's funds invested with non-fossil fuel lenders, the maximum loss in revenue from the proposed interest rate differential for non-fossil fuel lenders is approximately:

- Option One: \$ 2,790
- Option Two: \$13,950
- Option Three: \$27,900.

Should the interest rates available from non-fossil fuel lenders be close to those available for equivalent investments from fossil fuel lenders, the loss to revenue will be lower.

Risk Management Implications

Financial Risk
Medium

The draft amended Investment Policy has an overall objective of the preservation of capital. The portfolio and counterparty credit portfolio limits specified in the policy are considered appropriate for that objective.

The interest income forgone would be required to be met by a corresponding increase in other revenue or reduction in expenses.

Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

The Director Corporate Services spoke on this report and advised that the Committee is requested to make a recommendation to Council as to the interest rate differential and maximum basis point differential that it should accept for investment with non-fossil fuel lenders.

Officer Recommendation – Item 8.1

That the Audit and Governance Committee recommends that Council adopts the draft amended Investment Policy, as attached to this report, subject to clause 8.1.2 being amended to read as follows:

“The interest rate is at least <<TBD>>% of, and no more than <<TBD>> basis points below, the interest rate available for comparable investment options available at the time. (this section is required to be reworded at the Committee Meeting).”

Committee Recommendation – Item 8.1

AGC-1/11/22

MOVED Cr Poliwka, Seconded Cr Hamilton, that the Audit and Governance Committee recommends that Council adopts the amended draft Investment Policy, as attached to this report, subject to clause 8.1.2 being amended to read as follows:

The interest rate is at least 5% of, and no more than 25 basis points below, the interest rate available for comparable investment options available at the time.

CARRIED BY AN ABSOLUTE MAJORITY 4/1

Cr Poliwka, Cr Hamilton, Cr MacWilliam & Patrick Eijkenboom voted in favour of the motion. Cr McLennan voted against the motion.

8.2 Audit Risk Register	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	GOVN/CCLMEET/1
Author	Paul White
Department	Director Corporate Services
Previous Reports	N/A
Authority/Discretion	Executive The substantial direction setting and oversight role of the Council.
Attachments	1. CONFIDENTIAL - Audit Risk Register - Nov 2022 [8.2.1 - 6 pages]

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Town's Audit Risk Register, with updated actions since the meeting of the Committee on 7 September 2022.

Background

In 2019, a review was undertaken on the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management, internal controls and legislative compliance, pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*. The creation of an Audit Risk Register was a recommendation arising from that review.

Proposal

For the Audit and Governance Committee to receive the Audit Risk Register and consider the action taken or proposed to address the identified risks.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

6.1 Make brave decisions in line with a risk appetite

6.3 Ensure operational activities reflect the strategic focus of Council

6.4 Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community

6.6 Respond effectively and efficiently to crises

Comment

The Audit Risk Register presents a summary of the audit risks and recommendations made in recent internal and external audit reports relating to the Town and provides an update on actions taken or proposed to address the identified risks.

No further Audit Reports have been received since the last meeting of the Committee. The audited annual financial statements for 2020/21 have been delayed. This is the subject of a separate report to this meeting.

Statutory Requirements

The *Local Government (Audit) Regulations 1996, Regulation 16* states:

“An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;**
- (b) to guide and assist the local government in carrying out the local government’s functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO’s report) and is to —
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO’s report to the council;**
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and**

- (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government —*
 - (i) *is required to take by section 7.12A(3); and*
 - (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.”*

Financial Considerations

Implementation of some audit recommendations may require additional funds and will be the subject of separate budget submissions as and when required. Council's Purchasing Policy and the Town's Procurement Framework will govern any required engagements.

Risk Management Implications

Financial Risk
Medium

Risk implications are detailed in the Audit Risk Register.

Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

No new audits have been undertaken since the last meeting. The register has been updated with actions taken since the last meeting.

Committee/Officer Recommendation – Item 8.2 **AGC-2/11/22**

MOVED Cr MacWilliam, Seconded Cr Poliwka, that the Audit and Governance Committee receives the Audit Risk Register and notes the action taken or proposed to be taken, to address the identified risks.

CARRIED UNANIMOUSLY 5/0

8.3 OAG - Audit Committee Chair Forum - October 2022	
Property Address	Address here
Landowner/Applicant	Owner/s here
File Reference	FINM/AUD1
Author	Director Corporate Services
Department	Corporate Services, Corporate Services
Previous Reports	xxReportDetailsxx
Authority/Discretion	Information For the Council/Committee to note.
Attachments	<ol style="list-style-type: none"> 1. OAG Audit Committee Chair October 2022 Summary [8.3.1 - 2 pages] 2. OAG Audit Committee Chair October 2022 Caroline Spencer [8.3.2 - 27 pages] 3. OAG Report 20 Fraud Risk Management Better Practice Guide [8.3.3 - 64 pages]

Purpose

The purpose of this report is to inform the Committee of the most recent Audit Committee Chair Forum held by the Office of the Auditor General, on 13 October 2022, and to draw the Committee's attention to the Auditor General's Fraud Risk Management – Better Practice Guide.

Background

The OAG hosted its fifth Audit Committee Chair Forum, on 13 October 2022. Auditor General Caroline Spencer provided an overview of the 2022 audit season, including audit access and provided a presentation on considerations for audit committees in the era of sustainability reporting. Assistant Auditor General Forensic Audit, Carl Huxtable, presented on the OAG's Fraud Risk Management - Better Practice Guide and the tools available to assist entities to uplift their fraud resilience.

Proposal

That the Committee note the Auditor General's presentation and the Fraud Risk Management – Better Practice Guide.

Communication and Engagement

Nil

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

6.1 Make brave decisions in line with a risk appetite

6.4 Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community

Comment

The Committee considered a new Fraud and Corruption Policy and Fraud and Corruption Control Plan for the Town at its 22 March 2022 meeting and recommended Council adopt both documents, which it did at the March 2022 Ordinary Council Meeting. The Town's Fraud and Corruption Control Plan draws from the Australian Standard AS8001-2021 – 'Fraud and Corruption Control' and is supported by an Action Plan, which the Town will continue to implement throughout 2022/23.

The OAG Fraud Risk Management – Better Practice Guide also draws from Australian Standard AS8001-2021 and the Town's Fraud and Corruption Control Plan is broadly consistent with the Better Practice Guide.

A focus of the Better Practice Guide is aimed at guiding those responsible for developing and implementing an entity's fraud risk management program, and it includes some useful resources designed to support the fraud risk management process. The Town will review its Fraud and Corruption Control Action Plan in light of the Better Practice Guide, to incorporate elements appropriate for the Town.

Statutory Requirements

Regulation 17 of the Local Government (Audit) Regulations 1996 requires local government CEOs to review their entity's systems and procedures, including for risk management, to ensure they are effective and appropriate for the entity's needs.

Financial Considerations

Implementation of the Fraud and Corruption Control Plan may require additional funds and will be the subject of separate budget submissions as and when required. The Town's Purchasing Policy and Procurement Guidelines will govern any required engagements.

Risk Management Implications

Financial Risk
High

The Auditor General reported that:

The Association of Certified Fraud Examiners Report to the Nations 2022, estimated that fraud losses in businesses, government and not-for-profits are approximately 5% of their annual turnover. If this estimate is an accurate reflection of actual fraud losses within the WA public sector, the impact on the people of WA, and the services to them, is considerable.

Fraud within the WA public sector is typical of instances in other jurisdictions and sectors where investigations regularly find deficiencies within entities' controls. These deficiencies may have been identified earlier if the entities had a robust and rigorous fraud risk management program in place.

Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

The Director Corporate Services and Jay Teichert of the Office of the Auditor General, spoke on this item and gave an overview on the Fraud Risk Management - Better Practice Guide and the tools available to assist entities to uplift their fraud resilience.

Committee/Officer Recommendation – Item 8.3 **AGC-3/11/22**

MOVED Cr MacWilliam, Seconded Cr Poliwka, that the Audit and Governance Committee notes the Auditor General's presentation and the Fraud Risk Management – Better Practice Guide.

CARRIED UNANIMOUSLY 5/0

8.4 Delay to the Audited Annual Financial Statements for 2021/22	
Property Address	Address here
Landowner/Applicant	Owner/s here
File Reference	GOVN/CCLMEET/1
Author	Director Corporate Services
Department	Corporate Services, Corporate Services
Previous Reports	xxReportDetailsxx
Authority/Discretion	Information For the Council/Committee to note.
Attachments	Nil

Purpose

The purpose of this report is to inform the Committee of a delay in the Town receiving the audited annual financial statements for 2021/22 and the reason for the delay.

Background

Section 5.53 of the *Local Government Act 1995* requires the Town to prepare an annual report for each financial year, with the local government required to accept the annual report for the previous financial year by 31 December, or within two months of receipt of the auditor's report. The local government must then hold a general meeting of electors within 56 days of accepting the annual report.

The Town had planned to present the annual report, including the audited annual financial statements for 2021/22 to Council for acceptance at the Ordinary Council Meeting, on 13 December 2022, and to propose the annual meeting of electors be held in early-February 2023. However, this is no longer possible due to a significant delay regarding the revaluation of the Town's assets required for the annual financial statements.

Consequently, the following is now proposed:

- Hold a supplementary Audit and Governance Committee meeting on 8 February 2023 for the audit closing meeting and receipt of the annual financial statements and auditors report;
- Present the annual report, with the audited annual financial statements for Council to accept at the Ordinary Council Meeting on 28 February 2023; and
- Hold the general meeting of electors in late-March 2023.

Proposal

That the Committee note the delay in the Town receiving the Audited Annual Financial Statements for 2021/22 and the reason for the delay, and the consequential effect on the timing of the general meeting of electors.

That the Committee recommend to Council that a supplementary meeting of the Audit and Governance Committee be held on 8 February 2023.

Communication and Engagement

The Town has engaged extensively with the appointed contractor engaged to undertake valuation of the Town's land, building and infrastructure assets, and with the appointed auditors RSM Australia, with a view to having the asset revaluation completed in time to allow the audit to be finalised and the annual report presented to Council in 2022.

Strategic Implications

Priority Area 4: Driving Financial Suitability 4.1 Ensure there is sufficient, effective and sustainable use of assets

Comment

All local governments are required to revalue their assets every five years, and the Town's revaluation was due for the financial year ending 30 June 2022. The Town conducted an RFQ process and awarded the contract for revaluation services in May 2022, with completion of the exercise due by 31 August 2022. That would have allowed sufficient time for the Town to undertake its due diligence, complete its financial statements and submit them for audit. However, the asset valuation process has been problematic; with the contractor consistently failing to:

- Meet deadlines
- Provide sufficient and adequate information
- Provide accurate data
- Respond to numerous queries arising from the Town's due diligence in a timely manner.

The Town has completed its annual financial statements for 2021/22 and the asset valuation for the Town's land and buildings is now complete. While the asset valuation for the Town's Infrastructure assets is nearing completion, it cannot now be finalised in time for RSM Australia and then the Auditor General to complete their processes in time to present the auditor's report to Council this year. Whilst drafting this report, the Finance and Assets team are querying the unit rate used by the valuer for the pavement component of the road, showing a substantial change from the previous valuation. This has required further discussion with the Town's auditors, RSM, and its appointed road maintenance contractor.

The Town will investigate options to mitigate the risk of this re-occurring in the future, including staggering the revaluation of different asset classes and bringing the infrastructure revaluation of assets in-house.

Statutory Requirements

Section 5.53 *Local Government Act 1995*

Part 7 *Local Government Act 1995*

Part 4 *Local Government (Financial Management) Regulations 1996*

Financial Considerations

No direct financial consequences, although Town staff (particularly the Manager Finance and Asset Management Contractor) have been tireless in their efforts to progress the matter, and this has dominated their time and taken them away from other important work such as the development of the Long-Term Financial Plan model.

Risk Management Implications

Financial Risk High

The Town is the custodian of significant assets, and the accurate valuation of those assets is a critical component of the annual financial statements. A mis-statement in the infrastructure asset category, which makes up 56% of the Town's total assets, would have a significant impact on the financial position of the Town. To mitigate this risk, the Town engaged the external contractor to perform the Town's Land and Buildings and Infrastructure Categories. Internally, the Town used the services its appointed Asset Management contractor who has extensive knowledge of the Town's assets, with oversight provided by the Manager Finance.

Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

The Manager Finance spoke on this report and the delay in the Town receiving the Audited Annual Financial Statements. It is recommended an additional meeting be held on 8 February 2023 in preparation for the General Meeting of Electors in March 2023.

Cr Hamilton left the room at 6.56pm and returned at 6.57pm.

Cr McLennan left the meeting at 7.01pm and did not return.

Committee/Officer Recommendation – Item 8.4

AGC-4/11/22

MOVED Cr Hamilton, Seconded Cr Poliwka, that the Audit and Governance Committee:

1. Notes the delay in the Town receiving the Audited Annual Financial Statements for 2021/22 and the reason for the delay, and the consequential effect on the timing of the general meeting of electors.
2. Recommends that an additional meeting of the Audit and Governance Committee be held on 8 February 2023.

CARRIED UNANIMOUSLY 4/0

9 Motions of Which Previous Notice Has Been Given

Nil

10 Announcements of Notices of Motion for the Next Meeting

Nil

11 Closure

An additional meeting will be held on Wednesday 8 February 2023 at 5.30pm.

The next Audit and Governance Committee meeting will be held on Wednesday 8 March 2023 commencing at 5.30pm.

There being no further business, the Presiding Member closed the meeting at 7.10pm.

TOWN OF BASSENDEAN
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Certification of Financial Report	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Rate Setting Statement	7
Index of Notes to the Financial Report	8
Independent Auditor's Report	55

Community Vision

A connected community, developing a vibrant and sustainable future, that is built upon the foundations of our past.

Principal place of business:
48 Old Perth Road
BASSENDEAN WA 6054

**TOWN OF BASSENDEAN
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

The attached financial report of the Town of Bassendean for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the Town of Bassendean at 30 June 2022 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the [redacted] day of [redacted] 2023

Interim Chief Executive Officer

Luke Gibson

TOWN OF BASSENDEAN
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual	2022 Budget	2021 Actual
		\$	\$	\$
Revenue				
Rates	27(a),2(a)	13,811,350	13,830,537	13,487,147
Operating grants, subsidies and contributions	2(a)	1,329,075	475,955	1,046,244
Fees and charges	2(a)	6,596,944	6,656,618	6,293,694
Interest earnings	2(a)	190,278	186,903	230,965
Other revenue	2(a)	459,634	169,451	349,755
		22,387,281	21,319,464	21,407,805
Expenses				
Employee costs		(11,068,024)	(11,416,303)	(11,114,402)
Materials and contracts		(6,125,083)	(8,071,432)	(6,061,872)
Utility charges		(682,707)	(688,434)	(666,438)
Depreciation	10(a)	(3,699,531)	(3,845,273)	(3,718,627)
Finance costs	2(b)	(26,133)	(33,068)	(37,655)
Insurance		(440,177)	(454,944)	(436,497)
Other expenditure	2(b)	(860,369)	(787,837)	(623,466)
		(22,902,024)	(25,297,291)	(22,658,957)
		(514,743)	(3,977,827)	(1,251,152)
Discontinued operations	18	(280,377)	(292,487)	(520,191)
Capital grants, subsidies and contributions	2(a)	2,097,693	1,408,141	1,935,996
Profit on asset disposals	10(b)	0	100	30,464
Loss on asset disposals	10(b)	(394,816)	(40,426)	(223,006)
Investment in Local Government House	17 (b)	6,994	0	4,525
Share of net profit of associates accounted for using the equity method - EMRC	22	48,865	0	192,588
Impairment of plant and equipment	8(a)	(145,413)	0	0
		1,332,946	1,075,328	1,420,376
Net result for the period	26(b)	818,203	(2,902,499)	169,224
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	16	(8,855,236)	0	0
Impairment of non-current assets		0	0	(700,013)
Share of comprehensive income accounted for using the equity method - EMRC		172,840	0	(209,871)
Total other comprehensive income for the period	16	(8,682,396)	0	(909,884)
Total comprehensive income for the period		(7,864,193)	(2,902,499)	(740,660)

