



# Risk Management and Audit Committee (RMAC) BUSINESS PAPER TUESDAY 26/10/2022

Meeting to be held commencing 10.00am  
In the Council Chambers at 7 Bees Creek Road, Freds Pass

A handwritten signature in black ink, appearing to read 'S. Hoyne'.

**Stephen Hoyne, Chief Executive Officer**

Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting or a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.



## RMAC AGENDA

### LITCHFIELD COUNCIL RMAC MEETING

**Notice of Meeting**  
to be held in the Council Chambers, Litchfield  
on Wednesday, 26 October 2022 at 10.00am

Stephen Hoyne  
Chief Executive Officer

Number	Agenda Item	Page
1	Opening of Meeting	3
2	Apologies and Leave of Absence	3
3	Disclosures of Interest	3
4	Confirmation of Minutes	3
4.01	Confirmation of Minutes	
5	Business Arising from the Minutes	
5.01	Action Sheet	8
6	Presentations	10
	Presentation at item 8.1 - KPMG	
7	Accepting or Declining Late Items	10
8	Officers Reports	10
8.01	Annual 2021/2022 Financial Statements 2021-2022	11-78
	<i>Private Q&amp;A between RMAC and KPMG</i>	
8.02	Audit Committee Performance Assessment	79-108
8.03	Local Government Compliance Review	109-111
9	Other Business	112
10	Confidential Items	112
10.01	Cyber Security Update	
10.02	DRAFT Closing Audit Report 2021-2022	
11	Close of Meeting	112

1. Opening of meeting

2. Apologies and Leaves of Absence

3. Disclosure of Interests

Any member of the RMAC who may have a conflict of interest, or a possible conflict of interest regarding any item of business to be discussed at the RMAC meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.

4. Confirmation of Minutes

THAT the full minutes (including confidential minutes) of the Risk Management and Internal Audit Committee Meeting held Wednesday 31 August 2022, 6 pages, be confirmed.



# RISK MANAGEMENT & AUDIT COMMITTEE

## MINUTES

---

### LITCHFIELD COUNCIL COMMITTEE MEETING

Council Chambers, Litchfield

Wednesday, 31 August 2022 at 4.01pm

---

<b>Present</b>	Garry Lambert	Chairperson (Electronic Attendance)
	Cr Mathew Salter	Committee Member
	Cr Mark Sidey	Committee Member
	Mayor Doug Barden	Ex-Officio
<b>Staff</b>	Stephen Hoyne	Chief Executive Officer
	Nicky McMaster	General Manager Community and Lifestyle
	Maxie Smith	A/General Manager Business Excellence
	James Morgan	Manager Infrastructure and Assets
	Rebecca Taylor	A/Manager People & Performance
	Jessica Eves	Executive Support

---

#### 1. OPENING OF THE MEETING

The Chairperson, Garry Lambert opened the meeting at 4.01pm.

#### 2. APOLOGIES AND LEAVE OF ABSENCE

Nil.

#### 3. DISCLOSURES OF INTEREST

No disclosures of interest were declared.

#### 4. CONFIRMATION OF MINUTES

Moved: Cr Salter

Seconded: Cr Sidey

THAT the minutes of the Open and Confidential Risk Management and Audit Committee meeting held 1 June 2022 be confirmed.

**CARRIED (3-0)**

## **5. BUSINESS ARISING FROM THE MINUTES**

The Risk Management & Audit Committee reviewed the Action Sheet.

## **6. PRESENTATIONS**

Nil.

## **7. ACCEPTING OR DECLINING LATE ITEMS**

Nil.

## **8. OFFICERS REPORTS**

### **8.1 Audit Committee Performance Assessment**

Moved: Chairperson Garry Lambert

Seconded: Cr Salter

THAT the Risk Management and Audit Committee:

1. receive and note the audit committee self-assessment plan; and
2. request that all committee members of the Risk Management and Audit Committee complete the Audit Committee Self-Assessment; and
3. requests that the CEO nominates relevant Executive Team members to complete the Audit Committee Self-Assessment; and
4. requests that Litchfield Council Elected Member/s be nominated to complete the Audit Committee Self-Assessment; and
5. requests that all responses be prepared within a report to be provided to the October 2022 Risk Management and Audit Committee meeting.

**CARRIED (3-0)**

### **8.2 Risk Management Governance Framework**

Moved: Cr Sidey

Seconded: Chairperson Garry Lambert

THAT Risk Management and Audit Committee approve the Risk Management Governance Framework, at Attachment A.

**CARRIED (3-0)**

### **8.3 Risk Register**

Moved: Cr Salter

Seconded: Cr Sidey

THAT the Risk Management and Audit Committee:

1. note the updated risk register at Attachment A; and
2. note the completed action in the risk dashboard of the risk register, which will be removed from the action list and controls to be updated where required; and
3. approve the new reporting arrangements for the risk register.

**CARRIED (3-0)**

### **8.4 Resignation of Independent Chair**

Moved: Chairperson Garry Lambert

Seconded: Cr Sidey

THAT the Risk Management and Audit Committee:

1. receive and note report entitled Resignation of Independent Chair; and
2. accept Mr Lambert's resignation and that a letter be prepared to thank Mr Lambert for his services on the Committee.
3. recommend to Council that funds be allocated to the 2023/24 budget to extend its independent membership on the Risk Management and Audit Committee to include an Independent Member.

**CARRIED (3-0)**

## **9. OTHER BUSINESS**

Nil.

**10. CONFIDENTIAL ITEMS**

Moved: Chairperson Garry Lambert  
Seconded: Cr Salter

THAT pursuant to Section 99(2) of the *Local Government Act 2019* and Regulation 51(1) of the *Local Government (General) Regulations* the meeting be closed to the public to consider the following Confidential Items:

**10.1 Interim Audit Report – Year Ended 30 June 2022**

Regulation 51(1) For section 293(1) of the Act, the following information is prescribed as confidential:

*(e) subject to subregulation (3) – information provided to the council on condition that it be kept confidential and would, if publicly disclosed, be likely to be contrary to the public interest.*

**CARRIED (3-0)**

The meeting was closed to the public at 4:49pm.  
The meeting was re-opened at 4:54pm.

**12. CLOSE OF MEETING**

The Chair closed the meeting at 4:54pm.

**13. NEXT COMMITTEE MEETING**

Wednesday 26 October 2022

**MINUTES TO BE CONFIRMED**

Wednesday 26 October 2022

.....  
**Chair**  
**Garry Lambert**

5. Business Arising from the minutes

THAT Council receives and notes the Action Sheet.



Meeting Date	Agenda Item & Resolution	Action Officer	Status
01/06/2022	<p><b>9.2 Risk Management and Audit Committee Terms of Reference</b>            THAT as per FIN09 Risk Management and Audit Committee Policy part 4.12 the Risk Management and Audit Committee Terms of Reference is circulated to committee for review, prior to the August 2022 meeting.</p>	CEO	Policy contained within this agenda 26 October 2022 (8.02).
31/08/2022	<p><b>8.1 Audit Committee Performance Assessment</b>            THAT the Risk Management and Audit Committee:</p> <ol style="list-style-type: none"> <li>2. request that all committee members of the Risk Management and Audit Committee complete the Audit Committee Self-Assessment; and</li> <li>3. requests that the CEO nominates relevant Executive Team members to complete the Audit Committee Self-Assessment; and</li> <li>4. requests that Litchfield Council Elected Member/s be nominated to complete the Audit Committee Self-Assessment; and</li> <li>5. requests that all responses be prepared within a report to be provided to the October 2022 Risk Management and Audit Committee meeting.</li> </ol>	CEO	Outcome of assessment provided within this agenda (8.02) – Completed
31/08/2022	<p><b>8.4 Resignation of Independent Chair</b>            THAT the Risk Management and Audit Committee:</p> <ol style="list-style-type: none"> <li>2. accept Mr Lambert’s resignation and that a letter be prepared to thank Mr Lambert for his services on the Committee.</li> <li>3. recommend to Council that funds be allocated to the 2023/24 budget to extend its independent membership on the Risk Management and Audit Committee to include an Independent Member.</li> </ol>	CEO	2. Acknowledgement letter prepared for November Special Council meeting – Completed
26/10/2022	<p><b>Risk Register &amp; Internal Audit Update</b>            In accordance with RMAC meeting arrangements, the Risk Register and an update on the Internal Audits is to be tabled at the October 2022 meeting.</p>	CEO	October’s agenda is at capacity, and it is necessary to move items. Hence the Risk Register and Internal Audit update has been moved to the February 2023 RMAC meeting.

6. Presentations

Presentation at item 8.1 - KPMG

7. Accepting or Declining Late Items

8. Officer Reports



## RMAC REPORT

<b>Agenda Item Number:</b>	8.01
<b>Report Title:</b>	Annual Financial Statements 2021-22
<b>Author and Recommending Officer:</b>	Maxie Smith, General Manager Business Excellence
<b>Meeting Date:</b>	26/10/2022
<b>Attachments:</b>	A: DRAFT Litchfield Council Financial Statements 2021-22 B: DRAFT Thorak Regional Cemetery Financial Statements 2021-22 C: Summary of Financials 2021-22

### Executive Summary

To provide the RMAC with the Audited Financial Statements and Summary of Financials for review prior to inclusion in the Annual Report.

### Recommendation

THAT the Risk Management and Audit Committee confirms:

1. the draft Litchfield Council 2021-22 General Purpose Financial Statements are suitable for certification by the Chief Executive Officer for inclusion in the Annual Report and presented to Council;
2. the draft Thorak Regional Cemetery Special Purpose Financial Statements 2021-22 are suitable for certification by the Chief Executive Officer for inclusion in the Annual Report and presented to Council; and
3. the Summary of Financials are suitable for inclusion in the Annual Report and presented to Council.

### Background

FIN09 – Risk Management and Audit Committee Policy contains the following outline of the role of the Risk Management and Audit Committee:

#### 4.9 – Financial Reporting

##### 4.9.1.1 – The Committee shall monitor the integrity of the

- Annual Financial Statements of the Council, reviewing the significant financial reporting issues and judgements which they contain; and
- The annual report.

4.9.1.2 – The Committee shall review and challenge where necessary:

- The consistency of, and/or any changes to, accounting policies;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity of disclosure in the Council’s financial reports and the context in which statements are made; and
- All material information presented with the financial statements.

The complete Annual Report 2021-22 will be presented to Council at a Special Council Meeting scheduled to be held on Tuesday 8 November 2022 for adoption.

The Draft Audit Report is presented in confidential at this meeting and the Auditors from KPMG are in attendance for the Committee to discuss the report with the Auditors without the presence of Management.

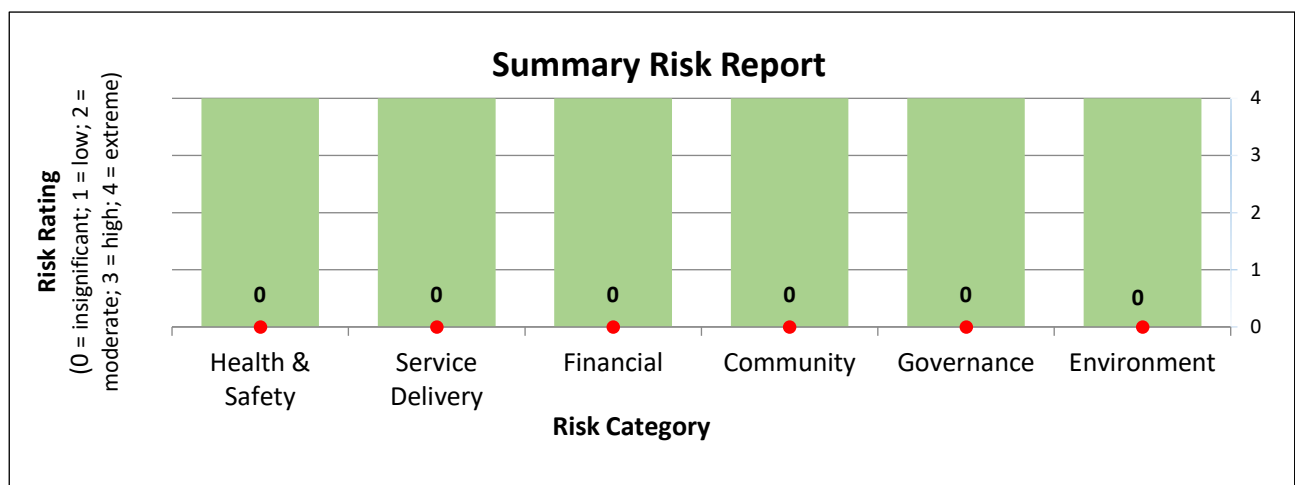
**Links with Strategic Plan**

Prosperity - Our Economy and Growth  
Performance - An Effective and Efficient Organisation

**Legislative and Policy Implications**

This paper is consistent with FIN09 Risk Management and Audit Committee Policy.

**Risks**



Nil identified.

## **Financial Implications**

Nil.

## **Community Engagement**

Not applicable.

DRAFT

# Litchfield Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

---



# General Purpose Financial Statements

for the year ended 30 June 2022

---

Contents	Page
<b>Chief Executive Officer's Statement</b>	<b>2</b>
<b>Principal Financial Statements</b>	
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
<b>Notes to and forming part of the Financial Statements</b>	<b>7</b>
<b>Independent Auditor's Report</b>	<b>39</b>

DRAFT

## General Purpose Financial Statements

for the year ended 30 June 2022

---

### Chief Executive Officer's Statement

I, Stephen Hoyne, the Chief Executive Officer of Litchfield Council, hereby certify that the Annual Financial Statements:

- have been drawn up in accordance with the applicable Australian Accounting Standards, the *Local Government Act 2019* and the *Local Government (General) Regulations 2021* so as to present fairly the financial position of the Council and the results for the year ended 30 June 2022; and
- are in accordance with the accounting and other records of Council.