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

**TOWN OF BASSENDEAN
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	NOTE	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	3	9,502,792	13,222,897
Trade and other receivables	5	2,074,632	1,305,896
Other financial assets	4(a)	5,069,478	1,712,214
Inventories	6	15,976	6,298
Other assets	7	128,670	23,724
TOTAL CURRENT ASSETS		16,791,548	16,271,029
NON-CURRENT ASSETS			
Trade and other receivables	5	334,682	351,868
Other financial assets at amortised cost	4(b)	279,335	290,062
Investment in associate	22(a)	8,057,038	7,835,333
Property, plant and equipment	8	55,870,143	55,007,611
Infrastructure	9	93,327,467	104,025,496
Right-of-use assets	11(a)	212,650	214,107
TOTAL NON-CURRENT ASSETS		158,081,315	167,724,477
TOTAL ASSETS		174,872,863	183,995,506
CURRENT LIABILITIES			
Trade and other payables	12	4,319,267	4,685,158
Other liabilities	13	142,674	628,512
Lease liabilities	11(b)	89,871	93,799
Borrowings	14	104,062	97,696
Employee related provisions	15	2,198,462	2,434,492
TOTAL CURRENT LIABILITIES		6,854,336	7,939,657
NON-CURRENT LIABILITIES			
Other liabilities	13	0	1,560
Lease liabilities	11(b)	125,236	121,891
Borrowings	14	250,552	354,613
Employee related provisions	15	186,056	256,909
TOTAL NON-CURRENT LIABILITIES		561,844	734,973
TOTAL LIABILITIES		7,416,180	8,674,630
NET ASSETS		167,456,683	175,320,876
EQUITY			
Retained surplus		25,320,330	26,369,739
Reserve accounts	30	8,743,503	6,875,891
Revaluation surplus	16	133,392,850	142,075,246
TOTAL EQUITY		167,456,683	175,320,876

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

**TOWN OF BASSENDEAN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	RETAINED SURPLUS	RESERVE ACCOUNTS	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2020		26,916,719	6,159,687	142,985,130	176,061,536
Comprehensive income for the period					
Net result for the period		169,224	0	0	169,224
Other comprehensive income for the period	16	0	0	(909,884)	(909,884)
Total comprehensive income for the period		169,224	0	(909,884)	(740,660)
Transfers from reserves	30	191,394	(191,394)	0	0
Transfers to reserves	30	(907,598)	907,598	0	0
Balance as at 30 June 2021		26,369,739	6,875,891	142,075,246	175,320,876
Comprehensive income for the period					
Net result for the period		818,203	0	0	818,203
Other comprehensive income for the period	16	0	0	(8,682,396)	(8,682,396)
Total comprehensive income for the period		818,203	0	(8,682,396)	(7,864,193)
Transfers from reserves	30	2,354,369	(2,354,369)	0	0
Transfers to reserves	30	(4,221,981)	4,221,981	0	0
Balance as at 30 June 2022		25,320,330	8,743,503	133,392,850	167,456,683

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

**TOWN OF BASSENDEAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		14,041,559	13,830,537	11,916,491
Operating grants, subsidies and contributions		841,677	475,955	3,140,333
Fees and charges		6,265,351	6,656,618	6,295,927
Interest received		190,278	186,903	230,965
Goods and services tax received		1,126,484	960,370	1,097,861
Other revenue		156,987	169,451	157,167
		22,622,336	22,279,834	22,838,744
Payments				
Employee costs		(10,755,389)	(11,119,031)	(10,896,515)
Materials and contracts		(6,955,909)	(8,071,432)	(6,977,933)
Utility charges		(682,707)	(688,434)	(666,438)
Finance costs		(26,543)	(33,068)	(37,655)
Insurance paid		(440,177)	(454,944)	(436,493)
Goods and services tax paid		(1,039,298)	(862,672)	(1,025,812)
Other expenditure		(860,369)	(787,837)	(430,878)
		(20,760,392)	(22,017,418)	(20,471,724)
Discontinued operations		(240,339)	(246,432)	(477,102)
Net cash provided by operating activities	17(b)	1,621,605	15,984	1,889,918
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(690,493)	(3,097,500)	(1,370,482)
Payments for construction of infrastructure	9(a)	(2,537,478)	(1,223,500)	(2,129,496)
Non-operating grants, subsidies and contributions		1,417,189	1,408,141	1,935,996
Proceeds from financial assets at amortised cost		(3,362,885)	4,000,000	7,253,752
Proceeds from clubs/institutions current for loans		16,348	21,000	24,130
Proceeds from financial assets at fair values through profit and loss		6,994	0	4,525
Proceeds from sale of property, plant & equipment	10(b)	4,184	15,100	1,605,745
Net cash provided by (used in) investing activities		(5,146,141)	1,123,241	7,324,170
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	29(a)	(97,695)	(97,696)	(97,007)
Payments for principal portion of lease liabilities	29(b)	(97,874)	0	(167,306)
Net cash used in financing activities		(195,569)	(97,696)	(264,313)
Net increase (decrease) in cash held		(3,720,105)	1,041,529	8,949,775
Cash at beginning of year		13,222,897	1,604,218	4,273,122
Cash and cash equivalents at the end of the year	17(a)	9,502,792	2,645,747	13,222,897

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

TOWN OF BASSENDEAN
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
NET CURRENT ASSETS - At start of financial year - surplus/(deficit)	28(b)	1,865,356	3,379,043	796,267
OPERATING ACTIVITIES				
Revenue from operating activities (excluding general rate)				
Operating grants, subsidies and contributions		1,329,075	475,955	1,046,244
Fees and charges		6,596,944	6,656,618	6,293,694
Interest earnings		190,278	186,903	230,965
Other revenue		459,634	169,451	349,755
Profit on asset disposals	10(b)	0	100	30,464
Fair value adjustments to financial assets at fair value through profit or loss		6,994	0	4,525
Share of net profit of associates and joint ventures accounted for using the equity method		48,865	0	0
		8,631,790	7,489,027	7,955,647
Expenditure from operating activities				
Employee costs		(11,068,024)	(11,416,303)	(11,114,402)
Materials and contracts		(6,125,083)	(8,071,432)	(6,061,872)
Utility charges		(682,707)	(688,434)	(666,438)
Depreciation	10(a)	(3,699,531)	(3,845,273)	(3,718,627)
Finance costs		(26,133)	(33,068)	(37,655)
Insurance		(440,177)	(454,944)	(436,497)
Other expenditure		(860,369)	(787,837)	(623,466)
Loss on asset disposals	10(b)	(394,816)	(40,426)	(223,006)
Impairment loss on revaluation of non-current assets		(145,413)	0	0
		(23,442,253)	(25,337,717)	(22,881,963)
Discontinued operations		(240,339)	(246,432)	(477,102)
Non-cash amounts excluded from operating activities	28(a)	4,753,083	4,008,297	3,899,984
Amount attributable to operating activities		(10,297,719)	(14,086,825)	(11,503,434)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		2,097,693	1,408,141	1,935,996
Proceeds from disposal of assets	10(b)	4,184	15,100	1,605,745
Purchase of property, plant and equipment	8(a)	(690,493)	(3,097,500)	(1,370,482)
Purchase and construction of infrastructure	9(a)	(2,537,478)	(1,223,500)	(2,129,496)
Amount attributable to investing activities		(1,126,094)	(2,897,759)	41,763
FINANCING ACTIVITIES				
Repayment of borrowings	29(a)	(97,695)	(97,696)	(97,007)
Payments for principal portion of lease liabilities	29(b)	(97,874)	0	(167,306)
Self supporting loan principal reimbursed		16,348	21,000	24,130
Transfers to reserves (restricted assets)	30	(4,221,981)	(3,248,455)	(907,598)
Transfers from reserves (restricted assets)	30	2,354,369	3,199,585	191,394
Amount attributable to financing activities		(2,046,833)	(125,566)	(956,387)
Deficit before imposition of general rates		(11,605,290)	(13,731,107)	(11,621,791)
Total amount raised from general rates	27(a)	13,811,350	13,830,537	13,487,147
Surplus after imposition of general rates	28(b)	2,206,060	99,430	1,865,356

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

**TOWN OF BASSENDEAN
FOR THE YEAR ENDED 30 JUNE 2022
INDEX OF NOTES TO THE FINANCIAL REPORT**

Note 1	Basis of Preparation	9
Note 2	Revenue and Expenses	10
Note 3	Cash and Cash Equivalents	12
Note 4	Other Financial Assets	12
Note 5	Trade and Other Receivables	13
Note 6	Inventories	14
Note 7	Other Assets	15
Note 8	Property, Plant and Equipment	16
Note 9	Infrastructure	18
Note 10	Fixed Assets	20
Note 11	Leases	23
Note 12	Trade and Other Payables	24
Note 13	Other Liabilities	25
Note 14	Borrowings	26
Note 15	Employee Related Provisions	27
Note 16	Revaluation Surplus	28
Note 17	Notes to the Statement of Cash Flows	29
Note 18	Discontinued Operations	30
Note 19	Contingent Liabilities	31
Note 20	Capital Commitments	31
Note 21	Related Party Transactions	32
Note 22	Joint Arrangements	35
Note 23	Financial Risk Management	36
Note 24	Events Occurring After the End of the Reporting Period	42
Note 25	Other Significant Accounting Policies	43
Note 26	Function and Activity	44
 Information required by legislation		
Note 27	Rating Information	47
Note 28	Rate Setting Statement Information	50
Note 29	Borrowing and Lease Liabilities	51
Note 30	Reserve accounts	53
Note 31	Trust Funds	54

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with the Local Government Act 1995 and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the Local Government Act 1995 read with the Local Government (Financial Management) Regulations 1996 prescribe that the financial report be prepared in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The Local Government (Financial Management) Regulations 1996 specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost. Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

The local government reporting entity

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 30 of the financial report.

Judgements and estimates

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

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

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.
- estimation of useful lives of non-current assets

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers
Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	On entry or at conclusion of hire
Fees and charges for other goods and services	Library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Output method based on provision of service or completion of works
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	When claim is agreed

Consideration from contracts with customers is included in the transaction price.

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature or types of goods or services is provided in the table below:

For the year ended 30 June 2022

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	13,811,350	0	13,811,350
Operating grants, subsidies and contributions	517,621	0	811,454	0	1,329,075
Fees and charges	6,284,902	0	312,042	0	6,596,944
Interest earnings	0	0	0	190,278	190,278
Other revenue	459,634	0	0	0	459,634
Non-operating grants, subsidies and contributions	0	2,097,693	0	0	2,097,693
Total	7,262,157	2,097,693	14,934,846	190,278	24,484,974

For the year ended 30 June 2021

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	13,487,147	0	13,487,147
Operating grants, subsidies and contributions	442,519	0	603,725	0	1,046,244
Fees and charges	5,821,600	0	472,094	0	6,293,694
Interest earnings	0	0	0	230,965	230,965
Other revenue	349,755	0	0	0	349,755
Non-operating grants, subsidies and contributions	0	1,935,996	0	0	1,935,996
Total	6,613,874	1,935,996	14,562,966	230,965	23,343,801

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

2. REVENUE AND EXPENSES (Continued)

	Note	2022 Actual	2022 Budget	2021 Actual
Interest earnings				
Financial assets at amortised cost - self supporting loans		11,409	20,130	13,051
Interest on reserve funds		35,812	50,100	46,666
Rates instalment and penalty interest (refer Note 23(b))		123,857	60,610	147,732
Other interest earnings		19,200	56,063	23,516
		190,278	186,903	230,965
(b) Expenses				
Auditors remuneration				
- Audit of the Annual Financial Report		45,300	45,000	40,000
- Other services		24,025	45,000	900
		69,325	90,000	40,900
Finance costs				
Borrowings	29(a)	26,133	33,089	37,661
		26,133	33,089	37,661
Discontinued operations	18	0	(21)	(6)
Borrowings after removing discontinued operations		26,133	33,068	37,655
Other expenditure				
Fees, expenses and allowances to elected council members		206,643	209,240	201,134
Information technology licencing and maintenance		200,244	-	-
Information technology strategy implementation		81,096	50,000	-
Waste education		120,161	53,000	381
Library book purchases		57,454	34,500	49,957
Road weeding		159,150	160,000	166,042
Other expenses		369,154	649,373	468,457
		1,193,902	1,156,113	885,971
Discontinued operations	18	(333,533)	(368,276)	(262,505)
Other expenditure after removing discontinued operations		860,369	787,837	623,466

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

3. CASH AND CASH EQUIVALENTS

Cash at bank and on hand
Short term deposits
Total cash and cash equivalents

Held as
- Unrestricted cash and cash equivalents
- Restricted cash and cash equivalents

Note	2022	2021
	\$	\$
	5,502,126	1,613,346
	4,000,666	11,609,551
17(a)	9,502,792	13,222,897
	3,451,981	5,092,775
17(a)	6,050,811	8,130,122
	9,502,792	13,222,897

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

Details of restrictions on financial assets can be found at Note 17.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Financial assets at amortised cost

Self supporting loans receivable
Term deposits

Held as

- Unrestricted other financial assets at amortised cost
- Restricted other financial assets at amortised cost

(b) Non-current assets

Financial assets at amortised cost

Financial assets at amortised cost

Self supporting loans receivable
Units in Local Government House Trust ¹

	2022	2021
	\$	\$
	5,069,478	1,712,214
	5,069,478	1,712,214
28(b)	21,503	20,130
	5,047,975	1,692,084
	5,069,478	1,712,214
17(a)	21,503	20,130
	5,047,975	1,692,084
	5,069,478	1,712,214
	279,335	290,062
	279,335	290,062
	143,179	160,900
	136,156	129,162
	279,335	290,062

¹ The Town owns 7 units in Local Government House valued at \$19,451 per unit.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Town classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 25 (i)) due to the observable market rates.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit and loss

The Town classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Town has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

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

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

5. TRADE AND OTHER RECEIVABLES

	Note	2022 \$	2021 \$
Current			
Rates receivable		827,574	983,747
Trade and other receivables from contracts with customers		1,138,778	110,757
GST receivable		31,025	118,211
Receivables for employee related provisions	15	59,469	83,309
Accrued Income		17,786	9,872
		2,074,632	1,305,896
Non-current			
Pensioner's rates and ESL deferred		334,682	351,868
		334,682	351,868

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they

contain significant financing components, when they are recognised at fair value.

Impairment and risk exposure

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

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective

to collect the contractual cashflows and therefore the Town measures them subsequently at amortised cost using the effective interest rate method.

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

**TOWN OF BASSENDEAN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022**

6. INVENTORIES

	2022	2021
	\$	\$
Current		
Fuel and materials	15,976	6,298
	<u>15,976</u>	<u>6,298</u>

The following movements in inventories occurred during the year -

Balance at beginning of year	6,298	9,037
Inventories expensed during the year	(99,019)	(88,675)
Additions to inventory	108,697	85,936
Balance at end of year	<u>15,976</u>	<u>6,298</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

7. OTHER ASSETS

	2022	2021
	\$	\$
Other assets - current		
Prepayments	105,670	23,724
Assets held for sale	23,000	0
	128,670	23,724

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Note	Land	Buildings	Total land and buildings	Furniture and Equipment	Plant and Equipment	Works in Progress	Minor Assets - Artwork	Total property, plant and equipment
		\$	\$		\$	\$	\$	\$	\$
Balance at 1 July 2020		36,381,646	18,032,087	54,413,733	246,192	993,908	622,757	62,620	56,339,210
Additions		701,377	267,613	968,990	172,059	31,390	198,043	0	1,370,482
Disposals		(1,775,000)	0	(1,775,000)	0	(23,287)	0	0	(1,798,287)
Impairment (losses) / reversals		0	(125,893)	(125,893)	0	0	0	0	(125,893)
Depreciation	10(a)	0	(502,327)	(502,327)	(69,749)	(79,588)	0	0	(651,664)
Transfers		0	(107,826)	(107,826)	604,346	0	(622,757)	0	(126,237)
Balance at 30 June 2021		35,308,023	17,563,654	52,871,677	952,848	922,423	198,043	62,620	55,007,611
Comprises:									
Gross balance amount at 30 June 2021		35,308,023	26,542,914	61,850,937	1,222,919	2,606,268	198,043	62,620	65,940,787
Accumulated depreciation at 30 June 2021		0	(8,979,260)	(8,979,260)	(270,071)	(1,683,845)	0	0	(10,933,176)
Balance at 30 June 2021		35,308,023	17,563,654	52,871,677	952,848	922,423	198,043	62,620	55,007,611
Additions		0	144,655	144,655	134,382	86,219	325,237	0	690,493
Disposals		(375,000)	0	(375,000)	0	(24,000)	0	0	(399,000)
Revaluation increments / (decrements) transferred to revaluation surplus		(1,572,122)	2,987,641	1,415,519	0	0	0	0	1,415,519
Impairment losses		0	0	0	0	(145,413)	0	0	(145,413)
Depreciation	10(a)	0	(501,298)	(501,298)	(111,607)	(79,323)	0	0	(692,228)
Transfers		0	0	0	0	(6,839)	0	0	(6,839)
Balance at 30 June 2022		33,360,901	20,194,652	53,555,553	975,623	753,067	523,280	62,620	55,870,143
Comprises:									
Gross balance amount at 30 June 2022		33,360,901	29,701,362	63,062,263	1,357,302	2,288,548	523,280	62,620	67,294,013
Accumulated depreciation at 30 June 2022		0	(9,506,710)	(9,506,710)	(381,679)	(1,535,481)	0	0	(11,423,870)
Balance at 30 June 2022		33,360,901	20,194,652	53,555,553	975,623	753,067	523,280	62,620	55,870,143

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land - Freehold Land	2 & 3	Market approach using recent observable market data for similar items. (Gross revaluation method)	Independent Valuation	June 2022	Price per hectare/market borrowing rate
Buildings - specialised	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	June 2022	Construction/Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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

(ii) Cost

Following changes to the Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment, furniture and equipment, works in progress and artworks) are being measured using the cost model rather than fair value. This change was effective for the financial year 2019.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Note	Infrastructure - Roads	Infrastructure - Drainage	Infrastructure - Footpaths	Infrastructure - Parks & Ovals	Works in Progress	Total Infrastructure
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2020		65,550,484	21,824,403	6,650,861	11,140,838	120,044	105,286,630
Additions		330,810	34,422	128,347	1,656	1,634,261	2,129,496
Impairment (losses) / reversals		0	(355,450)	0	(218,670)	0	(574,120)
Depreciation	10(a)	(1,490,364)	(595,275)	(243,898)	(613,210)	0	(2,942,747)
Transfers		0	0	0	126,237	0	126,237
Balance at 30 June 2021		64,390,930	20,908,100	6,535,310	10,436,851	1,754,305	104,025,496
Comprises:							
Gross balance at 30 June 2021		85,480,433	40,164,133	10,506,963	18,391,179	1,754,305	156,297,013
Accumulated depreciation at 30 June 2021		(21,089,503)	(19,256,033)	(3,971,653)	(7,954,328)	0	(52,271,517)
Balance at 30 June 2021		64,390,930	20,908,100	6,535,310	10,436,851	1,754,305	104,025,496
Additions		835,256	176,630	0	427,218	1,098,374	2,537,478
Revaluation increments / (decrements) transferred to revaluation surplus		(9,248,900)	(2,883,673)	1,081,082	780,736	0	(10,270,755)
Depreciation	10(a)	(1,495,907)	(594,241)	(246,355)	(612,088)	0	(2,948,591)
Transfers		1,441,707	3,692	0	215,694	(1,677,254)	(16,161)
Balance at 30 June 2022		55,923,086	17,610,508	7,370,037	11,248,411	1,175,425	93,327,467
Comprises:							
Gross balance at 30 June 2022		112,736,584	31,885,885	11,564,507	13,878,781	1,175,425	171,241,182
Accumulated depreciation at 30 June 2022		(54,371,251)	(14,275,377)	(4,194,470)	(5,072,617)	0	(77,913,715)
Balance at 30 June 2022		58,365,333	17,610,508	7,370,037	8,806,164	1,175,425	93,327,467
		58365333	17610508	7370037	8806164	1175425	93327467

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
	Infrastructure - Roads	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Infrastructure - Drainage	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Infrastructure - Parks & Ovals	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS

(a) Depreciation

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Buildings	8(a)	501,298	549,052	502,327
Furniture and Equipment	8(a)	111,607	38,303	69,749
Plant and Equipment	8(a)	79,323	86,646	79,588
Infrastructure - Roads	9(a)	1,495,907	1,629,426	1,490,364
Infrastructure - Drainage	9(a)	594,241	650,819	595,275
Infrastructure - Foopaths	9(a)	246,355	266,655	243,897
Infrastructure - Parks & Ovals	9(a)	612,088	670,427	613,210
Right-of-use assets - Furniture and Equipment	11(a)	31,597	0	41,460
Right-of-use assets - Plant and Equipment	11(a)	67,153	0	125,846
		3,739,569	3,891,328	3,761,716
Less amount attributable to discontinued operations	18	(40,038)	(46,055)	(43,089)
Depreciation after removing discontinued operations		3,699,531	3,845,273	3,718,627

Depreciation rates

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

Asset Class	Useful life
Buildings	20 to 100 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Minor Art Works	Not depreciated
Infrastructure - Roads Componentised	18 to 120 years
Infrastructure - Roads Subgrade	Not depreciated
Infrastructure - Parks Plant & Equipment	3 to 80 years
Infrastructure - Footpaths Componentised	10 to 50 years
Infrastructure - Drainage Componentised	10 to 80 years

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS (Continued)

(b) Disposals of assets

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss	2022 Budget Net Book Value	2022 Budget Sale Proceeds	2022 Budget Profit	2022 Budget Loss	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	375,000	1	0	(374,999)	0	0	0	0	1,775,000	1,592,273	30,000	(212,727)
Plant and Equipment	24,000	4,183	0	(19,817)	55,426	15,100	100	(40,426)	23,287	13,472	464	(10,279)
	399,000	4,184	0	(394,816)	55,426	15,100	100	(40,426)	1,798,287	1,605,745	30,464	(223,006)

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
	\$	\$	\$	\$
Recreation and culture				
1 Surrey St, Pensioner Guard Cottage	375,000	1	0	(374,999)
	375,000	1	0	(374,999)
Other Property and Services				
Ford Ranger Dual Cab Utility	24,000	4,183	0	(19,817)
	24,000	4,183	0	(19,817)
	399,000	4,184	0	(394,816)

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Town includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation

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

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Town.

Revaluation (continued)

At the end of each period the carrying amount for each asset class is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

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

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

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

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

Depreciation on revaluation

When an item of property, plant and equipment and

infrastructure is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

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

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets - Furniture and Equipment	Right-of-use assets - Plant and Equipment	Right-of-use assets Total
		\$	\$	\$
Balance at 1 July 2020		135,253	183,027	318,280
Additions		0	63,133	63,133
Depreciation		(41,460)	(125,846)	(167,306)
Balance at 30 June 2021		93,793	120,314	214,107
Additions		0	97,293	97,293
Depreciation	10(a)	(31,596)	(67,154)	(98,750)
Balance at 30 June 2022		62,197	150,453	212,650

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

		2022 Actual	2021 Actual
		\$	\$
Depreciation on right-of-use assets	10(a)	(98,750)	(167,305)
Interest expense on lease liabilities	29(b)	(6,545)	(5,416)
Total amount recognised in the statement of comprehensive income		(105,295)	(172,721)
Total cash outflow from leases		(104,419)	(172,721)
(b) Lease Liabilities			
Current		89,871	93,799
Non-current	29(b)	125,236	121,891
		215,107	215,690

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued payroll liabilities
Bonds and deposits held
Hyde Retirement Village Bonds
Accrued Interest on loans
CHSP Provision

2022	2021
\$	\$
1,030,197	1,257,206
435,801	378,951
923,733	304,261
1,911,096	2,213,743
16,300	102,500
2,140	2,550
0	425,947
4,319,267	4,685,158

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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

Trade and other payables

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

The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Town recognises revenue for the prepaid rates that have not been refunded.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

13. OTHER LIABILITIES

Current

Contract liabilities
Capital grant/contributions liabilities

Non-current

Contract liabilities

Reconciliation of changes in contract liabilities

Opening balance
Additions
Revenue from contracts with customers included as a contract liability at the start of the period

The Town expects to satisfy the performance obligations from contracts with customers unsatisfied at the end of the reporting period to be satisfied within the next 12 months.

Reconciliation of changes in capital grant/contribution liabilities

Opening balance
Additions
Revenue from capital grant/contributions held as a liability at the start of the period

Expected satisfaction of capital grant/contribution liabilities

Less than 1 year

	2022	2021
	\$	\$
Contract liabilities	142,674	136,560
Capital grant/contributions liabilities	0	491,952
	<u>142,674</u>	<u>628,512</u>
Contract liabilities	0	1,560
	<u>0</u>	<u>1,560</u>
Opening balance	138,120	0
Additions	141,114	138,120
Revenue from contracts with customers included as a contract liability at the start of the period	(136,560)	0
	<u>142,674</u>	<u>138,120</u>
Opening balance	491,952	0
Additions	0	491,952
Revenue from capital grant/contributions held as a liability at the start of the period	(491,952)	0
	<u>0</u>	<u>491,952</u>
Less than 1 year	0	491,952
	<u>0</u>	<u>491,952</u>

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the Town's obligation to transfer goods or services to a customer for which the Town has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Town's obligations to construct recognisable non-financial assets to identified specifications to be controlled the Town which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

14. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		104,062	250,552	354,614	97,696	354,613	452,309
Total secured borrowings	29(a)	104,062	250,552	354,614	97,696	354,613	452,309

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Town of Bassendean. Other loans relate to transferred receivables. Refer to Note 5.

The Town of Bassendean has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 years.

Undrawn Borrowing Facilities

	2022 Actual	2021 Actual
	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Credit card limit	150,000	150,000
Credit card balance at balance date	(25,008)	(14,916)
Total amount of credit unused	224,992	235,084
Loan facilities		
Loan facilities - current	104,062	97,696
Loan facilities - non-current	250,552	354,613
Total facilities in use at balance date	354,614	452,309

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

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

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature. Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 23. Details of individual borrowings required by regulations are provided at Note 29(a).

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

Annual Leave

Long Service Leave

Non-current provisions

Long Service Leave

	2022	2021
	\$	\$
Annual Leave	994,153	1,144,857
Long Service Leave	1,204,309	1,289,635
	<u>2,198,462</u>	<u>2,434,492</u>
Long Service Leave	186,056	256,909
	<u>186,056</u>	<u>256,909</u>
	<u>2,384,518</u>	<u>2,691,401</u>

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

	2022	2021
	\$	\$
Less than 12 months after the reporting date	1,180,209	859,237
More than 12 months from reporting date	1,204,309	1,832,164
	<u>2,384,518</u>	<u>2,691,401</u>

Expected reimbursements of employee related provisions from other WA local governments included within other receivables

	59,469	83,309
--	--------	--------

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Town's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

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

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

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate

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

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

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

16. REVALUATION SURPLUS

	2022 Opening Balance	2022 Revaluation Increment	2022 Revaluation (Decrement)	Total Movement on Revaluation	2022 Closing Balance	2021 Opening Balance	2021 Impairment Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	41,252,189	0	(1,572,122)	(1,572,122)	39,680,067	41,252,189	0	0	0	41,252,189
Revaluation surplus - Buildings	12,511,627	2,987,641	0	2,987,641	15,499,268	12,637,520	(125,893)	0	(125,893)	12,511,627
Revaluation surplus - Furniture and Equipment	56,792	0	0	0	56,792	56,792	0	0	0	56,792
Revaluation surplus - Plant and Equipment	732,285	0	0	0	732,285	732,285	0	0	0	732,285
Revaluation surplus - Infrastructure - Roads	57,996,640	0	(6,806,652)	(6,806,652)	51,189,988	57,996,640	0	0	0	57,996,640
Revaluation surplus - Infrastructure - Drainage	17,406,668	0	(2,883,673)	(2,883,673)	14,522,995	17,762,118	(355,450)	0	(355,450)	17,406,668
Revaluation surplus - Infrastructure - Foopaths	4,698,372	1,081,082	0	1,081,082	5,779,454	4,698,372	0	0	0	4,698,372
Revaluation surplus - Infrastructure - Parks & Ovals	5,662,862	0	(1,661,512)	(1,661,512)	4,001,350	5,881,532	(218,670)	0	(218,670)	5,662,862
Revaluation surplus/(deficit) EMRC	1,757,811	172,840	0	172,840	1,930,651	1,967,682	0	(209,871)	(209,871)	1,757,811
	142,075,246	4,241,563	(12,923,959)	(8,682,396)	133,392,850	142,985,130	(700,013)	(209,871)	(909,884)	142,075,246

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

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	9,502,792	2,645,747	13,222,897

Restrictions

The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents	3	6,050,811	0	8,130,122
- Financial assets at amortised cost	4	5,047,975	9,298,867	1,692,084
		11,098,786	9,298,867	9,822,206

The restricted financial assets are a result of the following specific purposes to which the assets may be used:

Restricted reserve accounts	30	8,743,503	6,841,441	6,875,891
Bonds and deposits		1,927,396	2,200,000	2,213,743
Other restricted assets		266,987	257,426	630,072
Loans to clubs/associations	29(a)	160,900	160,900	102,500
Total restricted financial assets		11,098,786	9,459,767	9,822,206

**(b) Reconciliation of Net Result to Net Cash Provided
By Operating Activities**

Net result		818,203	(2,902,499)	169,224
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit and loss		(6,994)	0	(4,525)
Depreciation/amortisation		3,739,569	3,891,328	3,761,716
(Profit)/loss on sale of asset		394,816	40,326	192,542
Share of profits of associates		(48,865)	0	(192,588)
Impairment of property, plant and equipment		145,413		
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		(71,053)	0	373,484
(Increase)/decrease in other assets		(81,941)	0	17,516
(Increase)/decrease in inventories		(9,678)	0	2,739
Increase/(decrease) in trade and other payables		(365,891)	97,698	(857,441)
Increase/(decrease) in employee related provisions		(306,883)	297,272	217,887
Increase/(decrease) in contract liabilities		(487,398)	0	145,360
Non-operating grants, subsidies and contributions		(2,097,693)	(1,408,141)	(1,935,996)
Net cash provided by/(used in) operating activities		1,621,605	15,984	1,889,918

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

18. DISCONTINUED OPERATIONS

By a confidential Council resolution in November 2020, Council decided to cease provision of home support services to seniors, from the date of expiration of the CHSP funding agreement, on 30 June 2022. Council endorsed a Transition Out Plan, Workforce Plan, Communications Plan and Service Continuity Plan on 28 September 2021.

The Town formally notified the Department of Health of the Town's decision to divest on 31 August 2021. The Department of Health then appointed Amana Living to take over the CHSP programme.

Operations ceased on 30 June 2022 and as per the accounting standards, the income and expenditure is excluded from normal operations for 2021/22 which is estimated as being a net deficit of \$280,377, of which \$40,038 relates to depreciation (a non-cash charge).

Council expects that there will be no significant assets that will be held for sale as a result of divestment except those identified in Note 7

	2022 Actual	2022 Budget	2021 Actual
STATEMENT OF COMPREHENSIVE INCOME			
Revenue			
Operating grants, subsidies and contributions	2,970,325	2,145,023	1,862,706
Fees and charges	178,137	180,000	159,562
Other revenue	56,516	60,000	64,076
	3,204,978	2,385,023	2,086,344
Expenses			
Employee costs	(2,699,294)	(2,062,164)	(2,036,884)
Materials and contracts	(369,646)	(159,564)	(222,765)
Utility charges	(7,339)	0	(3,027)
Depreciation	(40,038)	(46,055)	(43,089)
Finance costs	0	(21)	(6)
Insurance	(35,505)	(41,430)	(38,259)
Other expenditure	(333,533)	(368,276)	(262,505)
	(3,485,355)	(2,677,510)	(2,606,535)
Net operating result for discontinued operations	(280,377)	(292,487)	(520,191)
Impairment of plant and equipment	(145,413)	0	0
	2022 Actual		2021 Actual
IMPACT ON STATEMENT OF FINANCIAL POSITION			
Assets	125,892		
Liabilities	(633,835)		
	2022 Actual		2021 Actual
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash outflows from operating activities	(240,399)		(477,102)
	(240,399)		(477,102)

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

19. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the Town has listed the following sites as potential sources of contamination:

- 87 Whitfield Street, Bassendean
- 69 Scadden Street, Bassendean
- 17 Anstey Road, Bassendean
- 19 Anstey Road, Bassendean
- 27 Hyland Street, Bassendean
- 87 Whitfield Street, Bassendean
- 35 Villiers St West and 29 Elder Parade, Bassendean*
- Ashfield Reserve, Bassendean*
- Lots 214-220 (37-47 Hyland St, 214 Lot Carnegie Rd), Bassendean*

The Town may have other sites that are possible sources of contamination. Until the Town conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with Department of Water and Environmental Regulation on the need and criteria for remediation of risk based approach, the Town is unable to estimate the potential costs associated with remediation of these sites except those marked with an * where only minor works are involved that would be undertaken at the time of any future This approach is consistent with the Department of Water and Environmental Regulation Guidelines.