---

Stephen Hoyne  
Chief Executive Officer

28 October 2022

DRAFT



## Statement of Comprehensive Income

for the year ended 30 June 2022

\$	Notes	2022	2021
<b>Income</b>			
Rates	2a	11,927,544	11,206,165
Statutory Charges	2b	208,537	132,834
User Charges	2c	2,014,127	1,897,123
Grants, Subsidies and Contributions	2g	5,910,687	6,280,141
Investment Income	2d	97,897	161,361
Reimbursements	2e	57	1,766
Other income	2f	161,542	314,458
<b>Total Income</b>		<u>20,320,391</u>	<u>19,993,848</u>
<b>Expenses</b>			
Employee costs	3a	6,865,466	6,417,668
Materials, Contracts and Other Expenses	3b	8,209,288	7,732,302
Depreciation, Amortisation and Impairment	3c	10,125,380	13,669,240
<b>Total Expenses</b>		<u>25,200,134</u>	<u>27,819,210</u>
<b>Operating Surplus / (Deficit)</b>		<u>(4,879,743)</u>	<u>(7,825,362)</u>
Net Gain (Loss) on Disposal or Revaluation of Assets	4	18,683	(1,207)
Amounts Received Specifically for New or Upgraded Assets	2g	60,019	1,720,383
<b>Net Surplus / (Deficit)</b>		<u>(4,801,041)</u>	<u>(6,106,186)</u>
<b>Other Comprehensive Income</b>			
<b>Amounts which will not be reclassified subsequently to operating result</b>			
Gain (Loss) on Revaluation of I,PP&E	9a	109,609,776	–
<b>Total Amounts which will not be reclassified subsequently to operating result</b>		<u>109,609,776</u>	<u>–</u>
<b>Total Other Comprehensive Income</b>		<u>109,609,776</u>	<u>–</u>
<b>Total Comprehensive Income</b>		<u>104,808,735</u>	<u>(6,106,186)</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

as at 30 June 2022

\$	Notes	2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash & Cash Equivalent Assets	5a	2,611,659	3,884,166
Trade & Other Receivables	5b	2,639,072	2,953,342
Other Financial Assets (Investments)	5c	19,872,404	19,939,294
<b>Total current assets</b>		<u>25,123,135</u>	<u>26,776,802</u>
<b>Non-current assets</b>			
Other Non-Current Assets	6	4,406,884	5,456,554
Infrastructure, Property, Plant & Equipment	7a	401,189,263	295,499,202
<b>Total non-current assets</b>		<u>405,596,147</u>	<u>300,955,756</u>
<b>TOTAL ASSETS</b>		<u>430,719,282</u>	<u>327,732,558</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8a	4,012,546	5,834,399
Borrowings	8b	6,150	13,562
Provisions	8c	620,254	646,450
<b>Total Current Liabilities</b>		<u>4,638,950</u>	<u>6,494,411</u>
<b>Non-Current Liabilities</b>			
Borrowings	8b	23,353	–
Provisions	8c	357,946	347,849
<b>Total Non-Current Liabilities</b>		<u>381,299</u>	<u>347,849</u>
<b>TOTAL LIABILITIES</b>		<u>5,020,249</u>	<u>6,842,260</u>
<b>Net Assets</b>		<u>425,699,033</u>	<u>320,890,298</u>
<b>EQUITY</b>			
Accumulated surplus		1,303,237	6,586,458
Asset revaluation reserves	9a	403,911,611	294,301,835
Other reserves	9b	20,484,185	20,002,005
<b>Total Council Equity</b>		<u>425,699,033</u>	<u>320,890,298</u>
<b>Total Equity</b>		<u>425,699,033</u>	<u>320,890,298</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

for the year ended 30 June 2022

\$	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
<b>2022</b>					
Balance at the end of previous reporting period		6,586,458	294,301,835	20,002,005	320,890,298
Net Surplus / (Deficit) for Year		(4,801,041)	–	–	(4,801,041)
<b>Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	109,609,776	–	109,609,776
<b>Other comprehensive income</b>		<b>–</b>	<b>109,609,776</b>	<b>–</b>	<b>109,609,776</b>
<b>Total comprehensive income</b>		<b>(4,801,041)</b>	<b>109,609,776</b>	<b>–</b>	<b>104,808,735</b>
Transfers between Reserves		(482,180)	–	482,180	–
<b>Balance at the end of period</b>		<b>1,303,237</b>	<b>403,911,611</b>	<b>20,484,185</b>	<b>425,699,033</b>
<b>2021</b>					
Balance at the end of previous reporting period		11,433,042	294,301,835	21,261,607	326,996,484
Net Surplus / (Deficit) for Year		(6,106,186)	–	–	(6,106,186)
<b>Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income</b>		<b>(6,106,186)</b>	<b>–</b>	<b>–</b>	<b>(6,106,186)</b>
Transfers between Reserves		1,259,602	–	(1,259,602)	–
<b>Balance at the end of period</b>		<b>6,586,458</b>	<b>294,301,835</b>	<b>20,002,005</b>	<b>320,890,298</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

for the year ended 30 June 2022

\$	Notes	2022	2021
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
Rates Receipts		12,464,630	11,060,134
Statutory Charges		208,537	133,964
User Charges		2,215,539	2,040,995
Grants, Subsidies and Contributions		5,878,349	6,216,541
Investment Receipts		97,897	428,526
Reimbursements		57	1,766
Other Receipts		1,427,571	1,380,765
<u>Payments</u>			
Payments to Employees		(6,894,183)	(6,902,180)
Payments for Materials, Contracts & Other Expenses		(11,653,244)	(7,210,358)
<b>Net cash provided by (or used in) Operating Activities</b>	11b	<u>3,745,153</u>	<u>7,150,153</u>
<b>Cash flows from investing activities</b>			
<u>Receipts</u>			
Amounts received specifically for new or upgraded assets		–	1,364,876
Sale of Replaced Assets		148,656	178,598
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(4,311,677)	(4,297,410)
Expenditure on New/Upgraded Assets		(941,795)	(4,772,515)
Net Purchase of Investment Securities		66,890	2,160,576
<b>Net cash provided (or used in) investing activities</b>		<u>(5,037,926)</u>	<u>(5,365,875)</u>
<b>Cash flows from financing activities</b>			
<u>Receipts</u>			
Proceeds from Bonds & Deposits		36,821	454,437
<u>Payments</u>			
Repayment of Principal Portion of Lease Liabilities		(16,555)	(19,808)
Repayment of Bonds & Deposits		–	(137,931)
<b>Net Cash provided by (or used in) Financing Activities</b>		<u>20,266</u>	<u>296,698</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>(1,272,507)</u>	<u>2,080,976</u>
plus: Cash & Cash Equivalents at beginning of period		3,884,166	1,803,190
<b>Cash and cash equivalents held at end of period</b>	11a	<u>2,611,659</u>	<u>3,884,166</u>
Additional Information:			
plus: Investments on hand – end of year	5c	19,872,404	19,939,294
<b>Total Cash, Cash Equivalents &amp; Investments</b>		<u>22,484,063</u>	<u>23,823,460</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Contents of the Notes accompanying the Special Purpose Financial Statements

---

Note	Details	Page
1	Summary of Significant Accounting Policies	8
2	Income	13
3	Expenses	16
4	Net Gain (Loss) on Disposal or Revaluation of Assets	17
5	Current Assets	18
6	Non-Current Assets	18
7	Infrastructure, Property, Plant & Equipment	19
8	Liabilities	23
9	Reserves	24
10	Assets Subject to Restrictions	25
11	Reconciliation to Statement of Cash Flows	27
12(a)	Functions	28
12(b)	Components of Functions	29
13	Financial Instruments	30
14	Capital Expenditure and Investment Property Commitments	32
15	Financial Indicators	34
16	Leases	35
17	Superannuation	36
18	Interests in Other Entities	36
19	Non-Current Assets Held for Sale & Discontinued Operations	36
20	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	37
21	Events after the Balance Sheet Date	37
22	Related Party Transactions	38

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies

---

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (1) Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations, the requirements of the *Local Government Act*, the Local Government (Accounting) Regulations and other relevant Northern Territory legislation.

The financial report was authorised for issue on 28 October 2022.

##### 1.2 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

##### 1.3 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

#### (2) The Local Government Reporting Entity

Litchfield Council is incorporated under the *NT Local Government Act* and has its principal place of business at 7 Bees Creek Road, Freds Pass NT. These consolidated financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports.

#### (3) Income Recognition

The Council recognises revenue under *AASB 1058 Income of Not-for-Profit Entities* (AASB 1058) or *AASB 15 Revenue from Contracts with Customers* (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the Council to acquire or construct a recognisable non-financial asset that is to be controlled by the Council. In this case, the Council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

In recent years the payment of untied grants (financial assistance grants / local roads / supplementary grants) has varied from the annual allocation. Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

#### Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies (continued)

---

received are recognised as receivables and reimbursements received in advance are recognised as “payments received in advance”.

#### **(4) Cash, Cash Equivalents and other Financial Instruments**

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 2019. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

#### **(5) Infrastructure, Property, Plant & Equipment**

##### **5.1 Land under roads**

The Council has elected not to recognise land under roads as an asset in accordance with AASB 1051 Land under Roads as in the opinion of the Council it is not possible to reliably attribute a fair value and further that such value if determined would be immaterial.

##### **5.2 Initial Recognition**

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held “ready for use”. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

##### **5.3 Materiality**

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

##### **5.4 Subsequent Recognition**

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

##### **5.5 Depreciation of Non-Current Assets**

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are shown in Note 7.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies (continued)

---

#### 5.6 Impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

#### (6) Payables

##### 6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

##### 6.2 Payments Received in Advance & Deposits

Amounts other than the Financial Assistance Grant, received in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

#### (7) Employee Benefits

##### 7.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

##### 7.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 17.

#### (8) Leases

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### 8.1 Council as a lessee

The Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### i) Right-of-Use-Assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at



## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies (continued)

or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are also subject to impairment. Refer to the accounting policies above - Impairment of non-financial assets.

#### ii) Lease Liabilities

At the commencement date of the lease, the Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Council uses its incremental borrowing rate or the interest rate implicit in the lease.

#### iii) Short-term leases and leases of low-value assets

The Council applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### (9) GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

#### (10) New accounting standards and UIG interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

##### Amendments to AASB 101 and AASB 108 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Council.

##### Amendments to AASB 16 Covid-19 Related Rent Concessions

In 2020, the AASB issued AASB 2020-4, Amendments to AASs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under AASB 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 2021 the AASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Council.

##### Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies (continued)

---

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these statements that could be applicable to Council.

#### Effective for NFP annual reporting periods beginning on or after 1 January 2022

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

#### Effective for NFP annual reporting periods beginning on or after 1 January 2023

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards (amended by AASB 2020-6)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)
- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7)

#### (11) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### (12) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

DRAFT

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 2. Income

\$	2022	2021
<b>(a) Rates</b>		
<b>General Rates</b>		
Residential	7,612,566	7,310,890
Commercial/Industrial	1,045,621	912,457
Other	70,694	71,218
<b>Total General Rates</b>	<b>8,728,881</b>	<b>8,294,565</b>
<b>Other Rates (Including Service Charges)</b>		
Waste Management Services	3,048,275	2,953,068
Road Seal Levy	58,476	185,640
<b>Total Other Rates (Including Service Charges)</b>	<b>3,106,751</b>	<b>3,138,708</b>
<b>Other Charges</b>		
Penalties for Late Payment	249,798	267,165
<b>Total Other Charges</b>	<b>249,798</b>	<b>267,165</b>
Less: Discretionary Rebates, Remissions & Write Offs	(157,886)	(494,273)
<b>Total Rates</b>	<b>11,927,544</b>	<b>11,206,165</b>
<b>(b) Statutory Charges</b>		
Animal Registration Fees & Fines	208,537	132,834
<b>Total Statutory Charges</b>	<b>208,537</b>	<b>132,834</b>
<b>(c) User Charges</b>		
Cemetery Fees	1,706,481	1,308,051
Community Halls Hire	34,718	42,553
Sales - General	-	23
Sundry	4,783	3,639
Subdivision and Development Fees	67,418	344,373
Permit Fees	15,135	10,103
Waste Disposal Fees	138,191	154,931
Rate Search Fees	47,401	33,450
<b>Total User Charges</b>	<b>2,014,127</b>	<b>1,897,123</b>
<b>(d) Investment Income</b>		
Interest on Investments		
- Banks & Other	97,897	161,361
<b>Total Investment Income</b>	<b>97,897</b>	<b>161,361</b>

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 2. Income (continued)

\$	2022	2021
<b>(e) Reimbursements</b>		
Other	57	1,766
<b>Total Reimbursements</b>	<b>57</b>	<b>1,766</b>
<b>(f) Other income</b>		
Insurance & Other Recoupments	–	1,659
Sundry	115,042	172,799
Other	46,500	140,000
<b>Total Other income</b>	<b>161,542</b>	<b>314,458</b>
<b>(g) Grants, Subsidies, Contributions</b>		
Amounts Received Specifically for New or Upgraded Assets	60,019	1,720,383
<b>Total Amounts Received Specifically for New or Upgraded Assets</b>	<b>60,019</b>	<b>1,720,383</b>
Other Grants, Subsidies and Contributions	474,608	920,403
Untied - Financial Assistance Grant	4,244,598	3,297,773
Roads to Recovery	1,191,481	2,061,965
<b>Total Other Grants, Subsidies and Contributions</b>	<b>5,910,687</b>	<b>6,280,141</b>
<b>Total Grants, Subsidies, Contributions</b>	<b>5,970,706</b>	<b>8,000,524</b>
The functions to which these grants relate are shown in Note 12.		
<b>(i) Sources of grants</b>		
Commonwealth Government	5,524,484	2,061,965
State Government	446,222	5,938,559
<b>Total</b>	<b>5,970,706</b>	<b>8,000,524</b>
<b>(h) Conditions over Grants &amp; Contributions</b>		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
<b>Unexpended at the close of the previous reporting period</b>	–	677,580
<b>Less:</b>		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Infrastructure	–	(677,580)
<b>Subtotal</b>	<b>–</b>	<b>(677,580)</b>
<b>Unexpended at the close of this reporting period</b>	<b>–</b>	<b>–</b>
<b>Net increase (decrease) in assets subject to conditions in the current reporting period</b>	<b>–</b>	<b>(677,580)</b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 2. Income (continued)

	as at 30/06/21	Movements		as at 30/06/22
\$	Opening Balance	Received/ Receivable	Expended	Closing Balance
<b>(i) Reconciliation of Government Grants</b>				
<b>Grants (with discretion on use)</b>				
<b>General Purpose (Untied)</b>				
Grants Commission Grant - General Purpose	–	703,717	(278,034)	425,683
Grants Commission Grant - Roads Funding	–	3,540,881	(1,392,637)	2,148,244
<b>Subtotal</b>	<b>–</b>	<b>4,244,598</b>	<b>(1,670,671)</b>	<b>2,573,927</b>
<b>Specific Purpose (Recurrent)</b>				
Roads to Recovery	8,052	1,183,429	(1,191,481)	–
Libraries - Operational	73,924	401,692	(452,693)	22,923
Library Gaming Day	–	1,530	(1,395)	135
Library Youth Leadership Challenge	–	2,000	(2,000)	–
Australia Day Event	–	20,000	(14,120)	5,880
Healthy Lifestyle	12,240	–	–	12,240
2022 RDANT Seeding New Investment	–	21,000	(4,400)	16,600
MyLitchfield Grant	–	42,500	(42,500)	–
<b>Subtotal</b>	<b>94,216</b>	<b>1,672,151</b>	<b>(1,708,589)</b>	<b>57,778</b>
<b>Total other grants</b>	<b>94,216</b>	<b>5,916,749</b>	<b>(3,379,260)</b>	<b>2,631,705</b>
<b>Grants Specifically for New/Upgraded Assets</b>				
<b>Specific Purpose (Recurrent)</b>				
Thorak Irrigation	193,396	(39,591)	–	153,805
Thorak Solar Panel Installation	–	39,591	(39,591)	–
Freds Pass Reserve Capital Upgrade \$3m	2,044	–	–	2,044
LRCI Phase 1	8,092	–	(8,092)	–
LRCI Phase 2	730,435	–	(12,337)	718,098
<b>Total Grants Specifically for New/Upgraded Assets</b>	<b>933,967</b>	<b>–</b>	<b>(60,020)</b>	<b>873,947</b>
Recognised as unexpended grants and contributions reserve	–	2,573,927	–	2,573,927
Recognised as liability	1,028,181	–	(96,457)	931,724
<b>Total Other Grants</b>	<b>1,028,181</b>	<b>2,573,927</b>	<b>(96,457)</b>	<b>3,505,651</b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 3. Expenses