20. CAPITAL COMMITMENTS

	2022	2021
	\$	\$
Contracted for:		
- Capital expenditure projects	43,520	345,944
- Underground Power - Eden Hill NRUPP Contribution	2,454,568	0
	2,498,088	345,944
Payable:		
- not later than one year	1,270,804	345,944
- later than one year	1,227,284	0

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Councillor Kathryn Hamilton, Mayor (2021/22), Deputy Mayor (2020/21) ¹			
Mayor's /Deputy Mayor's annual allowance	28,747	9,239	9,239
Meeting attendance fees	22,684	16,367	16,367
ICT expenses	3,500	3,500	3,500
Training Expenses	2,669	2,143	954
	57,600	31,249	30,060
Councillor Renee McLennan, Deputy Mayor(2021/22), Mayor (2020/21) ²			
Mayor's /Deputy Mayor's annual allowance	17,524	36,957	36,957
Meeting attendance fees	19,050	25,342	25,342
ICT expenses	3,500	3,500	3,500
Training Expenses	5,512	2,143	2,157
	45,586	67,942	67,956
Councillor Hillary Macwilliam			
Meeting attendance fees	16,367	16,367	16,367
ICT expenses	3,500	3,500	3,500
Training Expenses	979	2,143	1,317
	20,846	22,010	21,184
Councillor Sarah Quinton ³			
Meeting attendance fees	4,803	16,367	16,367
ICT expenses	1,027	3,500	3,500
Training Expenses	0	2,143	0
	5,830	22,010	19,867
Councillor Jai Wilson ³			
Meeting attendance fees	4,803	16,367	16,367
ICT expenses	1,027	3,500	3,500
Training Expenses	0	2,143	390
	5,830	22,010	20,257
Councillor Chris Barty ³			
Meeting attendance fees	4,803	16,367	16,367
ICT expenses	1,027	3,500	3,500
Training Expenses	0	2,143	1,177
	5,830	22,010	21,044
Councillor John Gangell ⁵			
Meeting attendance fees	1,957	16,367	16,367
ICT expenses	418	3,500	3,500
Training Expenses	0	2,142	899
	2,375	22,009	20,766
Councillor Tallan Ames ⁴			
Meeting attendance fees	11,564	0	0
ICT expenses	2,473	0	0
Training Expenses	2,255	0	0
	16,292	0	0
Councillor Jennie Carter ⁴			
Meeting attendance fees	11,564	0	0
ICT expenses	2,473	0	0
Training Expenses	1,906	0	0
	15,943	0	0
Councillor Paul Poliwka ⁴			
Meeting attendance fees	11,564	0	0
ICT expenses	2,473	0	0
Training Expenses	980	0	0
	15,017	0	0

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

21. Elected Member Remuneration (Continued)

Councillor Emily Wilding ⁴

Meeting attendance fees	11,564	0	0
ICT expenses	2,473	0	0
Training Expenses	1,457	0	0
	15,494	0	0

TOTAL

206,643 209,240 201,134

Fees, expenses and allowances to be paid or reimbursed to elected council members.

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Mayor's allowance	37,057	36,957	36,957
Deputy Mayor's allowance	9,214	9,239	9,239
Meeting attendance fees	120,722	123,544	123,544
ICT expenses	23,891	24,500	24,500
Training Expenses	15,759	15,000	6,894
21(b)	206,643	209,240	201,134

¹ Deputy Mayor to 16 October 2021 and then Mayor

² Mayor to 16 October 2021 and then Deputy Mayor

³ Councillor from 16 October 2021

⁴ Councillor from 16 October 2021

⁵ Councillor to 13 August 2021

(b) Key Management Personnel (KMP) Compensation

The total of compensation paid to KMP of the Town during the year are as follows:

	2022 Actual	2021 Actual
	\$	\$
Short-term employee benefits	984,698	1,025,549
Post-employment benefits	137,949	133,295
Employee - other long-term benefits	(81,188)	(73,676)
Council member costs	206,643	201,134
21(a)	1,248,102	1,286,302

There were no payments made to related parties in 2021-22 or 2020-21.

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

These amounts are the current-year's cost of the Town's superannuation contributions made during the year.

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

21. Elected Member Remuneration (Continued)

i. Key management personnel

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

ii. Other Related Parties

An associate person of KMP was employed by the Town under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Town.

iii. Entities subject to significant influence by the Town

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

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

22. JOINT ARRANGEMENTS

Share of joint operations

The Council is a member of the Eastern Metropolitan Regional Council. EMRC was established in accordance with the Local Government Act 1995 and consists of five local governments, namely, Town of Bassendean, City of Bayswater, City of Kalamunda, Shire of Mundaring, and City of Swan. The Town's interest in the associate calculated by EMRC as at 30 June 2022 was 4.72% (4.22% at 30 June 2021), representing its share of the net assets of \$170,759,354 (\$185,752,978 at 30 June 2021). Bassendean's interest in the assets and liabilities of the EMRC is as follows:

	2022 Actual	2021 Actual
	\$	\$
Current assets		
Non current assets	85,207,247	91,484,741
Total assets	121,339,609	115,414,742
	206,546,856	206,899,483
Current liabilities	8,077,758	14,439,344
Non current liabilities	27,709,744	6,707,161
Total liabilities	35,787,502	21,146,505
Net assets	170,759,354	185,752,978
Share of EMRC'S net Assets	8,057,038	7,835,333
Operating activities		
-Share of associates profit/(loss) from ordinary activities	48,865	192,588
- Share of associates other comprehensive income arising during the period	172,840	(209,871)
- Share of associates total comprehensive income arising during the period	221,705	(17,283)
Balance at 1 July	7,835,333	7,852,617
- Share of associates total comprehensive income arising during the period	221,705	(17,284)
Balance at 30 June	8,057,038	7,835,333

SIGNIFICANT ACCOUNTING POLICIES

Joint operations

A joint operation is a joint arrangement where the Town has joint control with another party to the joint arrangement. All parties to joint arrangements have rights to the assets, and obligations for the liabilities relating to the arrangement.

Assets, liabilities, revenues and expenses relating to the Town's interest in the joint operation are accounted for in accordance with the relevant Australian Accounting Standard.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

23. FINANCIAL RISK MANAGEMENT (Continued)

	Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2022					
Cash and cash equivalents	1.17%	9,502,792	4,000,666	4,271,233	1,230,893
Term deposits	2.44%	5,047,975	5,047,975	0	0
2021					
Cash and cash equivalents	0.25%	13,222,897	9,509,538	2,100,013	1,613,346
Financial assets at amortised cost - term deposits	0.42%	1,692,084	1,692,084	0	0

Sensitivity

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

	2022	2021
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	42,712	21,000

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs.

The Town manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Town does not consider there to be any interest rate risk in relation to borrowings.

Details of interest rates applicable to each borrowing may be found at Note 29(a).

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2021 or 1 July 2022 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowance as at 30 June 2022 and 30 June 2021 for rates receivable was determined as follows:

	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total	Note
30 June 2022						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	827,574	334,682	0	0	1,162,256	
Loss allowance	0	0	0	0	0	5
30 June 2021						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	983,747	351,868	0	0	1,335,615	
Loss allowance	0	0	0	0	0	5

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Less than 30 year past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total	
30 June 2022						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	1,059,356	16,197	37,969	25,256	1,138,778	
Loss allowance	0	0	0	0	0	5
30 June 2021						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.4100%		
Gross carrying amount	30,839	36,719	910	42,289	110,757	
Loss allowance	0	0	0	0	0	5

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

There is no loss allowances for trade receivables and contract assets as at 30 June.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Town manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 17 .

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2022					
Trade and other payables	3,302,679	634,743	381,845	4,225,701	4,319,267
Borrowings	104,062	202,071	48,481	354,613	354,614
Contract liabilities	142,674	0	0	57,944	142,674
Lease liabilities	89,871	125,236	0	277,429	215,107
	3,639,286	962,050	430,326	4,915,687	5,031,662
2021					
Trade and other payables	3,075,270	728,108	485,035	4,288,413	4,685,158
Borrowings	124,241	315,672	62,832	502,745	452,309
Contract liabilities	628,512	1,560	0	630,072	630,072
Lease liabilities	93,799	127,251	0	221,050	215,690
	3,921,822	1,172,591	547,867	5,642,280	5,983,229

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There have been no material events after the reporting period which would affect the financial report of the Town for the year ended 30th June 2022 or which would require a separate disclosure.

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest earnings

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

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

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

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

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

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

It is not expected these standards will have an impact on the financial report.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

26. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

Town operations as disclosed in this financial report encompass the following service orientated functions and activities.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE	Administration and operation of facilities and services to members of council; Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	Supervision of various by-laws, fire prevention, emergency services and animal control.
HEALTH	Food quality and pest control, immunisation services, inspection of public buildings and operation of child health services.
EDUCATION AND WELFARE	Provision, management and support of educational services at the pre-school level and assistance to schools. The provision, management and support of welfare services for families, youth, children and the aged within the community.
COMMUNITY AMENITIES	The provision of sanitation (waste management), stormwater drainage, town and regional planning and development, the provision of rest rooms and protection of environment.
RECREATION AND CULTURE	Provision of facilities, and support of organisations concerned with leisure time activities and sport. This includes the provision of leisure programs, halls and community centres, libraries, historical sites, recreation centres, parks, gardens and sportsgrounds.
TRANSPORT	The construction and maintenance of streets, roads, bridges, footpaths and cycle ways.
ECONOMIC SERVICES	Regulation support and/or provision of such services as tourism, area promotion and building control.
OTHER PROPERTY AND SERVICES	Private works, public works overheads, plant operations and other revenues and expenses not elsewhere classified.

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

26. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Income excluding grants, subsidies and contributions			
Governance	39,018	7,800	11,465
General purpose funding	14,310,750	14,170,422	13,896,629
Law, order, public safety	80,320	69,500	75,853
Health	34,040	3,287,100	2,911,509
Education and welfare	3,051,893	3,005,900	2,846,589
Housing	48,865	0	0
Community amenities	3,296,838	123,396	266,731
Recreation and culture	243,082	192,420	220,846
Transport	11,919	22,500	48,098
Economic services	115,116	103,300	385,182
Other property and services	116,877	101,271	149,874
	21,348,718	21,083,609	20,812,776
Grants, subsidies and contributions			
Governance	13,930	0	21,120
General purpose funding	891,661	257,095	580,062
Law, order, public safety	45,676	44,100	42,999
Health	10,000	0	265,504
Education and welfare	3,120,008	2,258,023	1,929,902
Community amenities	95,242	3,610	22,563
Recreation and culture	1,425,253	767,217	95,386
Transport	739,323	699,074	1,887,410
Economic services	56,000	0	0
	6,397,093	4,029,119	4,844,946
Total Income	27,745,811	25,112,728	25,657,722
Expenses			
Governance	(1,241,833)	(1,501,938)	(968,937)
General purpose funding	(924,938)	(997,651)	(851,762)
Law, order, public safety	(688,879)	(728,068)	(640,020)
Health	(818,653)	(4,413,885)	(3,794,663)
Education and welfare	(6,950,694)	(6,185,399)	(5,817,139)
Community amenities	(3,636,323)	(1,170,099)	(1,042,643)
Recreation and culture	(6,027,575)	(6,128,910)	(5,530,725)
Transport	(6,205,946)	(6,444,224)	(6,051,810)
Economic services	(432,969)	(452,156)	(507,450)
Other property and services	(145,211)	7,103	(283,349)
Total expenses	(27,073,021)	(28,015,227)	(25,488,498)
Net result for the period	672,790	(2,902,499)	169,224

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

26. FUNCTION AND ACTIVITY (Continued)

	2022 Actual	2022 Budget	2021 Actual
(c) Fees and Charges (including Service Charges)	\$	\$	\$
General purpose funding	144,285	118,167	106,202
Law, order, public safety	64,805	52,500	62,566
Health	3,106,779	3,283,250	2,909,615
Education and welfare	2,966,172	2,934,900	2,720,535
Community amenities	127,028	114,096	218,223
Recreation and culture	211,809	186,770	164,745
Transport	10,476	2,500	18,097
Economic services	108,386	97,800	184,886
Other property and services	35,341	46,635	68,387
	6,775,081	6,836,618	6,453,256
	2022		2021
	\$		\$
(d) Total Assets			
Governance	6,155,591		3,171,368
General purpose funding	8,040,110		4,332,066
Law, order, public safety	134,278		138,740
Health	89,518		1,497,438
Education and welfare	3,166,232		0
Community amenities	42,004,891		44,597,588
Recreation and culture	21,363,594		22,027,039
Transport	91,391,858		94,735,829
Economic services	967,336		1,006,560
Other property and services	1,254,316		1,509,147
Unallocated	305,139		10,979,731
	174,872,863		183,995,506

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

27. RATING INFORMATION

(a) General Rates

RATE TYPE Rate Description	Rate in \$	Number of Properties	2021/22 Actual Rateable Value * \$	2021/22 Actual Rate Revenue \$	2021/22 Actual Interim Rates \$	2021/22 Actual Back Rates \$	2021/22 Actual Total Revenue \$	2021/22 Budget Rate Revenue \$	2021/22 Budget Interim Rate \$	2021/22 Budget Back Rate \$	2021/22 Budget Total Revenue \$	2020/21 Actual Total Revenue \$
Gross Rental Valuation												
Improved - Residential, Commercial and Industrial	0.084395	5,169	139,216,657	11,185,426	47,601	2,261	11,235,288	11,185,425	65,000	3,500	11,253,925	10,842,824
Vacant Land - Residential, Commercial and Industrial	0.126593	147	2,542,230	291,284	0	0	291,284	291,284	0	0	291,284	0
Sub-Total		5,316	141,758,887	11,476,710	47,601	2,261	11,526,572	11,476,709	65,000	3,500	11,545,209	10,842,824
Minimum payment												
Gross Rental Valuation												
Improved - Residential, Commercial and Industrial	1,106	1,979	17,565,350	2,188,774	0	0	2,188,774	2,188,774	0	0	2,188,774	2,651,082
Vacant Land - Residential, Commercial and Industrial	1,106	93	607,480	102,858	0	0	102,858	102,858	0	0	102,858	0
Sub-Total		2,072	18,172,830	2,291,632	0	0	2,291,632	2,291,632	0	0	2,291,632	2,651,082
		7,388	159,931,717	13,768,342	47,601	2,261	13,818,204	13,768,341	65,000	3,500	13,836,841	13,493,906
Discounts and concessions on general rates (Refer note 27(d))							(6,854)				(6,304)	(6,759)
Total amount raised from general rates							13,811,350				13,830,537	13,487,147

The entire balance of rates revenue has been recognised at a point in time in accordance with AASB 1058 *Income for not-for-profit entities*.

**TOWN OF BASSENDEAN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022**

27. RATING INFORMATION (Continued)

(b) Specified Area Rate

The Town did not levy a specified are rate during the current reporting period

(c) Service Charges

The Town did not levy a service charge during the current reporting period

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

Rates Discounts

Rate or Fee Discount Granted	Type	Discount	2022 Actual	2022 Budget	2021 Actual	Circumstances in which Discount is Granted
		%	\$	\$	\$	
Westcare Inc	Rate	50.00%	6,854	6,304	6,759	Full payment received by the due date.
			6,854	6,304	6,759	

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

27. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	1/10/2021	0	0.0%	7.0%
Option Two				
First instalment	1/10/2021	0	0.0%	7.0%
Second instalment	4/02/2022	12	5.5%	7.0%
Option Two				
First instalment	1/10/2021	0	0.0%	7.0%
Second instalment	3/12/2021	12	5.5%	7.0%
Third instalment	4/02/2022	12	5.5%	7.0%
Fourth instalment	8/04/2022	12	5.5%	7.0%

	Actual	Budget	Actual
	\$	\$	\$
Interest on unpaid rates	119,848	100,000	144,372
Interest on installment plan	4,009	3,360	3,360
Charges on installment plan	56,604	57,250	57,204
	180,461	160,610	204,936

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

28. RATE SETTING STATEMENT INFORMATION

Note	2021/22	2021/22	2021/22	2020/21
	(30 June 2022 Carried Forward) \$	Budget (30 June 2022 Carried Forward) \$	(1 July 2021 Brought Forward) \$	(30 June 2021 Carried Forward) \$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	10(b)	0	(30,464)	(30,464)
Movement in pensioner deferred rates (non-current)		(17,186)	(26,785)	(26,785)
Movement in employee benefit provisions (non-current)		(65,463)	41,567	41,567
Add: Loss on disposal of assets	10(b)	394,816	223,006	223,006
Add: Loss on revaluation of fixed assets	9(a)	145,413	0	0
Add: Depreciation	10(a)	3,699,531	3,845,273	3,718,627
Non-cash movements in non-current assets and liabilities:				
Financial assets at amortised cost		(6,994)	(4,525)	(4,525)
Employee entitlement reserve		601,406	6,284	6,284
Contract liabilities		1,560	(27,726)	(27,726)
Non-cash amounts excluded from operating activities		4,753,083	3,899,984	3,899,984
(a) Non-cash amounts excluded from investing activities				
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserve accounts	30	(8,743,498)	(6,875,891)	(6,875,891)
Less: Financial assets at amortised cost - self supporting loans	4(a)	(21,503)	(20,130)	(20,130)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	14	104,062	97,696	97,696
- Current portion of lease liabilities	11(b)	89,871	93,799	93,799
Total adjustments to net current assets		(8,571,068)	(6,704,526)	(6,704,526)
Net current assets used in the Rate Setting Statement				
Total current assets		16,791,548	16,271,029	16,271,029
Less: Total current liabilities		(6,854,336)	(7,939,657)	(7,939,657)
Less: Total adjustments to net current assets		(8,571,068)	(6,704,526)	(6,704,526)
Add: Liabilities funded by Cash Backed Reserve		839,916	238,510	238,510
Net current assets used in the Rate Setting Statement		2,206,060	1,865,356	1,865,356