\$	Notes	2022	2021
<b>(a) Employee costs</b>			
Salaries and Wages		5,425,308	4,843,457
Employee Leave Expense		722,525	826,667
Superannuation - Defined Contribution Plan Contributions	17	575,542	538,190
Workers' Compensation Insurance		137,403	93,643
Temporary Staff		204,799	276,997
Other		23,893	30,740
Less: Capitalised and Distributed Costs		(224,004)	(192,026)
<b>Total Operating Employee Costs</b>		<b>6,865,466</b>	<b>6,417,668</b>
Total Number of Employees (full time equivalent at end of reporting period)		65	63
<b>(b) Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration			
- Auditing the Financial Reports		53,685	54,517
Bad and Doubtful Debts		6,294	45,922
Elected Members' Expenses		295,515	246,385
Election Expenses		166,587	-
Lease Expense - Variable Payments		3,701	2,681
Other		62,571	179,995
<b>Subtotal - Prescribed Expenses</b>		<b>588,353</b>	<b>529,500</b>
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contractors		3,928,828	3,619,684
Energy		222,914	198,157
Maintenance		550,768	442,628
Legal Expenses		106,304	57,979
Parts, Accessories & Consumables		187,154	336,110
Professional Services		712,642	808,037
Sundry		645,180	540,794
Cemetery Operations		320,278	265,754
Insurance		360,874	310,217
Donations and Community Support		130,935	152,825
Computer / IT Costs		455,058	361,275
Government Grants Paid back		-	109,342
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>		<b>7,620,935</b>	<b>7,202,802</b>
<b>Total Materials, Contracts and Other Expenses</b>		<b>8,209,288</b>	<b>7,732,302</b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 3. Expenses (continued)

\$	2022	2021
<b>(c) Depreciation, Amortisation and Impairment</b>		
<b>(i) Depreciation and Amortisation</b>		
Buildings	1,180,666	1,123,710
Infrastructure		
- Sealed Roads	6,436,496	9,785,140
- Unsealed Roads	1,188,426	1,485,627
- Stormwater Drainage	1,989	–
- Road Culverts	382,575	382,575
- Kerbs & Gutters	60,733	37,185
- Driveway Vehicle Crossings	107,980	103,956
- Footpaths	45,729	45,564
- Road Signs	90,552	52,276
- Point Generic	73,173	73,173
- Driveways	8,353	8,191
- Bicycle Paths	20,586	20,586
- Streetlights	57,896	57,896
- Inverts	73	73
Right-of-use Assets	15,656	19,737
Plant & Equipment	99,598	95,005
Furniture & Fittings	–	12,797
Office Equipment	13,364	–
Motor Vehicles	235,949	279,577
Thorak Buildings	70,127	67,842
Thorak Motor Vehicles	35,459	18,330
<b>Subtotal</b>	<b>10,125,380</b>	<b>13,669,240</b>
<b>Total Depreciation, Amortisation and Impairment</b>	<b>10,125,380</b>	<b>13,669,240</b>

### Note 4. Net Gain (Loss) on Disposal or Revaluation of Assets

\$	2022	2021
<b>Infrastructure, Property, Plant &amp; Equipment</b>		
<b>(i) Assets Renewed or Directly Replaced</b>		
Proceeds from Disposal	148,656	178,598
Less: Carrying Amount of Assets Sold	(129,973)	(179,805)
<b>Gain (Loss) on Disposal</b>	<b>18,683</b>	<b>(1,207)</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>	<b>18,683</b>	<b>(1,207)</b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 5. Current Assets

\$	2022	2021
<b>(a) Cash &amp; Cash Equivalent Assets</b>		
Cash on Hand at Bank	2,611,659	3,884,166
<b><u>Total Cash &amp; Cash Equivalent Assets</u></b>	<b><u>2,611,659</u></b>	<b><u>3,884,166</u></b>

### (b) Trade & Other Receivables

Rates - General & Other	2,264,992	2,532,571
Accrued Revenues	55,547	37,919
Debtors - General	173,559	118,631
GST Recoupment	162,444	268,690
Prepayments	51,945	58,652
<b>Subtotal</b>	<b><u>2,708,487</u></b>	<b><u>3,016,463</u></b>
Less: Allowance for Doubtful Debts	(69,415)	(63,121)
<b><u>Total Trade &amp; Other Receivables</u></b>	<b><u>2,639,072</u></b>	<b><u>2,953,342</u></b>

### (c) Other Financial Assets (Investments)

Bank Investments - Term Deposits	19,872,404	19,939,294
<b><u>Total Other Financial Assets (Investments)</u></b>	<b><u>19,872,404</u></b>	<b><u>19,939,294</u></b>

### Note 6. Non-Current Assets

\$	2022	2021
<b>Other Non-Current Assets</b>		
<b>Other</b>		
Capital Works-in-Progress *	4,406,884	5,456,554
<b>Total Other</b>	<b><u>4,406,884</u></b>	<b><u>5,456,554</u></b>
<b><u>Total Other Non-Current Assets</u></b>	<b><u>4,406,884</u></b>	<b><u>5,456,554</u></b>

(\*) 2022 Work-in-Progress transfers in/out for the year were \$1,189,953 and \$2,239,623 respectively. 2021 Work-in-Progress transfers in/out for the year were \$5,456,554 and \$4,365,021 respectively.



## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 7. Infrastructure, Property, Plant & Equipment

#### (a) Infrastructure, Property, Plant & Equipment

\$	Fair Value Level	as at 30/06/21				Asset movements during the reporting period					as at 30/06/22			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Land - Council Owned	2	13,020,000	–	–	13,020,000	–	–	–	–	–	13,020,000	–	–	13,020,000
Land - Drainage	3	8,385,000	–	–	8,385,000	–	–	–	–	–	8,385,000	–	–	8,385,000
Buildings	2	33,604,357	4,475,842	(13,251,172)	24,829,027	85,829	881,689	–	(1,180,666)	–	33,604,357	5,443,359	(14,431,838)	24,615,878
Infrastructure														
- Sealed Roads	3	332,333,329	8,064,040	(159,767,477)	180,629,892	160,059	3,697,344	–	(6,436,496)	103,899,857	437,046,735	3,857,403	(158,953,484)	281,950,654
- Unsealed Roads	3	50,162,001	1,145,813	(29,781,538)	21,526,276	–	333,175	–	(1,188,426)	5,056,524	45,985,156	333,175	(20,590,782)	25,727,549
- Storm Waste Drains	3	608,490	–	–	608,490	423,706	12,758	–	(1,989)	–	608,490	436,464	(1,989)	1,042,965
- Road Culverts	3	36,755,157	1,527,557	(10,016,868)	28,265,846	–	–	–	(382,575)	–	36,755,157	1,527,557	(10,399,443)	27,883,271
- Kerbs & Gutters	3	1,689,639	178,981	(832,557)	1,036,063	–	–	–	(60,733)	653,395	3,036,651	–	(1,407,926)	1,628,725
- Driveway Vehicle Crossings	3	10,430,886	90,564	(3,189,257)	7,332,193	–	–	–	(107,980)	–	10,430,886	90,564	(3,297,237)	7,224,213
- Footpaths	3	713,868	571,629	(363,116)	922,381	–	97,625	–	(45,729)	–	713,868	669,254	(408,845)	974,277
- Road Signs	3	726,150	198,382	(436,012)	488,520	–	17,273	–	(90,552)	–	726,150	215,655	(526,564)	415,241
- Point Generic	3	1,089,960	332,411	(591,737)	830,634	–	–	–	(73,173)	–	1,089,960	332,411	(664,910)	757,461
- Driveways	3	290,950	60,285	(58,370)	292,865	–	20,339	–	(8,353)	–	290,950	80,624	(66,723)	304,851
- Bicycle Paths	3	711,000	–	(366,757)	344,243	–	–	–	(20,586)	–	711,000	–	(387,343)	323,657
- Streetlights	3	1,300,850	496,842	(941,249)	856,443	–	–	–	(57,896)	–	1,300,850	496,842	(999,144)	798,548
- Inverts	3	–	7,250	(73)	7,177	–	–	–	(73)	–	–	7,250	(145)	7,105
Right-of-Use Assets		–	51,880	(39,474)	12,406	–	32,496	–	(15,656)	–	–	84,376	(55,130)	29,246
Plant & Equipment		–	1,130,382	(411,893)	718,489	–	131,160	–	(99,598)	–	–	1,261,542	(511,491)	750,051
Office Equipment		–	651,979	(600,792)	51,187	3,388	3,966	–	(13,364)	–	–	659,333	(614,156)	45,177
Motor Vehicles		–	1,813,484	(784,448)	1,029,036	–	291,794	(122,974)	(235,949)	–	–	1,829,827	(867,921)	961,906
Thorak Buildings	2	2,403,600	40,297	(738,965)	1,704,932	25,260	68,530	–	(70,127)	–	2,403,600	134,087	(809,092)	1,728,595
Thorak Motor Vehicles		–	297,602	(189,500)	108,102	–	49,249	(7,000)	(35,459)	–	–	303,852	(188,959)	114,893
Thorak Land	2	2,500,000	–	–	2,500,000	–	–	–	–	–	2,500,000	–	–	2,500,000
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>496,725,237</b>	<b>21,135,220</b>	<b>(222,361,255)</b>	<b>295,499,202</b>	<b>698,242</b>	<b>5,637,398</b>	<b>(129,974)</b>	<b>(10,125,380)</b>	<b>109,609,776</b>	<b>598,608,810</b>	<b>17,763,575</b>	<b>(215,183,122)</b>	<b>401,189,263</b>
Comparatives		498,357,137	12,141,660	(209,128,941)	301,369,856	2,690,635	5,287,754	(179,805)	(13,669,240)	–	499,698,268	18,183,418	(222,382,484)	295,499,202

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 7. Infrastructure, Property, Plant & Equipment (continued)

#### (b) Valuation of Infrastructure, Property, Plant & Equipment

##### Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

##### Information on Valuations

Fair value hierarchy level 2 valuations - Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land - Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets - There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques. Accordingly, formal sensitivity analysis does not provide useful information.

##### *Transfers between fair value hierarchy levels*

In the course of revaluing Sealed Roads, Unsealed Roads, and Kerbs & Gutters, the nature of the inputs applied was reviewed in detail for each asset and where necessary, the asset reassigned to the appropriate fair value hierarchy level. Such transfers take effect as at the date of the revaluation.

##### Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Highest and best use - For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land. Much of the land under Council's care and control is Crown land or has been declared as community land. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 7. Infrastructure, Property, Plant &amp; Equipment (continued)

proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

Building and Other Structures and Infrastructure were valued as at 30 June 2018. Land assets were valued as at 30 June 2020. Sealed Roads, Unsealed Roads, and Kerb & Channel were valued as at 30 June 2022.

**Capitalisation Thresholds**

Capitalisation thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

	\$
Land	No threshold. All items will be recognised
Building & Other Structures	5,000
Roads	
- Sealed	10,000
- Pavement	10,000
- Unsealed	10,000
- Earthworks	10,000
- Road Culverts	5,000
- Stormwater Drainage	10,000
- Kerbs & Gutter	1,000
- Driveway Vehicle Crossings	10,000
- Footpaths	No threshold. All items will be recognised
- Road Signs	5,000 - No threshold if capitalised with Road asset
- Inverts	10,000
- Point Generic	No threshold. All items will be recognised
- Driveways	10,000
- Bicycle Paths	No threshold. All items will be recognised
Office Furniture	5,000
Plant & Equipment	5,000
Motor Vehicles	5,000

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 7. Infrastructure, Property, Plant &amp; Equipment (continued)

**Estimated Useful Lives**

Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. A representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount:

	<b>Years</b>
Land	No limited useful life
Building & Other Structures	8 to 100 years
Roads - Surface - Sealed	13 to 25 years
Roads - Surface - Unsealed	10 to 15 years
Roads - Pavement	40 years
Roads - Earthworks or Undefined	100 years
Kerbs & Gutter	50 years
Road Culverts	100 years
Footpaths	20 to 50 years
Driveway Vehicle Crossings	100 years
Road Signs	15 years
Inverts	30 years
Point Generic	15 to 70 years
Driveways	20 to 50 years
Bicycle Paths	20 to 50 years
Office Equipment	5 to 10 years
Plant & Equipment	3 to 20 years
Motor Vehicles	5 to 15 years
Right-of-Use Assets	2 to 3 years

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 8. Liabilities

\$		2022 Current	2022 Non Current	2021 Current	2021 Non Current
<b>(a) Trade and Other Payables</b>					
	Goods & Services	862,456	–	2,593,033	–
	Payments Received in Advance				
	- Rates	1,111,977	–	842,470	–
	- Grants & Contributions - Capital	931,724	–	1,028,181	–
	- Other	270,620	–	307,676	–
	Accrued Expenses - Other	228,833	–	492,924	–
	Deposits, Retentions & Bonds	606,936	–	570,115	–
	<b><u>Total Trade and Other Payables</u></b>	<b><u>4,012,546</u></b>	<b><u>–</u></b>	<b><u>5,834,399</u></b>	<b><u>–</u></b>

\$	Notes	2022 Current	2022 Non Current	2021 Current	2021 Non Current
<b>(b) Borrowings</b>					
	Lease Liabilities	6,150	23,353	13,562	–
	<b><u>Total Borrowings</u></b>	<b><u>6,150</u></b>	<b><u>23,353</u></b>	<b><u>13,562</u></b>	<b><u>–</u></b>

**(c) Provisions**

	Employee Entitlements (including oncosts)	620,254	357,946	646,450	347,849
	<b><u>Total Provisions</u></b>	<b><u>620,254</u></b>	<b><u>357,946</u></b>	<b><u>646,450</u></b>	<b><u>347,849</u></b>

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 9. Reserves

	as at 30/06/21				as at 30/06/22
\$	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
<b>(a) Asset Revaluation Reserve</b>					
Land - Council Owned	123,617,618	-	-	-	123,617,618
Buildings	15,583,834	-	-	-	15,583,834
Infrastructure					
- Road Culverts	27,923,542	-	-	-	27,923,542
- Kerbs & Gutters	761,825	653,395	-	-	1,415,220
- Driveway Vehicle Crossings	9,290,043	-	-	-	9,290,043
- Footpaths	263,238	-	-	-	263,238
- Road Signs	958,744	-	-	-	958,744
- Point Generic	711,325	-	-	-	711,325
- Driveways	4,076,579	-	-	-	4,076,579
- Bicycle Paths	551,219	-	-	-	551,219
- Roads	109,927,734	108,956,381	-	-	218,884,115
- Inverts	6,141	-	-	-	6,141
Plant & Equipment	204,947	-	-	-	204,947
Motor Vehicles	425,046	-	-	-	425,046
<b>Total Asset Revaluation Reserve</b>	<b>294,301,835</b>	<b>109,609,776</b>	<b>-</b>	<b>-</b>	<b>403,911,611</b>
Comparatives	294,301,835	-	-	-	294,301,835

	as at 30/06/21				as at 30/06/22
\$	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
<b>(b) Other Reserves</b>					
Developer Contributions Reserve	256,908	23,817	-	-	280,725
Waste Management Reserve	4,840,323	283,777	-	-	5,124,100
Asset Reserve	12,154,043	-	(3,212,965)	-	8,941,078
Election Reserve	100,000	-	-	-	100,000
Disaster Recovery Reserve	500,000	-	-	-	500,000
Strategic Initiatives Reserve	500,000	-	-	-	500,000
Unexpended Grants Reserve	-	2,573,927	-	-	2,573,927
Thorak Regional Cemetery	1,009,037	710,761	-	-	1,719,798
Unexpended Capital Works Reserve	641,694	631,334	(641,694)	-	631,334
Cash for Cans Reserve	-	113,223	-	-	113,223
<b>Total Other Reserves</b>	<b>20,002,005</b>	<b>4,336,839</b>	<b>(3,854,659)</b>	<b>-</b>	<b>20,484,185</b>
Comparatives	21,261,607	1,972,883	(3,232,485)	-	20,002,005

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 9. Reserves (continued)

#### Purposes of Reserves

##### Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

##### Disaster Recovery Reserve

This reserve will fund expenses occurred due to storms, storm surges, and floods or any other natural disaster. The fund will enable Litchfield Council to recover from these disasters and return to operations. Where external funds are received after an event for the purpose of disaster recovery, these funds shall be used to replenish this reserve.