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

29. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual						Budget				
		Principal at 1 July 2020	New Loans During 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and Culture												
Civic Centre Redevelopment		240,296	0	(54,472)	185,824	0	(58,046)	127,778	185,825	0	(58,047)	127,778
Civic Centre Redevelopment		103,860	0	(18,405)	85,455	0	(19,519)	65,936	85,454	0	(19,519)	65,935
Total		344,156	0	(72,877)	271,279	0	(77,565)	193,714	271,279	0	(77,566)	193,713
Self Supporting Loans												
Governance												
Ashfield Soccer Club		5,285	0	(5,285)	0	0	0	0	0	0	0	0
TADWA		199,875	0	(18,845)	181,030	0	(20,130)	160,900	181,030	0	(20,130)	160,900
Total Self Supporting Loans		205,160	0	(24,130)	181,030	0	(20,130)	160,900	181,030	0	(20,130)	160,900
Total Borrowings	14	549,316	0	(97,007)	452,309	0	(97,695)	354,614	452,309	0	(97,696)	354,613

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Borrowing Interest Repayments

Purpose	Note	Function and activity	Loan Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021
						\$	\$	\$
Civic Centre Redevelopment		Recreation and culture	160A	WATC	6.31%	(10,340)	(10,370)	(13,505)
Civic Centre Redevelopment		Recreation and culture	160B	WATC	5.92%	(4,421)	(4,631)	(5,745)
Total						(14,761)	(15,001)	(19,250)
Self Supporting Loans Interest Repayments								
Ashfield Soccer Club		Governance	157	WATC	6.80%	0	0	(223)
TADWA		Governance	162	WATC	6.65%	(11,372)	(11,543)	(12,828)
Total Self Supporting Loans Interest Repayments						(11,372)	(11,543)	(13,051)
Total Interest Repayments	2(b)					(26,133)	(26,544)	(32,301)

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

29. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

Purpose	Note	Actual							Budget			
		Principal at 1 July 2020	New Leases During 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
Furniture and equipment	11	\$ 172,368	\$ 63,133	\$ (116,642)	\$ 118,859	\$ 97,291	\$ (64,719)	\$ 151,431	\$ 0	\$ 0	\$ 0	\$ 0
Plant and equipment	11	147,495	0	(50,664)	96,831		(33,155)	63,676	0	0	0	0
Total Lease Liabilities	11(b)	319,863	63,133	(167,306)	215,690	97,291	(97,874)	215,107	0	0	0	0

Purpose	Note	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021
		\$	\$	\$
Furniture and equipment	11	(4,145)	0	(2,993)
Plant and equipment	11	(2,400)	0	(2,367)
Total Interest Repayments	2(b)	(6,545)	0	(5,360)

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

30. RESERVE ACCOUNTS

	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance	2022 Budget Opening Balance	2022 Budget Transfer to	2022 Budget Transfer (from)	2022 Budget Closing Balance	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Aged Persons	565,493	32,876	(84,737)	513,632	565,493	3,680	0	569,173	560,864	4,629	0	565,493
Bus Shelter	21,802	129	0	21,931	21,802	142	0	21,944	21,623	179	0	21,802
Community Facilities	55,018	100,325	0	155,343	28,018	100,182	(25,500)	102,700	54,568	450	0	55,018
Drainage Infrastructure	127,594	10,752	0	138,346	80,428	10,307	0	90,735	126,402	1,192	0	127,594
Employee Entitlements	238,510	601,406	0	839,916	238,510	1,062,241	(400,000)	900,751	232,226	6,284	0	238,510
Future Projects	459,314	222,706	0	682,020	459,314	221,901	0	681,215	511,708	0	(52,394)	459,314
HACC Asset Replacement	115,031	678	(115,709)	0	115,031	716	(105,000)	10,747	114,083	948	0	115,031
Information Technology	200,232	681,180	0	881,412	75,221	324,195	0	399,416	200,000	232	0	200,232
Jubilee Reserve	0	50,000	0	50,000	0	50,000	0	50,000	0	0	0	0
Land and Buildings Infrastructure	2,778,666	175,742	(592,273)	2,362,135	2,777,290	18,083	(772,098)	2,023,275	1,921,462	857,204	0	2,778,666
Marine Assets	25,029	50,147	0	75,176	50,029	50,326	0	100,355	0	25,029	0	25,029
Natural Area	0	251,555	0	251,555	0	250,000	0	250,000	0	0	0	0
Plant and Equipment	367,366	2,165	0	369,531	352,766	2,266	0	355,032	373,872	0	(6,506)	367,366
Street Tree	93,713	552	0	94,265	93,713	610	(93,604)	719	92,670	1,043	0	93,713
Underground Power	86,560	510	0	87,070	86,560	563	0	87,123	85,851	709	0	86,560
Unspent Grants	293,600	1,505	(150,431)	144,674	400,432	0	(400,432)	0	400,432	0	(106,832)	293,600
Waste Asset	0	200,000	0	200,000	0	200,000	0	200,000	0	0	0	0
Waste Management	1,402,951	8,268	(1,411,219)	0	1,402,951	0	(1,402,951)	0	1,393,497	9,454	0	1,402,951
Waste Processing / Disposal	0	677,288	0	677,288	0	377,288	0	377,288	0	0	0	0
Waste Programs	0	903,931	0	903,931	0	575,663	0	575,663	0	0	0	0
Wind in the Willows Child Care	15,021	250,089	0	265,110	15,021	97	0	15,118	40,683	0	(25,662)	15,021
Youth Development	29,991	177	0	30,168	29,992	195	0	30,187	29,746	245	0	29,991
	6,875,891	4,221,981	(2,354,369)	8,743,503	6,792,571	3,248,455	(3,199,585)	6,841,441	6,159,687	907,598	(191,394)	6,875,891

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash / financial assets backed.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Aged Persons	Ongoing	To accrue funds to provide for the operational deficit, refurbishment and capital expenses, for Hyde Retirement Village.
Bus Shelter	Ongoing	To provide funds for the purpose of installation or replacement of bus shelters within the Town.
Community Facilities	Ongoing	To accrue funds for major expenditure in the provision of community facilities.
Drainage Infrastructure	Ongoing	To provide for the renewal and upgrade of the drainage network.
Employee Entitlements	Ongoing	To provide funds for future payments to staff for employee entitlements.
Future Projects	Ongoing	To assist in funding capital initiatives that are generally significant in nature and provide a means to spread the costs of intergenerational assets over multiple years.
HACC Asset Replacement	Ongoing	To provide funding for support of community care programs for senior and disability services.
Information Technology	Ongoing	To fund the acquisition and enhancement of technology and digital service delivery initiatives.
Jubilee Reserve	Ongoing	To accrue funds for major expenditure in the provision of community facilities at Jubilee Reserve.
Land and Buildings Infrastructure	Ongoing	To hold funds accrued as a result of sale of land and buildings for the provisions of funds for the purchase and development of land and building infrastructure.
Marine Assets	Ongoing	To fund the renewal of marine assets ie. jetty, pontoons and associated river bank restoration projects.
Natural Area	Ongoing	To provide for the future restoration of Natural Area Reserves at Point Reserve and Bindaring Park.
Plant and Equipment	Ongoing	To accrue funds for the purpose of replacement of major plant items.
Street Tree	Ongoing	To accrue unspent funds from tree planting program for the purpose of planting and maintaining trees.
Underground Power	Ongoing	To accrue funds to assist residents facing financial hardship with meeting the property owner contribution costs of underground power.
Unspent Grants	Ongoing	To provide for unspent funding received as grant contributions to Works and Services.
Waste Asset	Ongoing	To accrue funds for the long term asset renewal and purchase of new waste management assets.
Waste Management	Ongoing	To accrue funds for the purpose of renewal or upgrade of waste management services.
Waste Processing / Disposal	Ongoing	To accrue funds to accommodate fluctuations in annual waste collection costs and start-up costs of new waste processing (or reduction) programs.
Waste Programs	Ongoing	To implement programs and projects identified in the Strategic Waste Plan.
Wind in the Willows Child Care	Ongoing	To accrue funds for the purpose of asset improvement in the Centre and to cater for future surplus or deficit in operations.
Youth Development	Ongoing	To provide funds for activities and facilities for the benefit of youth in the Town.

**TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

31. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2021	Amounts Received	Amounts Paid	30 June 2022
	\$	\$	\$	\$
Public Open Space	743,952	1,351	0	745,303
	743,952	1,351	0	745,303

Funds of \$573,310 are required to be transferred to the Municipal account from the POS fund relating to work done at 30 June 2022 on the Sandy Beach playspace and ablutions block. This will leave \$171,993 for further utilisation in the financial year 2022-23.



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Town of Bassendean

To the Councillors of the Town of Bassendean

Opinion

I have audited the financial report of the Town of Bassendean (Town) which comprises:

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Town for the year ended 30 June 2022 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

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

The Chief Executive Officer of the Town is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for:

- assessing the Town's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Town.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

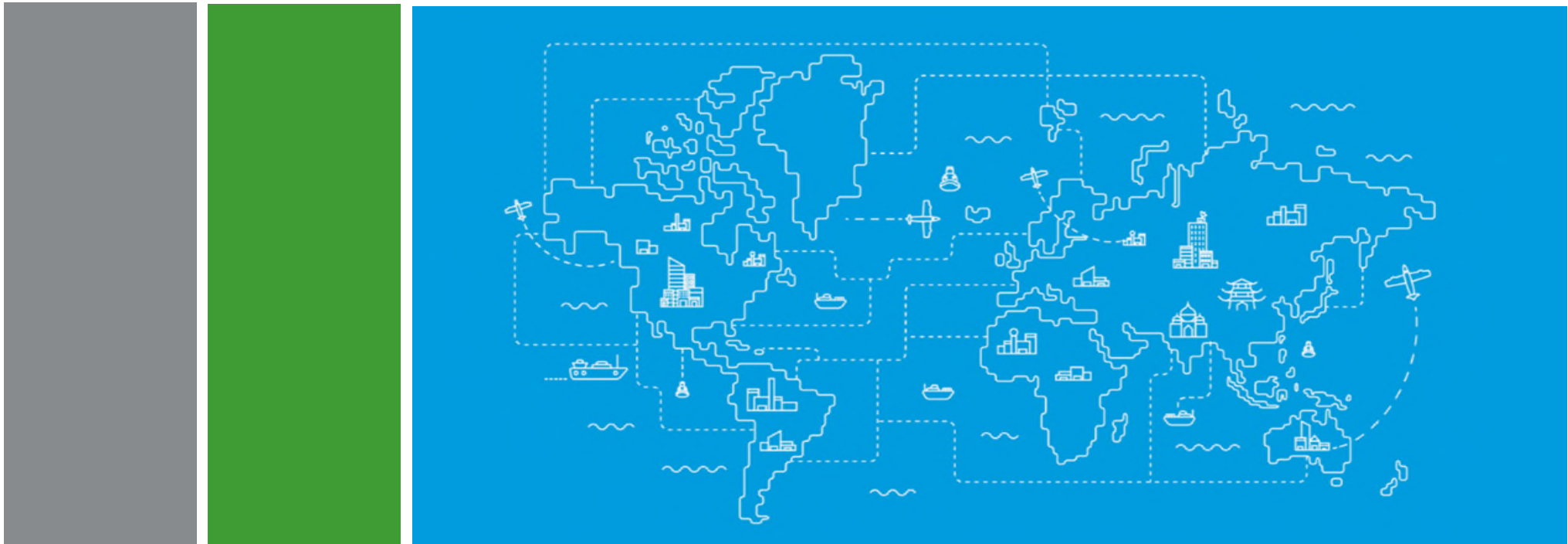
My independence and quality control relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Town of Bassendean for the year ended 30 June 2022 included in the annual report on the Town's website. The Town's management is responsible for the integrity of the Town's website. This audit does not provide assurance on the integrity of the Town's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Town to confirm the information contained in the website version.

DRAFT



TOWN OF BASSENDEAN

AUDIT PLANNING MEMORANDUM

30 June 2022

CONTENTS

1.	Introduction	3
2.	Audit Summary	4
3.	Audit Approach	6
4.	Current Year Developments.....	7
5.	Key Areas of Audit Focus.....	8
5.	Other Critical Areas in the Financial Statements.....	14
6.	Information Systems Audit Approach.....	15
7.	Your Engagement Team.....	16
8.	Have You Considered?.....	17
9.	Appendices	18
	APPENDIX 1 – TIMETABLE	19
	APPENDIX 2 – RSM ORB	21
	APPENDIX 3 – KEY CONTROL	22
	APPENDIX 4 - FRAUD RISK CONSIDERATIONS	24
	APPENDIX 5 - AUDIT APPROACH TO THE KEY AUDIT AREAS	25
	APPENDIX 6 – OTHER GOVERNANCE MATTERS	27
	APPENDIX 7 - CHANGES IN ACCOUNTING STANDARDS.....	28



1. INTRODUCTION

This audit plan outlines the scope of our work and the key considerations in relation to our audit of the Town of Bassendean (“the Town”) for the year ending 30 June 2022.

The purpose of this document is to set out our understanding of the key areas in the audit, when we will conduct the audit and your audit team.

The audit plan is prepared with input from management. The audit plan is tailored for the Town’s environment and revised throughout the year to adjust for business developments, additional relevant matters arising, changes in circumstances, findings from activities performed and feedback we receive from you.

We look forward to working together with you.

Please do not hesitate to contact either Jay, myself or one of the other engagement team members should you wish to discuss any aspect of the engagement.

It is our **strong, collaborative** approach that differentiates us.

We will:

- Be committed to **quality** and **excellence**.
- Provide **tailored insights** to help you make **critical decisions with confidence**.
- **Add value** through ideas and insight.
- Bring you **expert global and local knowledge**.
- Help you **move forward with confidence**.

Experience the power of being understood.

AMIT KABRA

Director – Assurance & Advisory
RSM Australia Pty Ltd

JAY TEICHERT

Director – Financial Audit
WA Office of Auditor General



2. AUDIT SUMMARY

Purpose of the Audit Planning Memorandum

The primary purpose of this Audit Planning Memorandum (APM) is to brief the Town of Bassendean (“the Town”) on the proposed approach by RSM Australia (RSM), on behalf of the Office of the Auditor General (OAG), to audit the financial report and controls and of the Town for the year ending 30 June 2022.

The APM forms the basis for discussion at the audit entrance meeting scheduled for 8 June 2022 and is a key tool for discharging our responsibilities in relation to communicating with those charged with governance.

Scope of the Engagement

The scope of this engagement involves:

- (a) Expressing an opinion on the audit of the general-purpose financial statements for the financial year ending 30 June 2022, prepared in accordance with the *Local Government Act 1995 (Act)*, the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)*¹, Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations. The term ‘Australian Accounting Standards’ refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).
- (b) Report on the Town’s compliance with other legal and regulatory requirements as required by the *Local Government (Audit) Regulations 1996 (Audit Regulations)*¹.

As required by the *Auditor General Act 2006*, the Auditor General is required to express an opinion on the audit of the financial statements and controls.

Matters of significance

In accordance with section 24(1) of the *Auditor General Act 2006*, the Auditor General is required to report on matters arising out of the performance of the Auditor General’s functions that are, in the opinion of the Auditor General, of such significance as to require reporting

Arrangements

Audits are not an absolute guarantee of the accuracy or reliability of Town’s information and may not have identified all matters of significance. This is because the work undertaken to form an opinion is permeated by judgement and most audit evidence is persuasive rather than conclusive. In addition, there are inherent limitations in any audit, including the use of testing, the effectiveness of internal control structures and the possibility of collusion.

Primary responsibility for the detection, investigation and prevention of irregularities rests with the Town. Consequently, the Town remains responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, complying with the *Financial Management Act 2006* and other relevant laws.

Under the *Auditor General Act 2006*, audit staff have unrestricted access to information held by the Town, irrespective of any restrictions on disclosure imposed, such as secrecy provisions.