##### Strategic Initiatives Reserve

This reserve will fund strategic initiatives and Information Technology improvements for the future development of Litchfield Council in line with the Municipal Plan and the Long Term Financial Plan. Specific Initiatives must be identified in order to have funds allocated.

##### Election Reserve

This reserve will fund expenses related to Local Government elections and By-Elections.

##### Asset Reserve

This reserve holds funding for renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with Council's Asset Management Plans.

##### Waste Management Reserve

This reserve holds funding for activities related to Waste Management. This could be the renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with Council's Asset Management Plan for Waste Management or strategic development of the Waste Service delivery.

##### Developer Contributions Reserve

This reserve holds contributions received by the Council from developers in line with Litchfield Council Developer Contribution Plan. Restrictions apply as set out in both the Plan and under provisions outlined in the Planning Act.

##### Unexpended Grants and Contributions

This reserve holds the balance of unexpended grants and contributions received from external contributors. The funds are held in the reserve until expensed in line with the individual funding agreements.

##### Thorak Regional Cemetery

These funds represent the funds transferred to Council from City of Darwin when Council assumed responsibility in 2008 and the operating surplus from operation of the Thorak Regional Cemetery since 2008. Funds are reserved for the renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with Council's Asset Management Plan at Thorak Regional Cemetery.

##### Unexpended Capital Works Reserve

This reserve holds the balance of unexpended capital works excluding all grant funded projects.

##### Cash for Cans Reserve

Income from the cash for cans deposit scheme and old car batteries is used to support community projects and activities that address local needs, strengthen community relationships, build environmental sustainability and enhance the well-being of Litchfield residents. This reserve supports the Community Grants Scheme and is utilised for identified need for financial support outside of the Community Grant Scheme, provided it is for direct community benefit.

### Note 10. Assets Subject to Restrictions

\$	2022	2021
----	------	------

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 10. Assets Subject to Restrictions (continued)

\$	2022	2021
<b>Cash &amp; Financial Assets</b>		
Unexpended amounts received from Federal and Territory Government	931,725	1,028,181
Developer Contributions	280,725	256,908
<b>Total Cash &amp; Financial Assets</b>	<b>1,212,450</b>	<b>1,285,089</b>
<b><u>Total Assets Subject to Externally Imposed Restrictions</u></b>	<b><u>1,212,450</u></b>	<b><u>1,285,089</u></b>

DRAFT



## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 11. Reconciliation to Statement of Cash Flows

\$	Notes	2022	2021
----	-------	------	------

#### (a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Total Cash & Equivalent Assets	5	2,611,659	3,884,166
<b>Balances per Statement of Cash Flows</b>		<u>2,611,659</u>	<u>3,884,166</u>

#### (b) Reconciliation of Change in Net Assets to Cash from Operating Activities

<b>Net Surplus/(Deficit)</b>		(4,801,041)	(6,106,186)
<b>Non-Cash Items in Income Statements</b>			
Depreciation, Amortisation & Impairment		10,125,380	13,669,240
Grants for capital acquisitions treated as Investing Activity		(60,019)	(1,720,383)
Net (Gain) Loss on Disposals		(18,683)	1,207
		<u>5,245,637</u>	<u>5,843,878</u>
<b>Add (Less): Changes in Net Current Assets</b>			
Net Increase/(Decrease) in Trade & Other Payables		(1,798,655)	1,376,643
Net (Increase)/Decrease in Receivables		307,976	(36,198)
Net Increase/(Decrease) in Unpaid Employee Benefits		(16,099)	(42,578)
Change in Allowances for Under-Recovery of Receivables		(6,294)	(8,408)
Net (Increase)/Decrease in Other Assets		12,588	16,816
<b>Net Cash provided by (or used in) operations</b>		<u>3,745,153</u>	<u>7,150,153</u>

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 12(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.  
Details of these Functions/Activities are provided in Note 12(b).

	INCOME			EXPENSES			OPERATING SURPLUS (DEFICIT)			GRANTS INCLUDED IN INCOME			TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2022 Budget	2022 Actual	2021 Actual	2022 Budget	2022 Actual	2021 Actual	2022 Budget	2022 Actual	2021 Actual	2022 Budget	2022 Actual	2021 Actual	2022 Actual	2021 Actual
<b>Functions/Activities</b>														
General Public Services	9,685,651	9,804,372	9,373,432	5,935,019	7,249,747	7,172,725	3,750,632	2,554,625	2,200,707	561,220	717,837	674,157	18,954,623	49,044,196
Public Order & Safety	248,570	209,387	133,965	571,744	597,493	485,655	(323,174)	(388,106)	(351,690)	-	-	-	129,503	32,683
Economic Affairs	3,874,703	4,791,548	5,115,080	15,354,676	11,154,335	14,470,926	(11,479,973)	(6,362,787)	(9,355,846)	3,810,579	4,732,362	4,927,881	370,526,559	238,513,490
Environmental Protection	3,292,154	3,233,844	3,208,450	3,640,708	3,084,975	2,803,253	(348,554)	148,869	405,197	21,000	4,400	-	5,379,095	5,137,582
Housing & Community Amenities	-	-	-	-	57,896	57,896	-	(57,896)	(57,896)	-	-	-	636,597	636,597
Recreation, Culture & Religion	521,151	574,758	854,870	3,075,674	2,089,278	1,924,324	(2,554,523)	(1,514,520)	(1,069,454)	436,512	456,088	678,103	30,436,324	29,733,821
Cemetery	1,345,453	1,706,481	1,308,051	1,006,708	966,411	904,431	338,745	740,070	403,620	-	-	-	4,656,581	4,634,191
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)
<b>Total Functions/Activities</b>	<b>18,967,682</b>	<b>20,320,390</b>	<b>19,993,848</b>	<b>29,584,529</b>	<b>25,200,135</b>	<b>27,819,210</b>	<b>(10,616,847)</b>	<b>(4,879,745)</b>	<b>(7,825,362)</b>	<b>4,829,311</b>	<b>5,910,687</b>	<b>6,280,141</b>	<b>430,719,282</b>	<b>327,732,558</b>

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, amounts received specifically for new or upgraded assets and physical resources received free of charge.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 12(b). Components of Functions

---

The activities relating to Council functions are as follows:

#### **GENERAL PUBLIC SERVICES**

Administrative, legislative and executive affairs, financial and fiscal affairs, general research and general services; also includes Natural Disaster relief.

#### **PUBLIC ORDER & SAFETY**

Fire protection; local emergency services; animal control and impounding; control of public places; control of signs, hoardings and advertising, community policing and probationary matters.

#### **ECONOMIC AFFAIRS**

General economic, agriculture and forestry, fuel and energy, other labour and employment affairs, CDEP and transport and other industries, saleyards and tourism.

#### **ENVIRONMENTAL PROTECTION**

Waste management, pollution reduction, protection of biodiversity and landscape and protection and remediation of soil, ground water and surface water.

#### **HOUSING & COMMUNITY AMENITIES**

Housing, housing and development, water supply and street lighting.

#### **RECREATION, CULTURE AND RELIGION**

Facilities and venues, recreation parks and reserves, culture and religion services, museums and libraries.

#### **CEMETERY**

All activities related to the operation of the Thorak Regional Cemetery.

DRAFT

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 13. Financial Instruments

---

#### Recognised Financial Instruments

##### Bank, Deposits at Call, Short Term Deposits

**Accounting Policy:**

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

**Terms & Conditions:**

Short term deposits have an average maturity of 263 days and an average interest rate of 1.14% (2021: 199 days and 0.37%).

**Carrying Amount:**

Approximates fair value due to the short term to maturity.

##### Receivables - Rates & Associated Charges

**Accounting Policy:**

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

**Terms & Conditions:**

Secured over the subject land, arrears attract interest of 17%. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

##### Receivables - Fees & Other Charges

**Accounting Policy:**

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

**Terms & Conditions:**

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

##### Liabilities - Creditors and Accruals

**Accounting Policy:**

Liabilities are recognised at amortised cost for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

**Terms & Conditions:**

Liabilities are normally settled on 30 day terms.

**Carrying Amount:**

Approximates fair value.

##### Liabilities - Leases

**Accounting Policy:**

Accounted for in accordance with AASB 16 as stated in Note 16.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 13. Financial Instruments (continued)

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2022</b>					
<b>Financial Assets</b>					
Cash & Cash Equivalents	2,611,659	–	–	2,611,659	2,611,659
Receivables	281,051	–	–	281,051	281,051
Other Financial Assets	19,872,404	–	–	19,872,404	19,872,404
<b>Total Financial Assets</b>	<b>22,765,114</b>	<b>–</b>	<b>–</b>	<b>22,765,114</b>	<b>22,765,114</b>
<b>Financial Liabilities</b>					
Payables	1,698,225	–	–	1,698,225	1,698,225
Leases	6,150	23,353	–	29,503	29,503
<b>Total Financial Liabilities</b>	<b>1,704,375</b>	<b>23,353</b>	<b>–</b>	<b>1,727,728</b>	<b>1,727,728</b>
<b>2021</b>					
<b>Financial Assets</b>					
Cash & Cash Equivalents	3,884,166	–	–	3,884,166	3,884,166
Receivables	288,510	–	–	288,510	215,202
Other Financial Assets	19,939,294	–	–	19,939,294	19,939,294
<b>Total Financial Assets</b>	<b>24,111,970</b>	<b>–</b>	<b>–</b>	<b>24,111,970</b>	<b>24,038,662</b>
<b>Financial Liabilities</b>					
Payables	3,188,428	–	–	3,188,428	3,656,072
Leases	13,562	–	–	13,562	13,562
<b>Total Financial Liabilities</b>	<b>3,201,990</b>	<b>–</b>	<b>–</b>	<b>3,201,990</b>	<b>3,669,634</b>

The following interest rates were applicable to Council's Borrowings at balance date:

\$	2022		2021	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	3.60%	29,503	2.60%	13,562
		<b>29,503</b>		<b>13,562</b>

#### Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 13. Financial Instruments (continued)

## Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any impairment. All Council investments are made with deposit taking institutions. Except as detailed in Note 5 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

**Market Risk** is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

**Liquidity Risk** is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. Council's current ratio is monitored monthly to ensure short term assets are available to cover obligations.

**Interest Rate Risk** is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

## Expected Credit Losses (ECL)

Council individually assess its receivables from individual customers. Despite rates and annual charges being secured over subject land council expects to incur a loss of rates and charges on one specific property. Council's understanding is that the property has no commercial value and if put for sale the proceeds will not cover the outstanding debt. Impairment analysis is performed on each reporting date. ECLS are based on credit history adjusted for forward-looking estimates and economic conditions.

Set out below is the movement in the allowance for expected credit losses:

\$	2022	2021
As at 1 July	63,121	54,713
Provisions	6,294	8,408
<b>As at 30 June</b>	<b>69,415</b>	<b>63,121</b>

## Note 14. Capital Expenditure and Investment Property Commitments

\$	2022	2021
----	------	------

## (a) Capital Commitments

**Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:**

Buildings	–	123,295
Roads & Footpaths	–	390,769
Motor Vehicles	–	127,630
	<b>–</b>	<b>641,694</b>

**These expenditures are payable:**

Not later than one year	–	641,694
	<b>–</b>	<b>641,694</b>

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 14. Capital Expenditure and Investment Property Commitments (continued)

\$	2022	2021
----	------	------

(b) Other Expenditure Commitments

**Other non-capital expenditure commitments in relation to investment properties at the reporting date but not recognised in the financial statements as liabilities:**

Other Contract	533,983	232,900
	<u>533,983</u>	<u>232,900</u>

**These expenditures are payable:**

Not later than one year	353,883	82,200
Later than one year and not later than 5 years	180,100	150,700
	<u>533,983</u>	<u>232,900</u>

DRAFT

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 15. Financial Indicators

\$	Amounts 2022	Indicator 2022	Indicators 2021      2020	
<b>1. Current Ratio</b>				
Current Assets less Externally Restricted Assets	<u>24,264,374</u>	<b>5.23</b>	4.08	4.61
Current Liabilities	<u>4,638,950</u>			
<b>2. Debt Service Ratio</b>				
Net Debt Service Cost	<u>—</u>	<b>0.00</b>	0.00	0.00
Operating Revenue	<u>20,320,391</u>			
<b>3. Rate Coverage Percentage</b>				
Rate Revenues	<u>8,728,881</u>	<b>42.83%</b>	38.20%	43.82%
Total Revenues	<u>20,380,410</u>			
<b>4. Rates and Annual Charges Outstanding</b>				
Rates & Annual Charges Outstanding	<u>2,264,992</u>	<b>18.99%</b>	22.60%	24.20%
Rates & Annual Charges Collectible	<u>11,927,544</u>			



## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 16. Leases

#### Council as a lessee

Set out below are the carrying amounts of right-of-use assets recognised within Infrastructure, Property, Plant and Equipment and the movements during the period:

#### Right of use assets

\$	Leased Assets	Total
<b>2022</b>		
Opening balance	12,406	12,406
Additions to right-of-use assets	32,496	32,496
Depreciation charge	(15,656)	(15,656)
<b>Balance at 30 June</b>	<b>29,246</b>	<b>29,246</b>
<b>2021</b>		
Opening balance	32,143	32,143
Depreciation charge	(19,737)	(19,737)
<b>Balance at 30 June</b>	<b>12,406</b>	<b>12,406</b>

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

\$	2022	2021
Balance at 1 July	12,723	33,370
Additions	32,496	–
Accretion of interest	1,099	633
Payments	(16,815)	(21,280)
<b>Balance at 30 June</b>	<b>29,503</b>	<b>12,723</b>
<b>Classified as:</b>		
Current	6,150	12,723
Non Current	23,353	–

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 17. Superannuation

---

The Council makes employer superannuation contributions in respect of its employees to the following schemes;

#### **Statewide Super Scheme (under Local Government Superannuation Scheme)**

Statewide Super receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (10.00% in 2021/22; 9.50% in 2020/21). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

#### **Contributions to Other Superannuation Schemes**

The Council also makes contributions to other superannuation schemes selected by employees under the “choice of fund” legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

### Note 18. Interests in Other Entities

---

The principal activities and entities conducted other than in the Council's own name that have been included in these consolidated financial statements are:

Thorak Regional Cemetery (Ownership interest 100%)

All transactions and balances between Council and controlled entities have been eliminated.

### Note 19. Non-Current Assets Held for Sale & Discontinued Operations

---

Council does not have any Non-Current Assets Held for Sale or any Discontinued Operations.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 20. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

---

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

#### 1. Land under roads

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports.

#### 2. Potential insurance losses

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

#### 3. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had zero notice of appeals against planning decisions made prior to reporting date.

### Note 21. Events after the Balance Sheet Date

---

Events that occur after the reporting date of 30 June 2022, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Council is not aware of any "non adjusting events" that merit disclosure.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 22. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under Council policy FIN11.

In all, 11 persons were paid the following total compensation, including the CEO:

As per General Instruction 2: Annual Financial Statement sec 8 the total remuneration provided to the CEO was as follow:

CEO	2022		
	Daniel Fletcher	Arun Dias	Arun Dias
Period (from/to)	01/07/2021 11/03/2022	13/12/2021 04/01/2022	15/03/2022 30/06/2022
Short Term Benefits	\$ 191,665	\$ 7,962	\$ 74,484
Termination Benefits	\$ 162,691	\$ -	\$ -
<b>\$</b>			<b>2022</b>
			<b>2021</b>

The compensation paid to Key Management Personnel comprises:

Salaries, Allowances & Other Short-Term Employee Benefits *	1,244,283	913,104
<b>Total</b>	<b>1,244,283</b>	<b>913,104</b>

(\* ) Includes CEO's remuneration listed above

General Purpose Financial Statements  
for the year ended 30 June 2022

Independent Auditor's Report

---

DRAFT

DRAFT

# Thorak Regional Cemetery

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

---

Special Purpose Financial Statements  
for the year ended 30 June 2022

---

Contents	Page
<b>Board of Trustee's Statement</b>	<b>2</b>
<b>Principal Special Purpose Financial Statements</b>	
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
<b>Notes to and forming part of the Financial Statements</b>	<b>7</b>
<b>Independent Auditor's Report</b>	<b>19</b>

DRAFT

## Special Purpose Financial Statements

for the year ended 30 June 2022

---

### Board of Trustee's Statement

I, **Stephen Hoyne** the Chief Executive Officer of the Litchfield Council on behalf of Thorak Regional Cemetery Board of Trustees, hereby certify that the Annual Financial Statements:

- have been drawn up in accordance with the applicable Australian Accounting Standards, the *Cemeteries Act 1952* and the *Cemeteries Regulations 1967* so as to present fairly the financial position of the Thorak Regional Cemetery and the results for the year ended 30 June 2022; and
- are in accordance with the accounting and other records of Thorak Regional Cemetery.

---

**Stephen Hoyne**  
**Chief Executive Officer**

28 October 2022

DRAFT



## Statement of Comprehensive Income

for the year ended 30 June 2022

\$	Notes	2022	2021
<b>Income</b>			
User Charges	2	1,709,070	1,308,051
<b>Total Income</b>		<u>1,709,070</u>	<u>1,308,051</u>
<b>Expenses</b>			
Employee costs	3a	523,561	538,268
Materials, Contracts and Other Expenses	3b	407,264	356,591
Depreciation, Amortisation and Impairment	3c	105,586	86,172
<b>Total Expenses</b>		<u>1,036,411</u>	<u>981,031</u>
<b>Operating Surplus / (Deficit)</b>		<u>672,659</u>	<u>327,020</u>
Net Gain (Loss) on Disposal or Revaluation of Assets	4	2,589	–
<b>Net Surplus / (Deficit)</b>		<u>675,248</u>	<u>327,020</u>
<b>Total Comprehensive Income</b>		<u>675,248</u>	<u>327,020</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

DRAFT

## Statement of Financial Position

as at 30 June 2022

\$	Notes	2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash & Cash Equivalent Assets	5a	2,095,712	1,661,435
Trade & Other Receivables	5b	68,000	38,879
Other Financial Assets (Investments)	5c	322,404	321,154
<b>Total current assets</b>		<b><u>2,486,116</u></b>	<b><u>2,021,468</u></b>
<b>Non-current assets</b>			
Other Non-Current Assets		86,875	–
Infrastructure, Property, Plant & Equipment	6	4,343,488	4,313,035
<b>Total non-current assets</b>		<b><u>4,430,363</u></b>	<b><u>4,313,035</u></b>
<b>TOTAL ASSETS</b>		<b><u>6,916,479</u></b>	<b><u>6,334,503</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	7a	447,009	529,436
Provisions	7b	73,862	88,619
<b>Total Current Liabilities</b>		<b><u>520,871</u></b>	<b><u>618,055</u></b>
<b>Non-Current Liabilities</b>			
Provisions	7b	52,389	48,477
<b>Total Non-Current Liabilities</b>		<b><u>52,389</u></b>	<b><u>48,477</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>573,260</u></b>	<b><u>666,532</u></b>
<b>Net Assets</b>		<b><u>6,343,219</u></b>	<b><u>5,667,971</u></b>
<b>EQUITY</b>			
Accumulated surplus		4,623,421	4,658,934
Other reserves	8	1,719,798	1,009,037
<b>Total Council Equity</b>		<b><u>6,343,219</u></b>	<b><u>5,667,971</u></b>
<b>Total Equity</b>		<b><u>6,343,219</u></b>	<b><u>5,667,971</u></b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2022

\$	Accumulated surplus	Reserves	Total equity
<b>2022</b>			
Balance at the end of previous reporting period	4,658,934	1,009,037	5,667,971
Net Surplus / (Deficit) for Year	675,248	–	675,248
<b>Total comprehensive income</b>	<b>675,248</b>	<b>–</b>	<b>675,248</b>
Transfers between Reserves	(710,761)	710,761	–
<b>Balance at the end of period</b>	<b>4,623,421</b>	<b>1,719,798</b>	<b>6,343,219</b>
<b>2021</b>			
Balance at the end of previous reporting period	4,675,603	665,348	5,340,951
Net Surplus / (Deficit) for Year	327,020	–	327,020
<b>Total comprehensive income</b>	<b>327,020</b>	<b>–</b>	<b>327,020</b>
Transfers between Reserves	(343,689)	343,689	–
<b>Balance at the end of period</b>	<b>4,658,934</b>	<b>1,009,037</b>	<b>5,667,971</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

DRAFT

## Statement of Cash Flows

for the year ended 30 June 2022

\$	Notes	2022	2021
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
Operating Receipts		1,638,385	1,313,248
Investment Receipts		1,788	2,119
<u>Payments</u>			
Payments to Employees		(534,406)	(538,268)
Payments for Materials, Contracts & Other Expenses		(410,324)	(333,078)
<b>Net cash provided by (or used in) Operating Activities</b>	9b	<u>695,443</u>	<u>444,021</u>
<b>Cash flows from investing activities</b>			
Amounts received specifically for new or upgraded assets		(39,591)	193,396
Sale of Replaced Assets		9,589	-
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(117,779)	(51,333)
Expenditure on New/Upgraded Assets		(112,135)	-
Net Purchase of Investment Securities		(1,250)	13,418
<b>Net cash provided (or used in) investing activities</b>		<u>(261,166)</u>	<u>155,481</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>434,277</u>	<u>599,502</u>
plus: Cash & Cash Equivalents at beginning of period		1,661,435	1,061,933
<b>Cash and cash equivalents held at end of period</b>	9a	<u>2,095,712</u>	<u>1,661,435</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Contents of the Notes accompanying the Special Purpose Financial Statements

---

Note	Details	Page
1	Summary of Significant Accounting Policies	8
2	Income	11
3	Expenses	11
4	Net Gain (Loss) on Disposal or Revaluation of Assets	12
5	Current Assets	13
6	Infrastructure, Property, Plant & Equipment	14
7	Liabilities	15
8	Reserves	15
9	Reconciliation to Statement of Cash Flows	16
10	Financial Instruments	17

DRAFT

# Thorak Regional Cemetery

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (1) Basis of Preparation

##### 1.1 Financial Reporting Framework

Thorak Regional Cemetery ("the Cemetery") is a not-for-profit entity that is not a reporting entity because in the opinion of the Board of Trustees "the Board" there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Boards' reporting requirements under the Cemeteries Act and Cemeteries Regulations.

##### 1.2 Compliance with Australian Accounting Standards

The special purpose financial statements have been prepared in accordance with the requirements of the Cemeteries Act and Cemeteries Regulations and recognition, measurement, and classification aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

The special purpose financial statements include only the disclosure requirements of the following AASBs, and those disclosures considered necessary by the Board to meet the needs of the users:

- AASB 101 Presentation of Financial Statements
- AASB 107 Statement of Cash Flows
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1048 Interpretation and Application of Standards
- AASB 1054 Australian Additional Disclosures
- AASB 1057 Application of Australian Accounting Standards

The financial statements do not comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

##### 1.3 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

##### 1.4 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying the Cemetery's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

##### 1.5 Rounding

All amounts in the financial statements have been rounded to the nearest dollar (\$).

#### (2) Income Recognition

Income is measured at the fair value of the consideration received or receivable. Revenue from burials, cremation and internments is recognised when the services have been rendered to the public and can be measured reliably.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service).

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are recognised as contract liabilities until such a time when the performance obligations are discharged. Interest is recognised as it accrues, when it is probable that the future economic benefits will flow to the Cemetery, and it can be measured reliably. Where there are no such obligations income is recognised on receipt.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies (continued)

---

#### **(3) Cash, Cash Equivalents and other Financial Instruments**

Cash Assets include all amounts readily convertible to cash on hand at the Board's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments also form part of Note 7.

#### **(4) Infrastructure, Property, Plant & Equipment**

##### **4.1 Initial Recognition**

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration cost is determined as fair value at the date of acquisition.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Cemetery includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed ready for use.

##### **4.2 Subsequent Recognition**

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Additions acquired subsequent to a revaluation are recognised at cost until next revaluation of that asset class.

##### **4.3 Depreciation of Non-Current Assets**

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of the Cemetery, best reflects the consumption of the service potential embodied in those assets.

#### **(5) Payables**

##### **5.1 Trade and Other Payables**

Trade and other payables are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

##### **5.2 Payments Received in Advance & Deposits**

Amounts received in advance of service delivery, are recognised as liabilities until the service is delivered, or the amount is refunded.

# Thorak Regional Cemetery

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies (continued)

#### (6) Employee Benefits

##### 6.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based on costs) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based on costs) to be made in respect of services provided by employees up to the reporting date.

No accrual is made for sick leave as the Cemetery experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. The Cemetery does not make payment for untaken sick leave.

##### 6.2 Superannuation

The Cemetery makes employer superannuation contributions in respect of its employees to Statewide Super and a number of other Superannuation Funds selected by employees under the 'choice of fund' legislation. The schemes have two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods.

#### (7) GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

#### (8) New accounting standards and UIG interpretations

In the current year the Cemetery adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to the Cemetery's accounting policies..

##### Amendments to AASB 16 Covid-19 Related Rent Concessions

In 2020, the AASB issued AASB 2020-4, Amendments to AASs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under AASB 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 2021 the AASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Cemetery.

##### Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022, these standards have not been adopted by Cemetery and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Cemetery then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these statements that could be applicable to Cemetery.

##### Effective for NFP annual reporting periods beginning on or after 1 January 2022



# Thorak Regional Cemetery

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies (continued)

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

#### Effective for NFP annual reporting periods beginning on or after 1 January 2023

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards (amended by AASB 2020-6)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)
- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7)

### (9) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

### Note 2. Income

\$	2022	2021
<b>User Charges</b>		
Interments	1,188,786	818,094
Cremations	358,922	255,659
Exclusive Rights Fees	7,371	5,913
Ground Maintenance	6,290	7,500
Chapel and Marquee Hire	46,902	35,468
Memorial installation and permits	56,627	49,450
Funeral Director Fees	5,964	5,272
Sundry Income	18,209	10,477
Administration Fee	1,211	102,426
Rent Income	17,000	15,673
Investment Income	1,788	2,119
<b>Total User Charges</b>	<b>1,709,070</b>	<b>1,308,051</b>

### Note 3. Expenses

\$	2022	2021
<b>(a) Employee costs</b>		
Salaries and Wages	470,871	483,163
Superannuation - Defined Contribution Plan Contributions	48,749	49,255
Other Employee Related Costs	3,941	5,850
<b>Total Operating Employee Costs</b>	<b>523,561</b>	<b>538,268</b>

### (b) Materials, Contracts and Other Expenses

#### (i) Prescribed Expenses

Auditor's Remuneration		
- Auditing the Financial Reports	6,978	6,500

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 3. Expenses (continued)

\$	2022	2021
<b>Subtotal - Prescribed Expenses</b>	<b>6,978</b>	<b>6,500</b>
<b>(ii) Other Materials, Contracts and Expenses</b>		
Insurance	42,555	32,949
Consultants	4,452	787
Administration Expenses	87,127	83,122
Motor Vehicle Expenses	19,834	23,040
Utilities	50,349	56,745
Telephone Expenses	13,500	13,104
Security	6,170	6,188
Grounds Maintenance	50,239	30,518
Repairs & Maintenance	42,546	26,805
Equipment Hire	–	171
Plant & Equipment Expenses	9,666	6,119
Grave Digging	47,618	44,475
Memorial Expenses	19,244	17,036
Sundry Expenses	6,986	9,032
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>	<b>400,286</b>	<b>350,091</b>
<b>Total Materials, Contracts and Other Expenses</b>	<b>407,264</b>	<b>356,591</b>
<b>(c) Depreciation, Amortisation and Impairment</b>		
<b>(i) Depreciation and Amortisation</b>		
Buildings & Other Structures	70,127	67,842
Motor Vehicles	35,459	18,330
<b>Subtotal</b>	<b>105,586</b>	<b>86,172</b>
<b>Total Depreciation, Amortisation and Impairment</b>	<b>105,586</b>	<b>86,172</b>

### Note 4. Net Gain (Loss) on Disposal or Revaluation of Assets

\$	2022	2021
<b>Infrastructure, Property, Plant &amp; Equipment</b>		
<b>(i) Assets Renewed or Directly Replaced</b>		
Proceeds from Disposal	9,589	–
Less: Carrying Amount of Assets Sold	(7,000)	–
<b>Gain (Loss) on Disposal</b>	<b>2,589</b>	<b>–</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>	<b>2,589</b>	<b>–</b>