Confidentiality of audit files and working papers is required under the *Auditor General Act 2006*. The Office of the Auditor General is an ‘exempt agency’ under the *Freedom of Information Act 1992*. The signed contract between the Auditor General and RSM contains strict confidentiality clauses

RSM relationship with the OAG and the Town

RSM has been contracted by the OAG to execute the scope and report to the OAG

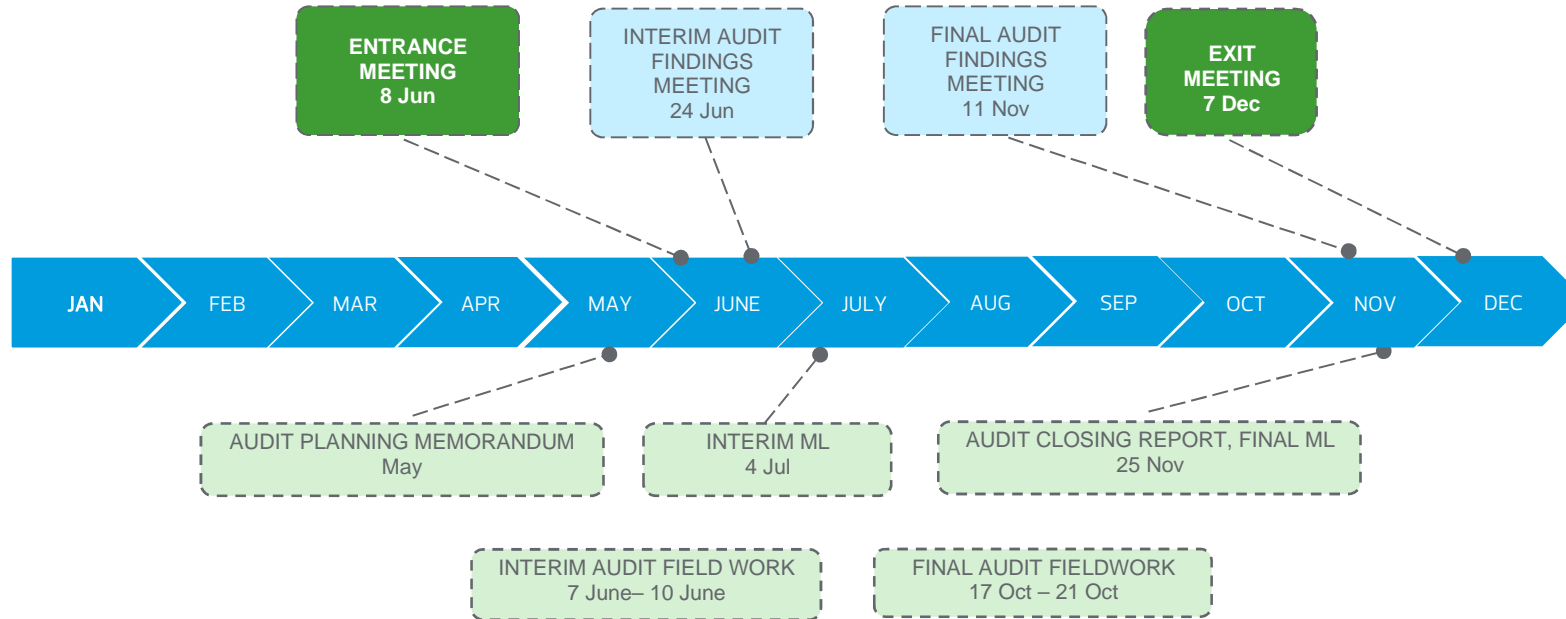
RSM is required to report to the OAG any matter which may affect the Auditor General’s responsibilities under sections 15 and 24 of the *Auditor General Act 2006*.

RSM’s services will be conducted under the overall direction of the Auditor General, who will retain responsibility for forming the audit opinion and issuing the audit report to the Town. The contract requires RSM to use its audit approach and methodology.









¹ As at the date of this APM these regulations are currently undergoing review by the Minister. Refer to Section 4 – *Current Year Developments* of this APM for further discussions.

Timing

Based on discussion with management, we have agreed on the below milestones. A detailed timetable can be found at *Appendix 1*.



3. AUDIT APPROACH

<p>Internal control environment</p> 	<p>In accordance with Australian Auditing Standards, we will perform a review of the design and operating effectiveness of the entity's significant financial recording and reporting processes.</p> <p>We will ensure that any significant deficiencies that come to our attention during our audit are communicated to the councillors and management in a timely manner.</p> <p><i>Refer to Appendix 3 Key Controls for more details.</i></p>	<p>Materiality</p> 	<p>The planning materiality level will be calculated and determined using the RSM international audit methodology. The amount may be adjusted during the audit, depending on the results of our audit procedures.</p> <p>Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements and on our opinion.</p>
<p>Fraud Considerations</p> 	<p>Under Auditing Standard ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.</p> <p>Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of the Town. The Town is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements. <i>Refer to Appendix 4 Fraud Risk for more details.</i></p>	<p>Key Areas of Audit Focus</p> 	<p>For all significant risk material account balances, the engagement team will specify which audit assertions pose significant audit risk and test this balance to ensure it is not materially misstated.</p> <p>Where we have determined that an assessed risk of material misstatement at the assertion level is a significant risk, we will perform substantive procedures that are specifically responsive to that risk.</p> <p>Non-significant risk material balances will be audited by substantive analytical procedures and tests of details, as necessary.</p> <p><i>Refer Section 5 Key Areas of Audit Focus for more details.</i></p>
<p>Information Systems</p> 	<p>In accordance with Australian Auditing Standards, we will obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.</p> <p><i>Refer to Section 7 Information Systems Audit Approach for more details.</i></p>	<p>Other Critical areas</p> 	<p>We will audit the critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed.</p> <p><i>Refer to Section 6 Other Critical Areas in the Financial Statements for more details.</i></p>
<p>Going Concern</p> 	<p>In accordance with Australian Accounting Standards, management is required to make an assessment of the entity's ability to continue as a going concern when preparing the financial report.</p> <p>We will review management's assessment and, along with our audit evidence, form an opinion on the entity's ability to continue as a going concern.</p>	<p>Compliance</p> 	<p>We will enquire and consider the impact on the financial report any non-compliance with laws and regulations during our audit. Any identified instances of non-compliance will be reported to the councillors and management in a timely manner.</p>

4. CURRENT YEAR DEVELOPMENTS

As at the date of this audit plan, the Town has advised the following major developments have, or will, occur during the current financial year, which may significantly affect our audit approach and procedures. We will obtain an update on any further major developments during our interim and final audit procedures

Divestment from the Commonwealth Home Support Program (CHSP) and Home Care Packages (HCP) programmes

RSM Audit response

By a confidential Council Resolution in November 2020, the Council decided to divest from the Commonwealth Home Support Program (CHSP) and Home Care Packages (HCP) programmes effective 1 July 2022. Council endorsed those plans on the 28 September 2021.

As at 30 June 2021, all the non-current assets related to this programmes were continued to be used by the Town. These assets are not specifically identified for sale or lease as at that date. The Town formally notified the Department of Health of the Town's decision to divest, on 31 August 2021. Amana Living have been appointed to take over the program. The decision on the disposal or lease of non-current assets that have been used to run these programs are still in negotiation.

- We will consider the impact of the discontinued operations to ensure that the financial statements comply with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Revaluation of Land & Buildings

RSM Audit response

The Town will undertake revaluation of Land & Buildings as at 30 June 2022.
We have been advised that the revaluations are expected to be completed by August 2022.

- We will consider the impact of the revaluations to ensure fair value measurement of Infrastructure and Land & Buildings as at 30 June 2022 is in accordance with the requirements of AASB 13 *Fair Value Measurement*. Detailed procedures on testing of PPE/Infrastructure assets is discussed in Section 5.

Audit Regulation 17 and Financial Management Regulation

RSM Audit response

The Town's Audit Regulation 17 and Financial Management Regulations 5(2)(c) reviews are due to be completed in 2022.

We have been advised that the reviews are expected to be completed before the end of the financial year.

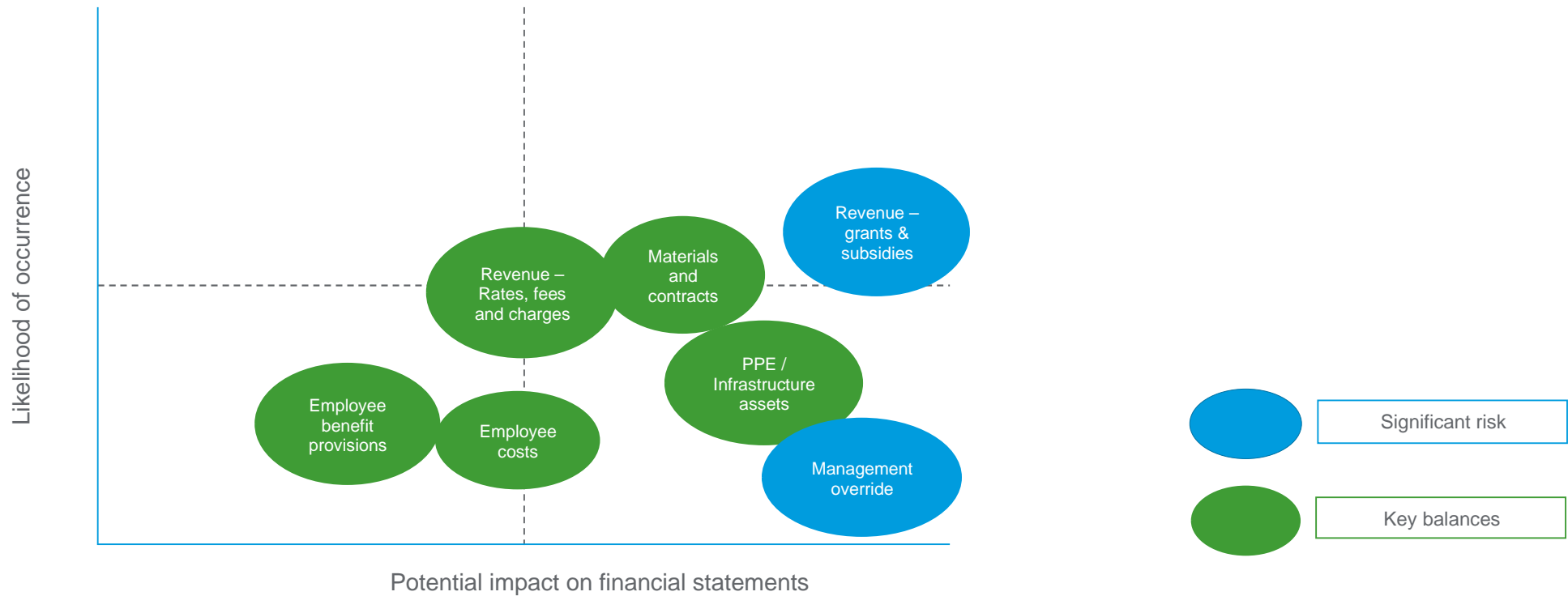
- We will consider the impact of any findings from the review, on the audit.

5. KEY AREAS OF AUDIT FOCUS

As part of the risk assessment, we have determined whether any of the risks identified are, in our judgment, a significant risk. A significant risk is an identified and assessed risk of material misstatement that, in our judgment, requires special audit consideration. The assessment is based upon:

- Enquiries of management
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Whether the area is exposed to fraud risk.

Using the FY22 results to date and FY21 financial statements as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant balances for the current financial year.



Key Areas of Audit Focus (Continued)

Using the 30 June 2022 budget and 30 June 2021 financial report as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant risk areas for the current financial year:

Significant risk area and significant estimates	30 June 2022 \$'000 Budget	30 June 2021 \$'000 Actual	30 June 2020 \$'000 Actual
Revenue and receivables cycle			
Rates	13,831	13,487	13,376
Fees and charges	6,837	6,453	5,970
Operating grants, subsidies and contributions	2,621	2,909	3,249
Non-operating grants, subsidies and contributions	1,408	1,936	1,350
Trade receivables (current and non-current)	*	1,658	2,031
Purchases and payment cycle			
Material and contracts	8,231	7,201	5,168
Property, Plant and Equipment (additions)	3,098	1,370	1,190
Infrastructure (additions)	1,224	2,129	816
Fixed assets cycle			
Property, Plant and Equipment	*	55,008	56,339
Infrastructure	*	104,025	105,287
Significant Estimates			
Employee benefit provisions (current and non-current)	*	2,691	2,474
Depreciation on non-current assets	3,891	3,762	3,732

** Balances expected to be consistent with previous year.

Key Areas of Audit Focus (Continued)

SIGNIFICANT RISK

1. Management override of controls

Reasons why RSM considers this area as significant risk

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

RSM Audit response

- Testing journal entries recorded in the general ledger and adjustments on a sample basis to identify journal entries that exhibit characteristics of audit interest.
- Assessing accounting estimates for evidence of biases
- Review unusual, significant transactions and related party transactions.
- Conduct unpredictability test

2. Revenue recognition – Grant and Subsidies

Reasons why RSM considers this area as significant risk

The Town recognises revenue from multiple revenue streams outside of its income from rates, such as operating grants, subsidies and contributions, fees and charges and non-operating grants, subsidies and contributions.

There is a risk that the recognition of revenue may not be compliant with the requirements of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not-for-Profits*.

Furthermore, there is a presumed fraud risk within revenue recognition under the Australian Auditing Standards.

RSM Audit response

Test of controls including:

- Assess the design, implementation and operating effectiveness of key internal controls operating within the revenue cycle, including application controls.
- Reviewing the IT general controls related to core financial accounting system.

Substantive testing including:

- Perform analytical procedures on fees and charges (such as those related to waste management).
- Performing test of details, on a sample basis, over fees and charges and grants, subsidies and contributions throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in line with the Local Government's revenue recognition policy.
- Perform calculation checks for contract liabilities related to grants, subsidies and contributions and vouch to agreements.
- Review receivables balances on a sample basis and perform subsequent receipt testing.
- Perform testing on journal entries for any management override of internal controls related to revenue recognition.

Key Areas of Audit Focus (Continued)

KEY BALANCES

Account and characteristics	RSM Audit response
<p><i>Revenue – Rates, fees and charges</i></p> <p>Revenue is measured by considering multiple elements, for example rates transactions are calculated by the application of a rate in the dollar to the Gross Rental Value (GRV) or Unimproved Value (UV), which is in turn determined by dividing the required rate collection amount by the total valuations on the roll.</p> <p>GRV's and UV's vary between the various property types, such as residential and commercial. The GRV / UV is supplied by Landgate.</p> <p>Lastly, rates revenue represents a significant portion of the Local Government's annual operating income and is an important revenue stream in terms of the Local Government's cash flows.</p> <p>Fees and charges is a material amount and is measured by the application of an annual charge to rateable land supplied with specified services and other services provided by the Local Government. For example, classic domestic bin services and swimming pool inspection fees. There are also further complexities with the application of the eligible pensioners rebate scheme. In addition, further complexity and risk is associated with the requirement for the Local Government to comply with Part 6, Division 6 'Rates and service charges' of the <i>Local Government Act 1995</i>.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">an assessment of the Town's effectiveness of key internal controls operating within the revenue cycle, including application controlsperform a walkthrough of the key management controls over the revenue cycle and test key management controls <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">review, on a sample basis, the reconciliations and calculation of rates and compare these against historical results.perform revenue cut-off testing and review credit notes.ensure material revenue streams have been properly brought to account in accordance with <i>AASB 15 Revenue from Contracts with Customers</i> and <i>AASB 1058 Income of Not-for-Profit Entities</i>review receivables balances on a sample basis and perform subsequent receipt testingperform analytical procedures on rates through detailed comparison with prior year balances and budget forecastsdetermine if the disclosures in the notes to the financial report related to the Town's revenue recognition policy are appropriate
<p><i>Materials and contracts expense</i></p> <p>The Local Government's expenditure is comprised of several material components, including employee costs, materials and contracts, depreciation and other expenditure.</p> <p>Materials and contracts, comprises a significant portion of the total expenses (excluding employee benefits expense). Combined with the risk of management override, the different cost allocation methods, the strict and complex requirements of the Local Government functions and general regulations, materials and contracts expense is a key balance that has a risk of being materially misstated.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">Assess the design, implementation and operating effectiveness of key internal controls operating within the purchasing and procurement cycle, including application controls.Reviewing the IT general controls related to core financial accounting system.An evaluation of whether the Town's purchasing activities have complied with the Act and the Functions and General Regulations. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">Performing test of details, on a sample basis, over materials and contracts expense. The samples will be selected from transactions occurring throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in the correct period.Perform a search for unrecorded liabilities.

Account and characteristics

RSM Audit response

PPE/ Infrastructure assets

Infrastructure, Property, Plant and Equipment constitutes the majority of the Town's total assets.

Due to the below points including the reliance on valuations for the correct determination and application of significant assumptions regarding the assets' service potential, useful life, asset condition and residual value, potential for management bias when assessing impairment indicators Infrastructure, Property, Plant and Equipment is a key balance that has the risk of being materially misstated.

- Under the Financial Management Regulations, the Local Government's infrastructure land, buildings and investment properties is to be carried at fair value as defined in AASB 13 Fair Value Measurement less accumulated depreciation and accumulated impairment losses. Under regulation 17(4) of the Financial Management Regulations, the Local Government is required to revalue an asset:
 - Whenever the Local Government believes the fair value of the asset is likely to be materially different from the carrying amount; and
 - In any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.
- In accordance with paragraph 9 of AASB 136 Impairment of Assets, the Local Government is required to assess at reporting date whether there is any indication that items of Infrastructure, Property, Plant and Equipment may be impaired.

Employee benefit expense and related provisions

The Local Government's expenditure is comprised of several material components, including employee costs, materials and contracts, depreciation and other expenditure.

Employee costs, comprises a significant portion of the total expenses.

- Perform analytical procedures on procurement through detailed comparison with prior year balances and budget forecasts.

Test of controls including:

- Assessing the design and implementation and where appropriate, testing the effectiveness of key controls operating within the infrastructure, property, plant, and equipment cycle.