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 5. Current Assets

\$	2022	2021
<b>(a) Cash &amp; Cash Equivalent Assets</b>		
Cash on Hand at Bank	2,095,712	1,661,435
<b><u>Total Cash &amp; Cash Equivalent Assets</u></b>	<b><u>2,095,712</u></b>	<b><u>1,661,435</u></b>
 <b>(b) Trade &amp; Other Receivables</b>		
Accrued Revenues	950	496
Debtors - General	67,050	38,383
<b>Subtotal</b>	<b><u>68,000</u></b>	<b><u>38,879</u></b>
<b><u>Total Trade &amp; Other Receivables</u></b>	<b><u>68,000</u></b>	<b><u>38,879</u></b>
 <b>(c) Other Financial Assets (Investments)</b>		
Bank Investments - Term Deposits	322,404	321,154
<b><u>Total Other Financial Assets (Investments)</u></b>	<b><u>322,404</u></b>	<b><u>321,154</u></b>

DRAFT

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment

Infrastructure, Property, Plant & Equipment

	as at 30/06/21				Asset movements during the reporting period				as at 30/06/22			
	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$												
Land - Other	2,500,000	–	–	2,500,000	–	–	–	–	2,500,000	–	–	2,500,000
Buildings	2,403,600	40,297	(738,964)	1,704,933	25,260	68,530	–	(70,127)	2,403,600	134,087	(809,092)	1,728,595
Motor Vehicles	–	297,602	(189,500)	108,102	–	49,249	(7,000)	(35,459)	–	303,852	(188,959)	114,893
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>	<b>4,903,600</b>	<b>337,899</b>	<b>(928,464)</b>	<b>4,313,035</b>	<b>25,260</b>	<b>117,779</b>	<b>(7,000)</b>	<b>(105,586)</b>	<b>4,903,600</b>	<b>437,939</b>	<b>(998,051)</b>	<b>4,343,488</b>
Comparatives	2,500,000	2,721,996	(874,123)	4,347,873	–	–	–	(86,172)	2,500,000	2,741,499	(928,464)	4,313,035

## Thorak Regional Cemetery

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

#### Note 7. Liabilities

\$	2022 Current	2022 Non Current	2021 Current	2021 Non Current
<b>(a) Trade and Other Payables</b>				
Goods & Services	13,590	–	21,864	–
Payments Received in Advance	267,900	–	307,676	–
Grants & Contributions - Capital	153,805	–	193,396	–
Accrued Expenses - Other	11,714	–	6,500	–
<b><u>Total Trade and Other Payables</u></b>	<b><u>447,009</u></b>	<b><u>–</u></b>	<b><u>529,436</u></b>	<b><u>–</u></b>

#### (b) Provisions

Employee Entitlements (including oncosts)	73,862	52,389	88,619	48,477
<b><u>Total Provisions</u></b>	<b><u>73,862</u></b>	<b><u>52,389</u></b>	<b><u>88,619</u></b>	<b><u>48,477</u></b>

#### Note 8. Reserves

\$	as at 30/06/21		as at 30/06/22		
	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
<b>Reserves</b>					
Thorak Regional Cemetery	1,009,037	710,761	–	–	1,719,798
<b>Total Reserves</b>	<b>1,009,037</b>	<b>710,761</b>	<b>–</b>	<b>–</b>	<b>1,719,798</b>
Comparatives	665,348	343,689	–	–	1,009,037

#### Purposes of Reserves

##### Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

##### Thorak Regional Cemetery

These are cash backed reserves to meet anticipated future needs. This reserve is internally restricted and the amount relates to a perceived future requirement which is not currently a liability.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 9. Reconciliation to Statement of Cash Flows

\$	Notes	2022	2021
----	-------	------	------

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Total Cash & Equivalent Assets	5	2,095,712	1,661,435
<b>Balances per Statement of Cash Flows</b>		<u>2,095,712</u>	<u>1,661,435</u>

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

<b>Net Surplus/(Deficit)</b>		675,248	327,020
<b>Non-Cash Items in Income Statements</b>			
Depreciation, Amortisation & Impairment		105,586	86,172
Net (Gain) Loss on Disposals		(2,589)	–
		<u>778,245</u>	<u>413,192</u>
<b>Add (Less): Changes in Net Current Assets</b>			
Net (Increase)/Decrease in Receivables		(29,121)	20,825
Net Increase/(Decrease) in Trade & Other Payables		(42,836)	(17,036)
Net Increase/(Decrease) in Unpaid Employee Benefits		(10,845)	27,040
<b>Net Cash provided by (or used in) operations</b>		<u>695,443</u>	<u>444,021</u>

## Thorak Regional Cemetery

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

#### Note 10. Financial Instruments

##### Recognised Financial Instruments

##### Bank, Deposits at Call, Short Term Deposits

###### Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

###### Terms & Conditions:

Short term deposits have an average maturity of 283 days and an average interest rate of 1.25% (2021: 182 days and 1.58%).

###### Carrying Amount:

Approximates fair value due to the short term to maturity.

##### Receivables - Fees & Other Charges

###### Accounting Policy:

Carried at amortised cost less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

###### Terms & Conditions:

Unsecured, and do not bear interest. Thorak Regional Cemetery is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Cemetery's boundaries.

###### Carrying Amount:

Approximates fair value (after deduction of any allowance).

##### Liabilities - Creditors and Accruals

###### Accounting Policy:

Liabilities are recognised at amortised cost for amounts to be paid in the future for goods and services received, whether or not billed to the Cemetery.

###### Terms & Conditions:

Liabilities are normally settled on 30 day terms.

###### Carrying Amount:

Approximates fair value.

##### Liabilities - Leases

###### Accounting Policy:

Accounted for in accordance with AASB 16.

# Thorak Regional Cemetery

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 10. Financial Instruments (continued)

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2022</b>					
<b>Financial Assets</b>					
Cash & Cash Equivalents	–	–	–	–	2,095,712
Receivables	68,000	–	–	68,000	68,000
Other Financial Assets	322,404	–	–	322,404	322,404
<b>Total Financial Assets</b>	<b>390,404</b>	<b>–</b>	<b>–</b>	<b>390,404</b>	<b>2,486,116</b>
<b>Financial Liabilities</b>					
Payables	447,009	–	–	447,009	447,009
<b>Total Financial Liabilities</b>	<b>447,009</b>	<b>–</b>	<b>–</b>	<b>447,009</b>	<b>447,009</b>
<b>2021</b>					
<b>Financial Assets</b>					
Cash & Cash Equivalents	1,661,435	–	–	1,661,435	1,661,435
Receivables	38,879	–	–	38,879	38,879
Other Financial Assets	321,154	–	–	321,154	321,154
<b>Total Financial Assets</b>	<b>2,021,468</b>	<b>–</b>	<b>–</b>	<b>2,021,468</b>	<b>2,021,468</b>
<b>Financial Liabilities</b>					
Payables	529,436	–	–	529,436	529,436
<b>Total Financial Liabilities</b>	<b>529,436</b>	<b>–</b>	<b>–</b>	<b>529,436</b>	<b>529,436</b>

### Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Cemetery is the carrying amount, net of any impairment. All Cemetery investments are made with the authorised deposit taking institutions. Except as detailed in Note 5 in relation to individual classes of receivables, exposure is concentrated within the Cemetery boundaries, and there is no material exposure to any individual debtor.

**Market Risk** is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Cemetery's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

**Liquidity Risk** is the risk that Cemetery will encounter difficulty in meeting obligations with financial liabilities. Liabilities have a range of maturity dates.

**Interest Rate Risk** is the risk that future cash flows will fluctuate because of changes in market interest rates. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.



Special Purpose Financial Statements  
for the year ended 30 June 2022

Independent Auditor's Report

---

You have not selected a PDF for printing.

DRAFT

## Summary of Financials 2021-22

Council is well placed to continue to deliver quality community services and enhance its long-term sustainability with a good cash position and no debt in the short to medium term.

Enhancing Council's revenue-raising capabilities is necessary to ensure Community services and assets are sufficiently funded well in the future, and the council can develop Litchfield as 'the best place to live, work and play in the Top End'.

Council has curtailed growth in operating costs in line with the second review budget and long-term financial plan.

Employee costs, materials, services, and contractors came in under budget. Depreciation is under budget due to asset revaluation of roads and kerb and gutter, concentrating on a review of detail.

<b>Simplified Income Statement</b>	<b>Budget (\$)</b>	<b>Actuals (\$)</b>	<b>% of Budget</b>
Income raised through our ratepayers	12,107,821	11,927,544	99%
Income raised through our customers	1,835,192	2,222,663	121%
Income raised through external parties in form of grants and subsidies	4,829,311	5,910,687	122%
Income earned from bank investments and interest charges	66,262	97,897	148%
Other income	129,096	161,599	125%
<b>Total Earnings</b>	<b>18,967,682</b>	<b>20,320,390</b>	<b>107%</b>
Expenditure on our staff providing community services	7,008,554	6,865,467	98%
Expenditure on contractors and consultants providing community services	8,915,743	8,209,289	92%
Cost of assets used in providing community services (depreciation)	13,660,232	10,125,380	74%
<b>Total Expenses</b>	<b>29,584,529</b>	<b>25,200,135</b>	<b>85%</b>
<b>Council's Operating Deficit</b>	<b>( 10,616,847)</b>	<b>( 4,879,745)</b>	<b>46%</b>
Expenditure incurred on asset sales and disposal	-	18,683	0%
Income raised through external parties in form of grants and subsidies – new and upgrade of assets	1,699,669	60,019	4%
<b>Council's Total Deficit</b>	<b>( 8,917,178)</b>	<b>( 4,801,043)</b>	<b>54%</b>
<b>Other Comprehensive Income</b>			
Changes in Revaluation Surplus - I,PP&E	-	109,609,776	0%
<b>Total Comprehensive Income</b>	<b>( 8,917,178)</b>	<b>104,808,733</b>	<b>(1179%)</b>

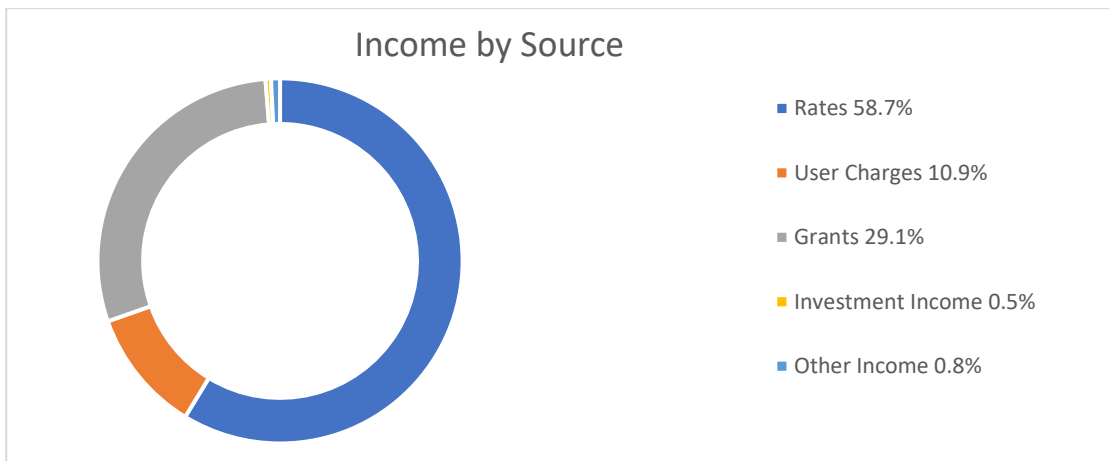
<b>Simplified Statement of Financial Position</b>	<b>2021-22 (\$)</b>
What we own - cash	22,484,064
What we own - unpaid rates and other receivables	2,639,071
What we own – assets	405,596,148
<b>Total assets</b>	<b>430,719,282</b>
What we owe to our suppliers	4,042,049
What we owe to our staff	978,200
<b>Total liabilities</b>	<b>5,020,249</b>
Net community worth	<b>425,699,033</b>

**Income 2021-22**

Budget \$18.9 million.

Actual \$20.3 million.

The increase in income compared to the budget relates mainly to grants received in advance.



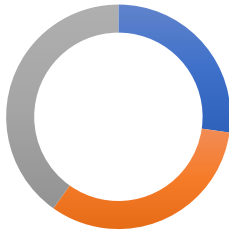
**Expenses 2021-22**

Budget \$29.6 million.

Actual \$25.2 million.

All expenditure items came in under budget.

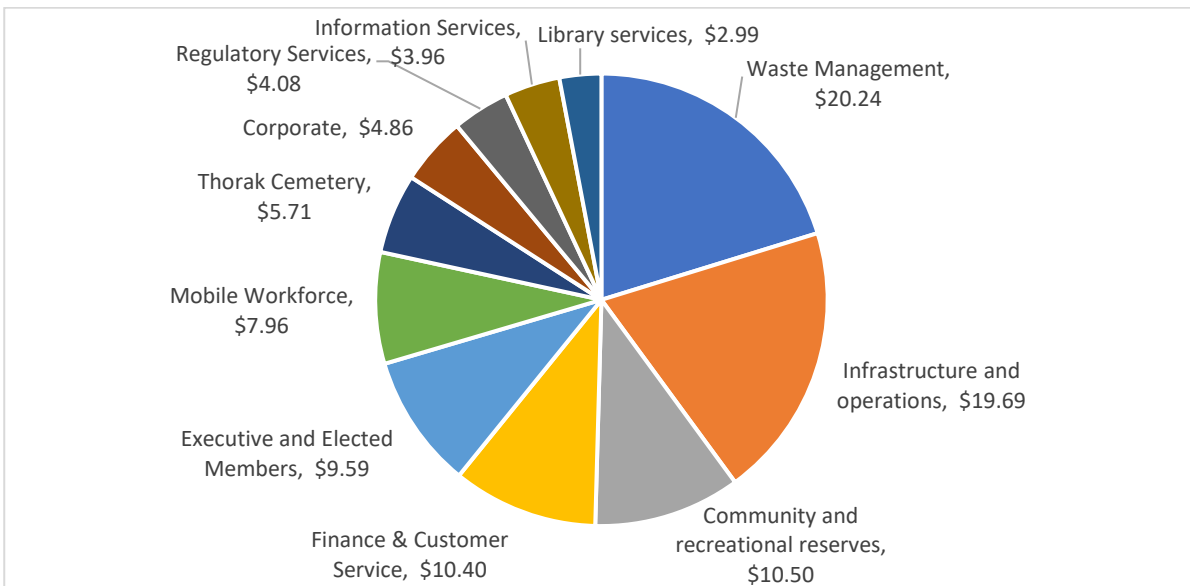
## Expense by Source



- Employee Costs 27%
- Material Contracts and Other 33%
- Depreciation

How does this compare to previous years?	2021-22	2020-21	2019-20	2018-19	2017-18
Income	\$20.3m	\$19.9m	\$17.3m	\$18.1m	\$17.7m
Expenses	\$25.2m	\$27.8m	\$27.0m	\$27.2m	\$29.5m
<i>Net Deficit</i>	<i>\$4.9m</i>	<i>\$7.8m</i>	<i>\$9.4m</i>	<i>\$4.1m</i>	<i>\$9.0m</i>

For every \$100 of expenditure, Council delivers the following services:

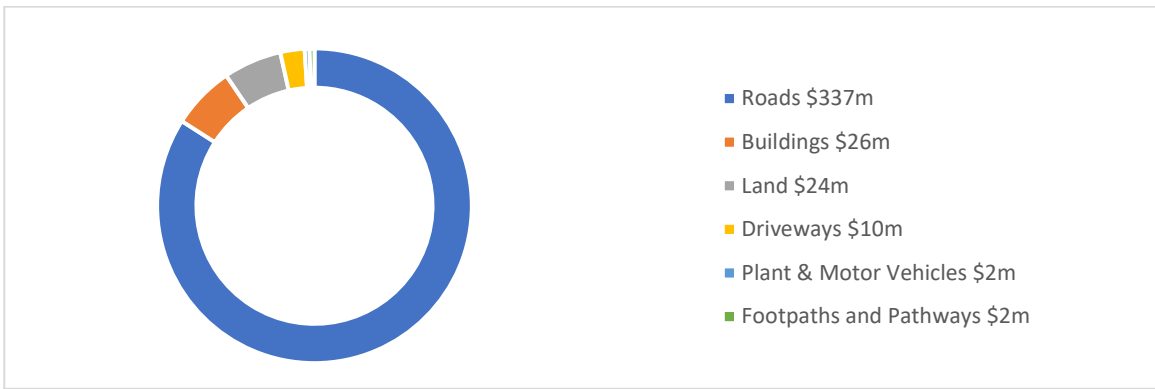


## Assets

Most of Council's assets are made up of Roads and related infrastructure, followed by Buildings and Culverts.