Substantive testing including:

- Management review of fair value estimates (obtained from independent expert's valuation report) and reconciliations to general ledger, and consider the scope, competency, and methodology of independent expert's valuation to determine fair values, including consideration of significant assumptions, methods and data utilised. This is applicable in the financial years where a class of asset requires revaluation.
- Checking the accounting treatment and entries for revaluation adjustments.
- Performing test of details, on a sample basis, material additions to Infrastructure, Property, Plant and Equipment (which includes works in progress) to ensure they qualify for capitalisation under AASB 116 *Property, plant and equipment*
- Test accuracy and completeness of data sets including review useful lives, condition assessments and depreciation rates.
- Performing analytical procedures over the annual depreciation charge.
- Review management impairment assessment for any indication of management bias.
- Reviewing the disclosures in the notes to the financial statements are appropriate.

Test of controls including:

- Review and authorisation of new employees and changes in employee details, including terminations.
- Review and approval of payroll reports, including exception reports.
- Segregation of duties between upload and authorisation of pay run.

Substantive testing including:

- Analytical procedures over employee benefit expenses and amounts allocated from employee benefits to capital projects.
- Analytical procedures over annual leave and long service leave provisions.
- Check the mathematical accuracy of the long service leave computation, including consideration of significant assumptions, methods and data utilised.
- Review of Key Management Personnel ('KMP') disclosures in the financial report.
- Review of the work performed by management's external expert in relation to actuarial valuation of the defined benefit superannuation liability.

OTHER MATERIAL BALANCES

Account balance	RSM Audit response
Cash and cash equivalents	<ul style="list-style-type: none">Review bank reconciliation for all material bank accounts.Confirm bank balances with relevant financial institutions.
Trade and other receivables	<ul style="list-style-type: none">On a sample basis, test rate and sundry trade receivables to supporting documentation and subsequent receipts (where possible).Review management's assessment of reasonableness of provision for expected credit losses.
Trade and other payables	<ul style="list-style-type: none">On a sample basis, test trade payables and accruals to supporting documentation and subsequent payment (where possible).Perform a search for unrecorded liabilities.

5. OTHER CRITICAL AREAS IN THE FINANCIAL STATEMENTS

RSM will also audit the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed

Related party disclosures

The Town is subject to the requirements of AASB 124 Related Party Disclosures. The Standard requires disclosures for senior officers' compensation and certain transactions with related parties. A review will be conducted to ensure proper accounting and disclosure of related party transactions and executive remuneration.

Further, section 7.12AL of the Act applies section 17 of the Auditor General Act 2006 to a local government, which requires the Town to advise the Auditor General in writing of details of all related entities that are in existence.

RSM Audit response:

We will review the disclosures and supporting material to ensure compliance with AASB 124. We will also assess the Town's internal controls around the identification and proper disclosure of related party transactions and executive remuneration.

Financial ratios

Under regulation 50 of the Financial Management Regulations, the annual report is to include financial ratios. Financial ratios are designed to enable users of annual financial reports to interpret more clearly the Town's performance and financial results, as well as provide a comparison of trends over several years.

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

RSM Audit response:

We will obtain and audit the ratios to assess compliance with regulation 50 of the Financial Management Regulations.

Capital and other commitments for expenditure

The Town must disclose in the financial statements its capital and other commitments relating to future asset construction and replacements.

RSM Audit response:

We will check the underlying calculations and review the evidence to support the amounts disclosed.

Reserve accounts

The Town has established several reserve accounts under section 6.11 of the Act for the purpose of setting aside money for a specific purpose to be used in a future period. Cash reserves are required to be held in separate bank accounts. Although reserve accounts are aggregated with municipal funds in the financial statements, they are segregated in the notes to the financial statements as restricted funds.

RSM Audit response:

RSM will review the reserve account reconciliations and test that the transfers to and from these accounts are approved by Council and are in accordance with the specific purpose of the reserve.

Major land transactions

Regulation 46 of the Financial Management Regulations prescribes the disclosure requirement for major land transactions. The information to be disclosed by the Town is set out in regulation 47 and includes:

- Details of the total income and expenditure for the transaction; and
- Details of the amount or value of any surplus of money or assets.

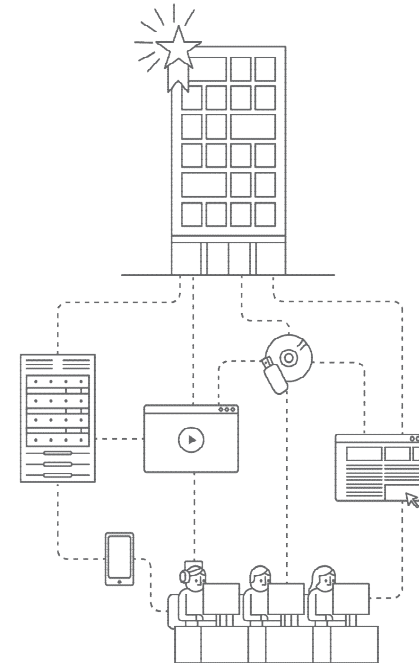
RSM Audit response:

RSM will review the financial records of the Town to assess whether major land transactions, if any, have been identified and disclosed in accordance with regulation 47.

6. INFORMATION SYSTEMS AUDIT APPROACH

The Town's financial information system is not complex and there is no requirement for RSM to engage an Information System Audit specialist. The financial audit team will conduct a high-level review of IT General Controls.

RSM complies with Auditing Standard ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment. Our approach to information systems audit is to obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.



7. YOUR ENGAGEMENT TEAM

Your engagement team has been carefully selected to provide you with an efficient and effective audit through their relevant experience. The audit team consists of the following members:

RSM Core Engagement Team



Amit Kabra
Engagement Director

DL: +61 (0) 8 9261 9594 | **M:** +61 (0) 411 674 167 |
E: amit.kabra@rsm.com.au |



Krushna Hirani
Engagement Manager

DL: +61 (0) 8 9261 9357 | **M:** +61 (0) 431 565 835 |
E: pranjal.sudhir@rsm.com.au |

OAG Representative



Jay Teichert
OAG Director

DL: +61 (0) 8 6557 7742 |
E: Jay.Teichert@audit.wa.gov.au |

Subject Matter Specialists



Ralph Martin
National Technical Director

DL: +61 (0) 8 9261 9374 | **M:** +61 (0) 450 353 270 |
E: ralph.martin@rsm.com.au |



Riaan Bronkhorst
Principal – Security & Privacy

DL: +61 (0) 8 9261 9272 |
E: riaan.bronkhorst@rsm.com.au |



Nadine Marke
Partner – Corporate Finance

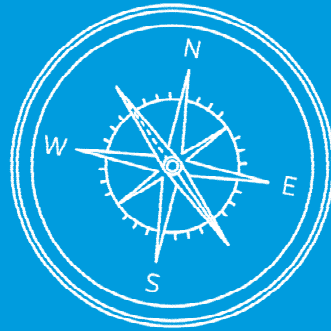
DL: +61 (0) 8 9261 9375 | **M:** +61 (0) 439 684 459 |
E: nadine.marke@rsm.com.au |



8. HAVE YOU CONSIDERED?

Some recent publications from the WA Office of the Auditor General and RSM may be relevant to the Town has been included here for reference.

	<p>Western Australian Public Sector Financial Statements – Better Practice Guide</p> <p>This guide has been developed to promote better practice principles for financial statement preparation for the WA public sector.</p> <p>Western Australian Public Sector Financial Statements – Better Practice Guide - Office of the Auditor General</p>		<p>Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities</p> <p>This report summarises the third year of our 4-year transition into local government financial auditing. It includes the results of 117 local government entities.</p> <p>Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities - Office of the Auditor General</p>
	<p>Cyber Security in Local Government</p> <p>This audit assessed if a sample of 15 local government entities manage cyber security risks and respond to cyber threats effectively.</p> <p>Cyber Security in Local Government - Office of the Auditor General</p>		<p>Cyber Security in Local Government</p> <p>The report summarises the results of our 2020 annual cycle of information systems audits across a selection of 50 local government entities.</p> <p>Local Government General Computer Controls - Office of the Auditor General</p>
	<p>Perspectives on the economic opportunities for the South-West of Western Australia</p> <p>The South West of Western Australia is possibly the most attractive area to invest in throughout all of Australia. Rich in an array of natural resources, agriculture, viticulture and improved access to the city of Perth and beyond, the sun is shining in the South West.</p>		<p>CATCH 22 - Digital transformation and its impact on cybersecurity</p> <p>Regardless of their digital footprint, any business with a reliance on technology is at risk of cybercrime.</p> <p>An in-depth survey of successful companies across Europe has been undertaken for RSM International by the European Business Awards, in order to understand levels of industry awareness of these cyber risks, the actions being taken to combat them, as well as the reaction to breaches taking place.</p> <p>Digital transformation and its impact on cybersecurity (rsm.global)</p>



9. APPENDICES

Item	Particular	Page
1	Detailed Timetable	19
2	RSM Orb	21
3	Key Controls	22
4	Fraud Risk	24
5	Audit Approach to the Key Audit Areas	25
6	Other Governance Matters	27
7	Changes in Accounting Standards	28

APPENDIX 1 – TIMETABLE

Phase	Task	Indicative timeframe*	Action
Planning	Issue draft APM to the Town and OAG for commentary	30 May 2022	RSM
	Entrance meeting with the Audit (Finance and Risk) Committee, the Town's Administration, OAG and RSM for the presentation and discussion of final APM	8 June 2022	RSM OAG Town
Interim audit fieldwork	Issuing of Interim Audit Preparation Checklist to the Town	4 May 2022	RSM
	Based on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures	7 - 10 June 2022	RSM
	Assessment of status of Management Letter points raised for the prior year		
	Review of audit file by the OAG	week of 27 June 2022	OAG
Interim audit reporting	Interim audit findings meeting with the Town's Administration and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any	24 June 2022	RSM Town
	Issue the draft Interim Audit Management Letter (if any) for the year ending 30 June 2022 to the OAG for consideration and comment	28 June 2022	RSM OAG
	Issue of the draft Interim Audit Management Letter (if any) to the Town for consideration and comment.	4 July 2022	RSM Town
	Return of draft Interim Audit Management Letter (if any) to RSM with commentary	11 July 2022	Town
	Issue the Interim Audit Management Letter (if any)	14 July 2022	OAG
Draft financial report	The Town submits proforma financial report to RSM for review and comment. This will be in the form of the statutory model with the previous year's actuals displayed.	31 August 2022	Town
Final audit fieldwork	Issuing of Final Audit Preparation Checklist	1 September 2022	RSM
	Provision of trial balance as at 30 June 2022 to RSM	No later than 30 September 2022	Town
	Town to submit draft financial report as per the Act deadline.	No later than 30 September 2022	Town
	Performance of substantive tests for revenue and expenditure cycles for the 2 months ending 30 June 2022	17 – 21 October 2022	RSM
	Performance of substantive tests for balance sheet accounts as at year end and review of financial statement disclosure		
	Review of audit file by the OAG	Mid November 2022	OAG
Final audit reporting	Final audit findings meeting with the Town's Administration, and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any.	7 November 2022	RSM Town

Phase	Task	Indicative timeframe*	Action
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to the OAG for consideration and comment	7 November 2022	RSM OAG
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to the Town for consideration and comment	10 November 2022	RSM Town
	Return draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to RSM with commentary	16 November 2022	Town
	Issue the Final Audit Management Letter (if any) to the OAG	18 November 2022	RSM
	Issue draft Management Representation Letter and draft Financial Report to the Town for consideration and comment	22 November 2022	RSM
	Issue, Financial Report and Audit Closing Report at least 1 week before exit meeting.	24 November 2022	RSM
	Final audit exit meeting with the Audit (Finance and Risk) Committee, the Town's Administration, OAG and RSM.	1 December 2022	RSM OAG Town
	Independent Contract Auditor's Report issued	15 December 2022	RSM
	OAG to sign and issue the Audit Report	Within 5 working days of receiving the signed financial statements and reporting from RSM.	OAG
	Town's Ordinary Council Meeting for the adoption of the 30 June 2022 Financial Report	20 December 2022	Town

*Based on timely receipt of audit information and reporting documentation and completion of all required audit procedures

Audit preparation checklist.

To assist Town to gather and collate the necessary audit information and documentation, we will issue in advance of each audit visit an Interim Audit Preparation Checklist and a Final Audit Preparation Checklist. As the requested information will be an important part of our audit working papers, the information required must be made available to RSM on or before the audit fieldwork dates specified above. This will facilitate the delivery of an efficient audit and help to minimise interruptions to Town's staff. RSM will endeavour to make the checklists as detailed as possible in order to allow for changing working conditions in place due to applicable guidance at the time with respect to COVID 19.

We will issue in advance of each audit visit an electronic Interim Audit Preparation Checklist and a Final Audit Preparation Checklist utilising iManage. iManage will facilitate the delivery of an efficient audit and help to minimise interruptions to the Town's staff. We have found this facility to be very useful and clients have appreciated the savings in time and reduced disturbance by auditors during the audit fieldwork. The benefits of iManage include:

- Securely request, file and store sensitive data within the audit engagement.
- Collaborate in real time, allowing for a more adaptable workflow.
- Manage requests in one centralised location that is readily accessible.



APPENDIX 2 – RSM ORB



An RSM Audit puts quality at its heart to deliver.

We recognise that the delivery of a quality audit service is critical to achieving client satisfaction and our audit objectives.

In undertaking the audit on the financial report, we have utilised our technology platform and proprietary methodology, RSM Orb.

RSM Orb is our optimal risk-based audit methodology, deployed across more than 100 countries worldwide. Our technology platform and proprietary methodology enables our auditors to focus on your risks and design procedures tailored to your unique circumstances and environment. RSM Orb enables us to develop a deeper understanding of your business, providing you with critical insights now and for the future.

An RSM Orb audit delivers:

Consistency

- A consistent approach across any number of operations and jurisdictions, tailored to your unique risks and circumstances.

Innovation

- Optimising our use of technology in how we plan and conduct our work to enhance your audit experience.

Critical insights

- Pinpointing those areas that require closer scrutiny and enhanced judgement, enabling us to be more effective in addressing risk areas and adding intellectual value and critical insights.

Confidence

- Delivered through robust and considered planning, an efficient technology platform and a highly qualified, experienced team.



APPENDIX 3 – KEY CONTROL

3.1 Internal controls

Internal controls are systems, policies and procedures that help an entity reliably and cost effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely external and internal reporting. The Town is responsible for developing and maintaining its internal control framework to enable:

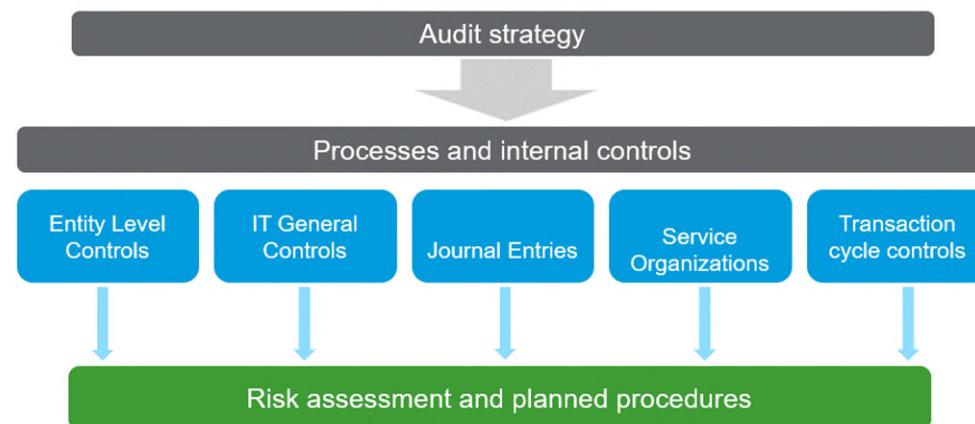
- Preparation of accurate financial records and other information;
- Timely and reliable external and internal reporting;
- Appropriate safeguarding of assets; and
- Prevention or detection and correction of errors and other irregularities.

The annual financial audit enables the Auditor General to form an opinion on the Town's controls. An integral part of this, and a requirement of Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, is to assess the adequacy of an organisation's internal control framework and governance processes related to its financial reporting.

We focus on the internal controls relating to financial reporting and assess whether the Town has managed the risk that the financial statements will not be complete and accurate. Poor controls diminish management's ability to achieve the Town's objectives and comply with relevant legislation. They also increase the risk of fraud.

During our planning procedures reviewed our understanding of the following components of internal control:

- Control environment
- Risk assessment procedures
- Information systems
- Control activities
- Monitoring procedures



Our preliminary assessment of the internal control framework determined that internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. As such, we plan to place reliance on the key internal controls relating to the material components in the financial statements to support the audit opinion

3.2 Significant changes to internal controls

The Town advised that there are no major changes to its management and internal control environments and are not aware of any major changes that may significantly impact the FY22 financial statements.