Council's Road asset management plan (approved in 2018) estimated an annual funding shortfall of \$4.6 million on average over ten years. The shortfall comprises the cost to renew and the cost to maintain assets at the lowest asset life cycle cost. This challenge is also evidenced as Council incurs annual operational deficits as current income levels fall short of funding the depreciation expense. To achieve a sustainable position in the long term, trade-offs are required between the levels of service provided to the community and Council's income-raising capacity.

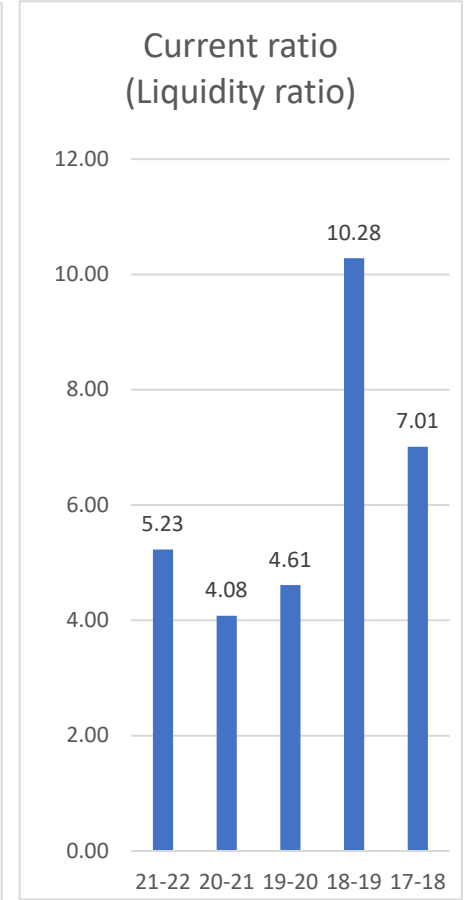
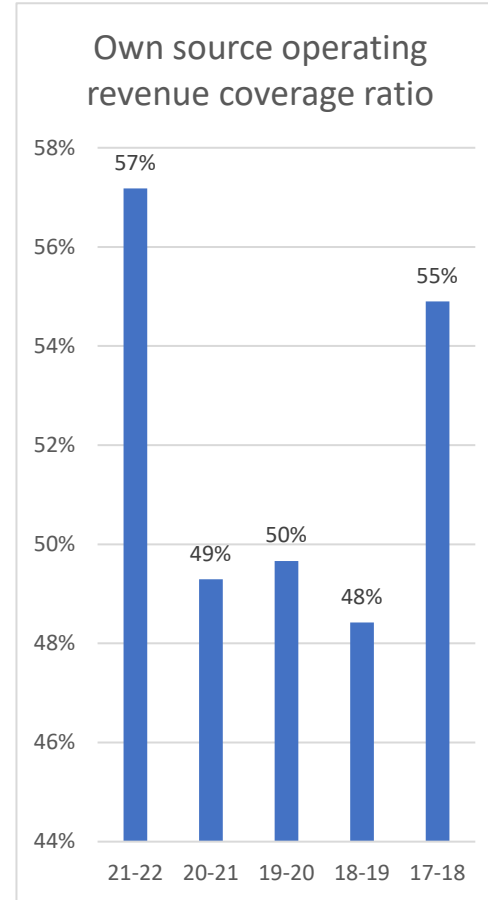
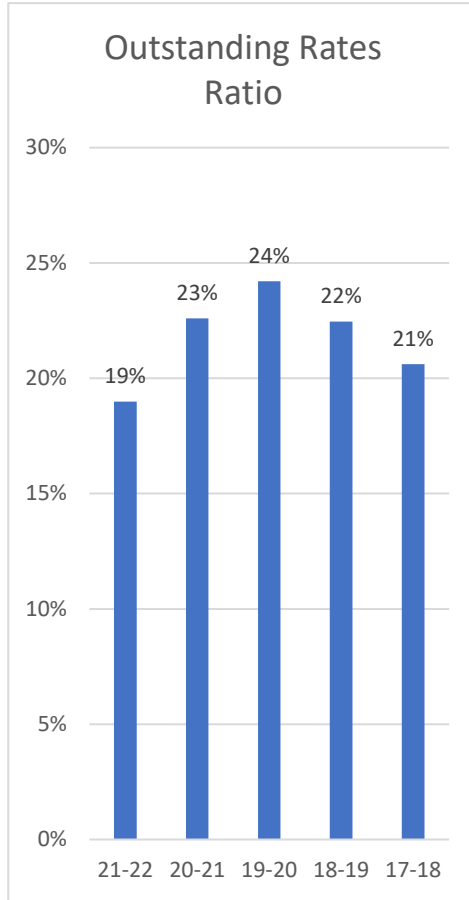
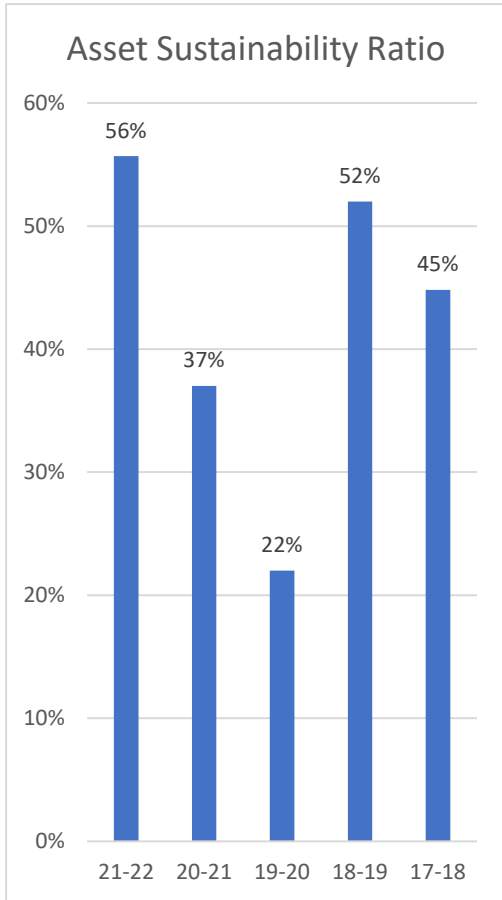
Council undertook an asset revaluation of Roads and Kerb and Gutter in 2022 with items being updated based on asset condition.



### Finance key performance indicators (KPI)

KPI	Explanation
Asset Sustainability Ratio	Council's Asset Sustainability ratio continues to fall below the local government benchmark of 90%. Council's asset base is currently valued at \$616 million. The current Long-term Financial Plan shows insufficient levels of revenue to fund the long-term infrastructure renewal needs of Council. The risk exists that Council's current levels of revenue will not be sustainable in the long-term to address a growing backlog of infrastructure replacement needs in future.
Outstanding Rates Ratio	In the absence of a local government industry standard benchmark, a benchmark of 5% for City Councils and 10% for Regional Councils is considered best practice and is used by many jurisdictions across Australia.
Own Source Revenue Ratio	This ratio indicates Council's ability to pay for its operational expenditure through its own revenue sources. The higher the ratio the more self-reliant a Council. A ratio of 40% to 60% is considered as a basic level, between 60% to 90% is considered intermediate level and more than 90% is considered advanced level.
Current Ratio (Liquidity Ratio)	A ratio of greater than 1 is required to provide assurance that Council has enough funds to pay its short-term financial commitments. Council's Current Ratio sits favourably against the Municipal Plan target and benchmark of 1. This ratio indicates Council is well placed to fulfill its short-term liabilities as and when they fall due.
Debt Service Ratio	Council has no debt and therefore fully meets the Municipal Plan Target of less than 1.

**Finance Sustainability Indicators**



<p>Indicates if Council is replacing or renewing existing assets in a timely manner as the assets are used up.</p>	<p>Identifies if Council is collecting rates and charges in a timely manner and the effectiveness of debt recovery efforts.</p>	<p>This ratio measures the degree to which Council relies on external funding to cover its operational expenses.</p>	<p>Identifies Council's ability to meet its short-term financial commitments as and when they fall due.</p>
--	---	--	---



## RMAC REPORT

<b>Agenda Item Number:</b>	8.02
<b>Report Title:</b>	Risk Management and Audit Committee Performance Assessment
<b>Author</b>	Maxie Smith, General Manager Business Excellence
<b>Recommending Officer:</b>	Stephen Hoyne, Chief Executive Officer
<b>Meeting Date:</b>	26/10/2022
<b>Attachments:</b>	A: Summary of Self-Assessed Performance Review B: FIN09 Risk Management and Audit Committee Policy

### Executive Summary

This report presents to the Risk Management and Audit Committee (RMAC), the results of the self-assessed performance review of the committee.

### Recommendation

THAT the Risk Management and Audit Committee receive and note the results of the self-assessed performance review of the committee, as at Attachment A Summary of Self-Assessed Performance Review.

### Background

Council's Risk Management and Audit Committee (FIN09) section 4.5 sets out the guidelines for assessing the committee's performance and review.

On 1 June 2022, RMAC resolved:

*"That as per FIN09 Risk Management and Audit Committee Policy part 4.5, staff prepare a plan for the August 2022 Risk Management and Audit Committee meeting that sets out the direction for an assessment of the committee's performance."*

A self-assessment template, measuring performance in below listed areas, was presented at the 31 August 2022 RMAC meeting.

1. Composition;
2. Committee Management;
3. Culture;
4. Onboarding and Continuing Education;
5. Audit Committee Chair;

6. Communications;
7. Consideration of Risk;
8. Oversight of Financial Reporting;
9. Oversight of Internal Control over Financial Reporting;
10. Oversight of Internal Audit;
11. Oversight of External Auditors and;
12. Overall Assessment.

At the 31 August 2022, RMAC resolved:

*“THAT the Risk Management and Audit Committee:*

- 1. receive and note the audit committee self-assessment plan; and*
- 2. request that all committee members of the Risk Management and Audit Committee complete the Audit Committee Self-Assessment; and*
- 3. requests that the CEO nominates relevant Executive Team members to complete the Audit Committee Self-Assessment; and*
- 4. requests that Litchfield Council Elected Member/s be nominated to complete the Audit Committee Self-Assessment; and*
- 5. requests that all responses be prepared within a report to be provided to the October 2022 Risk Management and Audit Committee meeting”.*

The below provides a breakdown of self-assessment responses received:

<b>Number of Respondents</b>	<b>Position</b>
2	RMAC Member
1	Elected Member
2	Executive Team Member
<b>5</b>	<b>TOTAL</b>

A summary of the responses is provided in Attachment A.

The table below identifies some key areas of interest.

Composition of RMAC	Consideration for an additional member with appropriate expertise. FIN09 to be amended.
RMAC’s ability to communicate and react quickly to an incident.	Further wording to be included in the committee’s terms of reference (FIN09) to improve RMAC’s communication and ability to react quickly.
Onboarding and Continuing Education	RMAC does not have a process for onboarding committee members. Having a process could add value to the committee. To be include in FIN09.



Oversight of internal control over financial reporting	The responses indicated that the committee does not feel like they have an oversight of internal control over financial reporting.
Oversight of internal audit	The responses indicated that the committee does not feel like they have oversight of the internal audits.

The self-assessment results will be used to inform changes to the committees' terms of reference - FIN09 Risk Management Audit Committee (Attachment B). Feedback is welcomed from the committee in preparation for the DRAFT policy to be presented at the February RMAC meeting.

**Links with Strategic Plan**

Performance - An Effective and Efficient Organisation

**Legislative and Policy Implications**

Risk Management & Audit Committee (FIN09) section 4.5

**Risks**



Governance

There is a low Governance risk should the RMAC not consider implementing feedback received in the assessment process.

**Financial Implications**

Nil.

**Community Engagement**

Not applicable.



## Risk Management and Audit Committee Performance Assessment

Summary of Self-Assessment Surveys:

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
<b>1. COMPOSITION</b>									
The audit committee has the appropriate qualifications, integrity, time, and resources to serve the board of directors and satisfy the audit committee charter.				2	3		Nil – never enough time.		New Chair welcomed. Time – no. Yes for other items. New Chair required.
The audit committee has the appropriate number of members to address risk adequately and efficiently.		1	1		3				Educate other members.
All members of the audit committee understand their roles and responsibilities.				2	3				More education.

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
The audit committee has at least one financial expert member, and the inclusion of additional financial experts has been considered in light of the company's risk and planned activities.		1	1		3		Should be considered.		
The audit committee has the appropriate operational and industry expertise, business acumen, along with diversity in thought, to allow a solid understanding of and to address the risks faced by the Company.		1	1	2	1				Concerned about staff education in risk.
Audit committee members have adequate time to devote to their duties and are not considered to be "over boarded" (i.e., they do not have too many conflicting obligations in serving other committees of the board, additional boards where they are serving as directors or advisors to, etc.).		1	1	1	2				Adequate.
All of the audit committee members are independent in both form and appearance so that impartiality may be applied in committee decision-making.				2	3				
The audit committee annually confirms its independence to the board of directors.	1	1	1		2				? May need to include the Audit Committee into KMP's.

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
The audit committee completes and continues to periodically perform timely background checks on all audit committee members.	3	1			1				Not necessary, although interesting.
The audit committee considers whether a change in composition of the audit committee is needed in order to provide a “fresh” perspective of the Company.	1	1	2		1				Is there room for another member.  Council and Local Government Act decide this.
The audit committee has members who are able to manage dissent and demonstrate a questioning mindset.				1	4				
<b>2. COMMITTEE MANAGEMENT</b>									
The audit committee allocates adequate meeting time throughout the year.			1		4				
The board book is prepared timely and concisely, focusing on appropriate issues and is distributed with time for adequate review by members in advance of meetings.				1	4				Agenda is put out in a timely manner. Appropriate issues is questionable.
All audit committee members receive and review materials in advance of audit committee meetings and come to meetings prepared.					3	2			

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
The audit committee adheres to agenda time prioritized to discuss important issues.					3	2			More CEO involvement on mitigating risk.
The audit committee ensures proper follow up to questions and issues that arise.					3	2			If we were a B Grade Council.
The audit committee conducts its meetings efficiently and is able to focus, discuss, and debate significant issues.					3	2			The CEO needs to highlight issues.
The audit committee maintains adequate meeting minutes.					3	2			
The audit committee reports timely and adequately to the board of directors and solicits appropriate feedback from the board.			1	2		2			Not much feedback. Better reporting to other Councillors.
The audit committee's role, as a function of the overall board of directors, is clear and concise.			1	1	3				Financial Reporting, Audit and Internal Controls – Compliance.
<b>3. CULTURE</b>									
The audit committee exhibits the appropriate "tone from the top," as defined by the audit committee chair.	1				4				Topics are defined by staff.

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
Audit committee members are able to speak freely during audit committee meetings.					3	2			
The audit committee maintains a questioning mindset and respects dissenting opinions to foster robust dialogue on significant matters.				1	2	2			
Management has established appropriate whistle-blower policies and procedures and the audit committee adequately oversees this process.					5				
The audit committee ensures that management maintains a Company Code of Conduct and that it is adhered to.	1		2	1	1				
The audit committee ensures that management clearly communicates to all employees that financial misreporting is absolutely unacceptable, and this no tolerance policy is being appropriately enforced.			1	2	2				No evidence of internal memos. Professional development for Leaders – accounting.  Present – yes. Past – unsure.
The audit committee requires management to communicate “bad” news promptly and fully and			2	1	2				No evidence of this. I believe this is changing to Agree.

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
management is in compliance with this requirement									
The audit committee is able to ask difficult questions of management, the internal auditor and the external auditor.				2	1	2			Copy of Auditors suggestions.
The audit committee is sceptical in its analysis of issues.				1	4				Not everyone.
The audit committee is able to react quickly to effect change and take preventative measures for the future.		1	2	2					Quickly – no. Moderately. Only 3 meetings per year.
The audit committee uses the audit committee charter to guide its responsibilities and assist in setting agendas.			1	1	3				Can we get a Charter?
The audit committee updates the audit committee charter annually, or as necessary, based on regulatory requirements and/or circumstances particular to the Company.	3		2						
The audit committee conducts and presents its annual self-assessment to the board of directors	3		2						
The audit committee has the authority and adequate resources to retain and	3		2						

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
compensate auditors and independent counsel and advisors and to fund ordinary administrative expenses.									
<b>4. ONBOARDING AND CONTINUING EDUCATION</b>									
The audit committee has a robust onboarding process for new members.	1		2	2					
Ensures robust “onboarding” of new members occurs timely.	4		1						
The audit committee has an effective process for participating in continuation education in keeping current on accounting, reporting, and other relevant governance and industry-specific matters.	2	1	1	1					
The audit committee has a process for allowing members to remain current on independence requirements.	2	1	1	1					
<b>5. AUDIT COMMITTEE CHAIR</b>									
The chair has adequate time scheduled to fulfill his/her responsibilities.			1		3	1			More pay? More Meetings?
The chair is knowledgeable of committee members’ skill sets and draws on such expertise/experience as needed.			1	1	3				



Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
The chair sets the appropriate tone for meetings, demonstrates effective leadership, and is able to manage various personalities and dissenting opinions in maintaining a productive and respectful environment.			1		3	1			
The chair sets the audit committee agenda with appropriate allocation of time for discussion and decision-making related to risk, complexity, and other significant considerations.			2		3				Only 3 x 2 hour meetings per year.
The chair effectively listens to and communicates with the audit committee members and others internal and external to the organization.				2	3				
The chair takes time to meet independently with management, internal and external auditors, etc. and encourages interactions among the directors and with management, the auditors, and others internal and external to the organization.			1	2	2				Not sure is part of Chair TOR.
The chair solicits input for meeting agendas from other audit committee			1	2	2				Time does not allow. Check TOR.

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
members, management, and both the internal and external auditors									
The chair ensures robust “onboarding” of new members occurs timely	2	1	1	1					
The chair engages the appropriate external resources, if and when needed.	1	1	1	2					TOR.
The chair adequately reports out to and works with other committees and the full board, as appropriate.	1			2	2				Refer to TOR.
<b>6. COMMUNICATIONS</b>									
The audit committee understands the pressures faced by management that could impact the financial reporting of the Company and maintains scepticism and exercises appropriate professional judgment.				1	4				
The audit committee maintains open and honest communication with management.		1		1	3				Communication comes from staff and KPMG.
The audit committee maintains open and honest communication with internal audit.	1		1		3				
The audit committee maintains open and honest communication with external auditors.	1		2		2				Hardly ever talk to KPMG, only happened once.

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
The audit committee ensures external audit inquiries, requests, and recommendations are responded to in a timely fashion.	3		2						Very little communication with KPMG.
The audit committee holds separate executive sessions with key members of management (including operations) as well as internal and external auditors, as often as necessary, to understand business risks.		2	3						
<b>7. CONSIDERATION OF RISK</b>									
The audit committee understands the strategic direction of the Company.		1			2	2			What is our strategic direction?
The audit committee reviews and understands risk assessments developed by management and the auditors.		1	2		2				What concerns do Management have?
The audit committee is knowledgeable of and considers risk to the company's strategy and business models posed by evolving and disruptive technologies and processes.				2	2	1			
The audit committee is alert to fraud risk factors, particularly the potential for management override of internal controls.	1	1			2	1			\$1M in overpaid rates? Interest? How is this reported?

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
(If appropriate) The audit committee is adequately briefed on management's cybersecurity risk management program and has confidence that this program is designed and operating effectively.	1		2		2				Update required.
<b>8. OVERSIGHT OF FINANCIAL REPORTING</b>									
The audit committee understands and challenges the appropriateness of critical accounting policies, estimates and judgements, including the implementation of new accounting standards.	1		1	1	2				Recently introduced.
The audit committee understands and challenge the completeness and transparency of the financial statements, annual report, and other related communications.				2	3				
The audit committee has adequate procedures in place to ensure that review of earnings releases and filing documents (including 10-Qs, 10-Ks, MD&A, CD&A, proxies) occur prior to public release.	3			2					Don't know.

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
The audit committee is satisfied with the quality and transparency of disclosures within the financial statements.				1	4				Staff turnover (2021-2022).  I really like the MERIT AP. KPMG – not sure? Last year was better.
The audit committee discusses management's use and disclosure of non- GAAP measures with the auditor and is in agreement with use of such disclosures within the financial statements.	3			2					
The audit committee reviews materials outside of the financial statements (e.g., industry reports, trend analysis, budget to actual, financial ratios, etc.) and encourages management to provide this information on a timely basis.	3		1		1				Rarely discuss Palmerston, Darwin Coomalie.
The audit committee understands the status of any major litigation or compliance matters encountered by the Company (including results of regulatory reviews/reports) and how management is addressing and responding to these matters.	2			2	1				No update on 4 major issues? Cost of legal fees (2021-2022).
The audit committee oversees	2		2	1					What are the qualifications of senior management team?

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
the qualifications and competency of management and senior financial executives.									This is operational and the job of the CEO, not Councillors responsibility.
The audit committee has an adequate succession plan in place for key financial management personnel (e.g., Chief Financial Officer, Chief Accounting Officer, and Internal Audit Director).	3	1	1						
<b>9. OVERSIGHT OF INTERNAL CONTROL OVER FINANCIAL REPORTING</b>									
The audit committee has a good understanding of the internal controls of the Company's and management's assessment of the effectiveness of internal controls.	1		2		2				Can we afford to bituminise dirt? Manage existing?
The audit committee is alert to "red flags" which may signal improper earnings management, fraudulent financial reporting, and misappropriation of funds or illegal acts.	1		2		2				Fraudulent Asset Register – Plant and Equipment.
The audit committee has a process in place for reacting to alleged fraud.	1		2		2				Please investigate above.
The audit committee is well informed and satisfied as to the knowledge and skillset with the accounting	2		1		2				An overview of qualifications. Who is the team?

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
department, including middle management positions.									This is operational and the job of the CEO.
Management communicates significant deficiencies or material weaknesses directly to the audit committee along with plans for remediation.	1			2	2				This would be good. Staffing?  Change in Management.
The audit committee adequately monitors and follows up on management's remediation plans.	1		1	1	2				Safety. Waste Management and Mobile Workforce.
The audit committee engages experts and advisors, as circumstances warrant.	3			1	1				Not communicated very well.
<b>10. OVERSIGHT OF INTERNAL AUDIT</b>									
The audit committee is responsible for and has adequate knowledge of the selection, operation, and retention of the internal audit function.	3		1	1					Who prepares? When? What are they looking for?
The audit committee meets often enough – both formally and informally – with the internal auditors and understands the scope of their work.	1		1	2	1				Need to meet interim audit team.
The audit committee discusses the overall scope, risk identification, and audit plan with the internal auditors	1		1	1	2				No.

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
and suggests adjustments as appropriate.									
The internal auditors report directly to the audit committee, providing it with unfiltered information.	1	2	2						No. Copy of recommended Auditor.
The audit committee periodically evaluates the adequacy, effectiveness, and independence of the internal audit department.			4		1				Who is on this? When do they meet? What objectives?
Internal audit is adequately resourced.	1		2	2					No idea.
<b>11. OVERSIGHT OF EXTERNAL AUDITORS</b>									
The audit committee is responsible for and has adequate knowledge of the selection and retention of the external audit function, including the selection of the engagement partners.			2	1	2				Agreed with Management recommendation.
The audit committee specifically considers the technical, industry, and financial reporting expertise, including geographic reach, of the auditor.	1			2	2				Adequate.
The audit committee considers the relationship and tenure of the auditor in the appointment and retention decision.		1		2	2				



Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
(If available) The audit committee reviews annual auditor transparency and/ or voluntary audit quality reports.	1			1	3				
The audit committee has evaluation procedures in place for the external auditors and responds to areas of dissatisfaction in a timely manner.	2			3					Management does not give elected members Auditors recommendations.
The audit committee inquires of and is satisfied that the auditors have adequate quality control policies and procedures in place to ensure services rendered meet professional and regulatory requirements as well as the audit committee's expectations.	1			1	3				Good question.  KPMG.
The audit committee obtains sufficient information to ensure that the audit fee is in line with expectations and the scope of the audit.	2			1	4				Good question. Same price many years.  Council only employs the CEO, not other members of staff. This is operational.
The audit committee is satisfied with the on-going technical training and competence of the auditors.				2	3				
The audit committee has adequate access to the auditors.			2		3				

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
The audit committee is satisfied that communications with the auditors are meaningful and occur often enough.	1		2		3				
The audit committee has pre-approval of services (both audit and non-audit) policies and procedures and is satisfied that these are operating effectively.	1		2		2				
The audit committee discusses the overall scope, risk identification, and audit plan with the auditors and suggested adjustments, as appropriate.	3				2				Scope – no! Adjustment -
The audit committee understands the critical accounting policies and practices employed by management and discusses these with the auditor.	1		1	1	2				Council income less than expenditure.
The audit committee discussed with the auditor all significant findings from the audit, including but not limited to: <ul style="list-style-type: none"> <li>▶ critical accounting policies;</li> <li>▶ changes in accounting principles;</li> <li>▶ management judgments</li> </ul>	2		1			2			Ticked: Management judgments and estimates; Disagreement with management; Consultation with other accountants/advisors; Significant difficulties encountered in performing the audit; Fraud and potential illegal acts involving senior management and those that cause a material

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
<p>and estimates;</p> <ul style="list-style-type: none"> <li>▶ corrected and uncorrected misstatements;</li> <li>▶ other information in documents containing audited financial statements (e.g., MD&amp;A, selected financial data, etc.);</li> <li>▶ disagreements with management;</li> <li>▶ consultation with other accountants;</li> <li>▶ major issues discussed with management, including those held prior to retention;</li> <li>▶ significant difficulties encountered in performing the audit; and</li> <li>▶ fraud and potential illegal acts involving senior management and those that cause a material misstatement of the</li> </ul>									<p>misstatement of the financial statements.</p> <p>Note: Graph of income/expenditure over 10 years.</p>

Topic/Issues	0 N/A	1 Strongly Disagree	2 Disagree	3 Neither Agree nor Disagree	4 Agree	5 Strongly Agree	Action Steps Required/Comments	Estimated Completion Date	Commentary
financial statements									
The audit committee discusses with the auditor the quality, not just the acceptability, of the entity's accounting principles as applied in its financial reporting.			1	1	2				Easy for Ratepayer to understand.
The audit committee discusses with the auditor all alternative accounting treatments within GAAP related to material items that have been discussed with management.	2		2	1					
The audit committee reviews and discusses with the auditor any material written communications made to management (e.g., management and engagement letters) and the status of recommendations made.	1		1		3				Auditor manages several Councils. How do they treat motor vehicles?
<b>12. OVERALL ASSESSMENT</b>									
The audit committee function is operating efficiently and effectively in fulfillment of its oversight responsibility.			1	1	3				New Chair needed.



#### Summary of Additional Assessment Commentary:

In addition to the five returned self-assessment surveys, the below commentary was provided in relation to the self-assessment and general feedback.

- 1) Many of the question's are operational & councillors are advised that they are not to get involved in operational matters by the previous 2 CEO's & interim CEO's from the period 2016 to 2021 inclusive.
- 2) Due to point 1 above, I felt many(most) of the question's needed to be answered N/A.
- 3) I don't believe I ticked any of the "Strongly Agree" or "Strongly Disagree" column's.
- 4) Many questions were having knowledge or perceived knowledge about other committee member's & staff which you could only get through a resume or interview process. Therefore judgemental.
- 5) I was concerned about Councillors responsibilities as per the LG Act in reference to the survey such as
  - a) Council only employs the CEO & the CEO employs/responsible for staff
  - b) Is the survey relevant to the TOR(terms of reference) of the RMAC committee & should this be changed or can it be changed under the LG Act
  - c) Relevance of RMAC under present format & does/should this be changed.
- 6) Many questions are related to having enough time & information(over boarded) to do the job. RMAC only allocates 3 x 2 hour meetings per year. I don't believe more meetings & time is the answer as everyone is already time poor.
- 7) The survey has been designed for large private & public companies & corporations. Not a council & needs significant editing.
- 8) I have been a member of the present RMAC committee for 5 or more years & my feedback/perception is that & trying not to be critical
  - a) Staff are responsible for the agenda, reports & recommendations – councillors & committee members have very little input.
  - b) Very easy to put a biased take into the reports & councillors have very little time to analyse them. Also payment (\$210) to councillors is insignificant for work needed to be done on the RMAC committee & responsibility.
  - c) I felt MERIT did a good job in their presentation of previous Annual Reports & liked MERIT's format. I felt this should have been extended, however the council agenda report recommended KPMG. Anyway, that's my opinion.
  - d) KPMG appears to be doing a good job & was the first time the KPMG senior staff(auditors) talked directly to the committee members directly. Hoping this will continue in order for KPMG to report red flags & committee members to ask any question's without offending anyone & KPMG vice versa.
  - e) Worried that many risk analysis reports become a tick & flick exercise in the