3.3 Effectiveness of internal controls

The Town's management team has a substantial focus on ensuring that controls in place are robust and that financial reporting is accurate. The financial controls, processes and procedures across the Town are at a mature stage with proper documentation and ownership within the various business units.

The status of the matters raised during the previous audit is as follows:

Matter	Rating	Due Date
AASB 15 and AASB 1058 revenue recognition	Moderate	30 June 2022
Impairment assessment of fixed assets	Moderate	30 June 2022
Business continuity	Moderate	30 June 2022
Vulnerability management	Moderate	30 June 2022
Change management	Moderate	30 December 2022
Physical and environmental security	Moderate	30 June 2023
IT governance – policies and procedures	Minor	Ongoing
Risk management	Minor	30 June 2022
Synergy finance application – user access management	Minor	30 June 2022
Remote – user access management	Minor	30 June 2022
Procurement controls	Minor	Completed

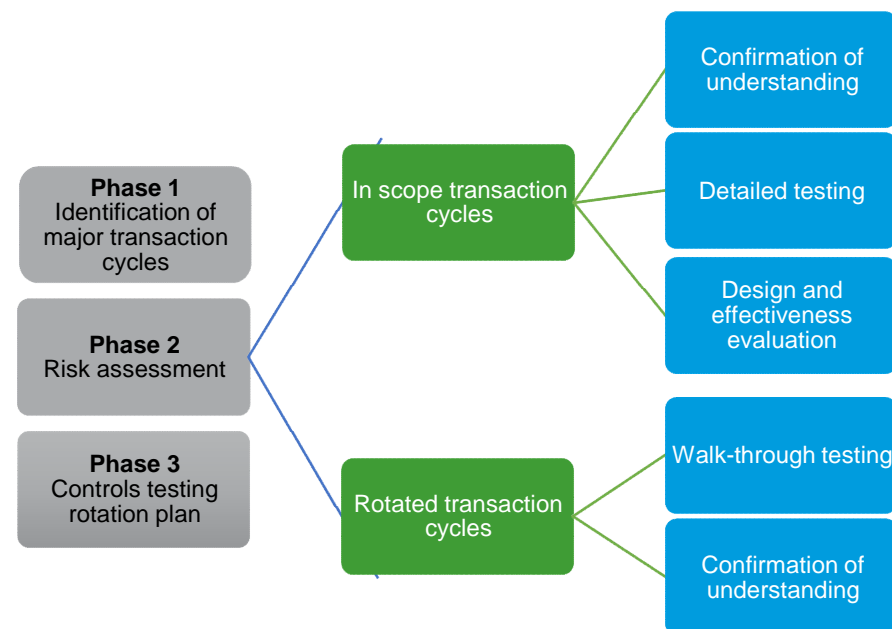
We will review the above matters to ensure the matters have been rectified accordingly.

We will assess the Town's overall control environment, including meeting with senior management and the Town's compliance and internal audit functions. This will include consideration of senior management's approach, the quality of internal audit and risk management processes and procedures.

3.4 Internal audit

Subject to the requirements of Auditing Standard ASA 610 Using the Work of Internal Auditors, if we have satisfied ourselves regarding the competence and objectivity of internal audit, we plan to rely on their work. The use of the Town's internal audit function may be used in the following ways:

- To obtain information that is relevant to RSM's assessments of the risks of material misstatement due to error or fraud; and
- As partial substitution for audit evidence to be obtained directly by RSM.



The responsibility for internal audit rests with the Town. The Town internal audit functions are a mix of internal and outsourced to third parties. We have discussed with Town Manager Finance, the current year internal audit work program and plan to rely on their work where relevant and appropriate.

3.5 Rotation approach

In accordance with our rotational controls testing approach, we will conduct a risk assessment for each major transaction cycle. The risk assessment is benchmarked against our knowledge of each transaction cycle which enables us to design a control testing rotation plan that will bring certain transaction cycles into audit scope each year. Those cycles not in scope will be subject to our normal walk-through procedures and confirmation of our understanding of the key controls. Those transactions cycles in scope will be subject to detailed controls testing, including testing of the design and effectiveness of those controls.

In FY22, we will be testing key management and operating controls over the purchases cycle including fixed asset cycle and rotating out the control testing over the payroll cycle & rates revenue which will update our understanding of the controls and confirm our understanding using walk-through procedures.

APPENDIX 4 - FRAUD RISK CONSIDERATIONS

Under Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.

Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of the Town. The Town is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements.

4.1 Audit approach

Our audit procedures on fraud risk include the following:

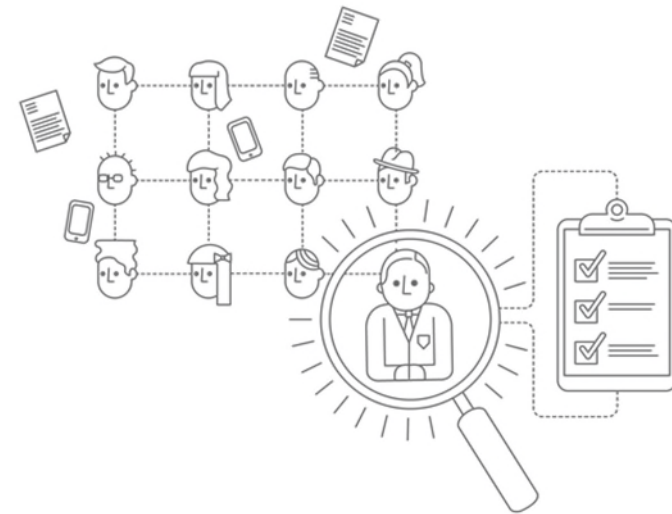
- Forward a copy of the fraud control checklist for self-assessment to the Town management, prior to our interim audit visit. The checklist allows us to make inquiries of management, to obtain its understanding of the risk of fraud within the Town and to determine whether management have any knowledge of fraud that has been perpetrated on or within the entity. We will review the fraud control self-assessment by the Town's management and the Audit Committee.
- Review the Town's fraud control procedures in place to reduce the risk of fraud occurring within the entity, including the Town's code of conduct and fraud risk profile.
- Understand the Town's manual general journal entries process as part of our fraud testing using CaseWare IDEA software.
- Analyse the financial year end balances in comparison with prior period balances to confirm the movements of the balance are in line with our expectations.
- Understand the business rationale for significant or unusual transactions.

4.2 Unpredictability test

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

4.3 Fraud incidences during the year

Town management has represented that no matters have been reported to the Crime and Corruption Commission or the Public Sector Commission. Town management have confirmed that there were no fraud incidences during the current financial year to the date of this APM.



APPENDIX 5 - AUDIT APPROACH TO THE KEY AUDIT AREAS

5.1 Risk assessment

Key audit areas are those areas that, in RSM's professional judgment, will be of most significance in our audit of the financial statements. As part of our audit approach, we have conducted an initial financial statement risk assessment to determine whether any of the risks identified are, in our judgment, significant or high. A significant or high risk is an identified and assessed risk of material misstatement in the financial statements that, in our judgment is a key audit area and requires special audit consideration. Our assessment of key audit areas is based upon:

- Enquiries of management and directors.
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Understanding and reviewing prior year's audited financial statements and audit files
- Whether the area is exposed to fraud risk.

5.2 Professional scepticism

We approach all our audits with a degree of professional scepticism as required by Australian Auditing Standards and the *Auditor General Act 2006*. In addition, professional scepticism is a key component of delivering an effective public sector audit. *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* defines professional scepticism as 'an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence'.

Professional scepticism is particularly relevant in areas that involve management assumptions and/or estimates. It is also critical when evaluating audit evidence to reduce the risk of the auditor:

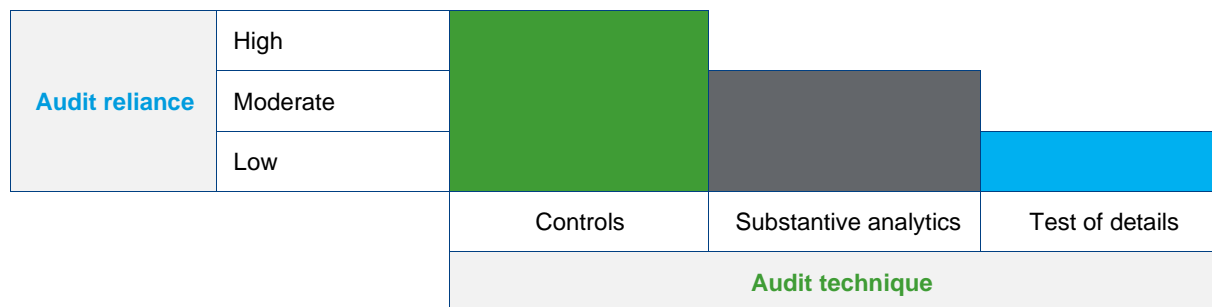
- Overlooking unusual circumstances; and
- Over generalizing when drawing conclusions from observations using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.



5.3 RSM approach to auditing significant risks

RSM's approach to auditing a class of transactions, account balance or disclosure is to initially assess whether there is a reasonable possibility that it could contain a material misstatement. Our risk assessment is based on both quantitative and qualitative criteria to determine whether they are significant.

Our audit strategy follows a hierarchy, which starts with testing of controls, then moves to substantive analytical review procedures and then finally testing of details. The following diagram shows an example where a high level of reliance on controls, along with a moderate level of reliance on substantive analytics is likely to result in testing of details that can safely rely on smaller sample sizes.



Based on previous audit experience at the Town and review of the Town's financial information, we have assessed that we can rely on internal controls, which effectively means we can apply a moderate level of substantive analytics and limited testing of details. This controls based approach is both efficient and effective.

APPENDIX 6 – OTHER GOVERNANCE MATTERS

Management representation letter

The audit plan assumes that the Town representatives will be able to sign a management representation letter. We will draft a management representation letter and forward to the Town for consideration and review. The management representation letter is expected to be signed at the same time as the annual financial report is signed.

We will rely on the Chief Executive Officer and Director of Corporate Services signing the financial statements as evidence that they have:

- Fulfilled their responsibilities for the preparation and fair presentation of the financial statements in accordance with the Financial Management Act 2006, Treasurer's Instructions and Australian Accounting Standards;
- Established and maintained an adequate internal control structure and adequate financial records and performance measurement data;
- Provided RSM with access to all information of which they are aware that is relevant to the preparation of the financial statements, and the operation of controls, such as records, documentation and other matters;
- Recorded all transactions in the accounting and other records and are reflected in the financial statements;
- Advised RSM of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- Advised RSM of all known instances of fraud or suspected fraud affecting the Town involving management, employees who have significant role in internal control or others where the fraud could have a material effect on the financial statements; and
- Provided RSM with the results of their assessment of the risk that the financial statements may be materially misstated because of fraud.

Independence

The Auditor General is an independent officer of the Western Australia Parliament, appointed under legislation to examine, on behalf of Parliament and Western Australia taxpayers, the management of resources within the public sector. The Auditor General is not subject to control or direction by either Parliament or the government. In conducting the audit, the Auditor General, her staff and delegates will comply with all applicable independence requirements of the Australian accounting profession.

The Auditor General requires contract auditors to comply with the auditor rotation requirements of APES 110 Code of Ethics for Professional Accountants. A contract audit director may not play

a significant role in the audit of an agency for more than seven financial years. RSM International audit methodology requires that we conduct an annual re-evaluation of our independence prior to the commencement of each assignment. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interests.

We are fully compliant with our Ethics and Independence Policies, which are verified and tested each year by our Partner Responsible for Ethics and Independence. Each year we are required to submit certain information to our Partner Responsible for Ethics and Independence, which is analysed and subjected to a series of stringent tests. This system has been extensively reviewed by the Australian Securities and Investments Commission and found to be in accordance with Australian Auditing Standards, the Corporations Act 2001 and better practice.



APPENDIX 7 - CHANGES IN ACCOUNTING STANDARDS

Standard or pronouncements	Description	Who does it affect	Effective Date
AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current.	<p>This narrow-scope amendment to AASB 101 Presentation of Financial Statements clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period; and also clarifies the definition of settlement of a liability.</p> <p>For example, a liability must be classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.</p>	All entities	Annual reporting periods beginning on or after 1 January 2023.
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.	<p>This amending standard makes narrow scope amendments to a number of standards:</p> <ul style="list-style-type: none"> ▪ AASB 1: to simplify its application by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences; ▪ AASB 3: updating the reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; ▪ AASB 9: clarifying which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; ▪ AASB 116: requiring an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use, and the related cost, in profit or loss, instead of deducting the amounts received from the cost of the asset; ▪ AASB 137: specifying the costs that an entity includes when assessing whether a contract will be loss-making; and ▪ AASB 141: removing the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards. 	All entities	Annual reporting periods beginning on or after 1 January 2022.

For more information, visit: www.rsm.global/australia/service/audit-and-assurance-services

RSM – the global destination for all your tax, audit and consulting needs.



1 NAME 1 NETWORK 120 COUNTRIES 800 OFFICES 41,400 PEOPLE

RSM Australia Pty Ltd

Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000
T +61 (08) 9261 9100
F +61 (08) 9261 9111
rsm.com.au

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, 2nd Floor, London EC4N 6JJ.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM International Association

Liability limited by a scheme approved under professional standards legislation



[Date]

Our Ref:
Your Ref:

Ms Caroline Spencer
Auditor General
Office of the Auditor General
7th Floor, Albert Facey House
469 Wellington Street
PERTH WA 6000

Dear Ms Spencer

REPRESENTATION LETTER IN RESPECT OF THE TOWN OF BASSENDEAN'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

This representation letter is provided in connection with your audit of the Town **Error! Reference source not found.**'s annual financial report for the year ended 30 June 2022 **Error! Reference source not found.** for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2022 **Error! Reference source not found. Error! Reference source not found.** after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

1. GENERAL

- (a) We have fulfilled our responsibilities for the preparation and fair presentation of the annual financial report in accordance with the Act, the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report, except as disclosed in the Notes to the financial report.
- (d) The prior period comparative information in the financial report has not been restated.
- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.
- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- (g) We have provided your auditors with
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - (ii) Additional information that your auditors have requested for the purpose of the audit.
 - (iii) Unrestricted access to staff and councillors of the Town **Error! Reference source not found.** from whom your auditors determined it necessary to obtain audit evidence.

- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations, and all known data or security breaches whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the **Error! Reference source not found.** involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others
 have occurred to the knowledge of management **Error! Reference source not found.**
- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Town **Error! Reference source not found.**'s financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

2. FAIR VALUE MEASUREMENTS AND DISCLOSURES

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

3. GOING CONCERN

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

4. CONTINGENT LIABILITIES

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.

6. FINANCIAL LIABILITY FOR CONTAMINATED SITES

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Town **Error! Reference source not found.** that is known to be, or is suspected of being,

contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

7. RELATED ENTITIES

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to the Auditor General if any of the Town **Error! Reference source not found.**'s functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2022 **Error! Reference source not found.**

8. RELATED PARTIES

We have disclosed to your auditors the identity of the Town **Error! Reference source not found.**'s related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Town **Error! Reference source not found.**'s key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

We confirm the Town **Error! Reference source not found.**'s key management personnel (KMP) have not received any other money, consideration or benefit (except amounts being reimbursements for out of pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

10. SUBSEQUENT EVENTS

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations **Error! Reference source not found.**

11. INTERNAL CONTROL

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

12. INSURANCE

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

13. RISK MANAGEMENT

We confirm that we have established and maintained a risk management framework that is appropriate to the Town **Error! Reference source not found.**

14. ACCOUNTING MISSTATEMENTS

There were four unadjusted misstatements in the financial report listed below:

Account Description	Assets (\$)	Liability (\$)	Equity (\$)	Profit & loss (\$)
<i>Reversal of prior year unadjusted difference</i>				
Operating grant revenue	-	-	-	425,000
Materials and contracts expense	-	-	-	(425,000)
Being recognition of CHSP grant as per 1058 and accrual of unspent funds payback to the provider				
Other revenue	-	-	-	110,975
Retained surplus	-	-	(110,975)	-
Being recognition of EMRC FY21 dividends declared during the FY21				
Non- operating grant revenue	-	-	-	215,590
Retained surplus	-	-	(215,590)	-
Being recognition of LRCI Phase 2 grant as per AASB 1058				
<i>Current year unadjusted difference</i>				
Materials and contracts expense	-	-	-	83,231
Trade and other payables	-	(83,231)	-	-
Being the unrecognised accrual of waste collection services received in June 2022.				
Total surplus for the year overstated	-	(83,231)	(326,565)	409,796

15. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR'S REPORT

- (a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- (b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the TownError! Reference source not found.'s website is the

same as the final signed versions of the audited annual financial report and the auditor's report.

- (c) We have clearly differentiated between audited and unaudited information in the construction of the Town **Error! Reference source not found.**'s website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

16. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.

Council

Date

NAME:

Chief Executive Officer

Date

NAME: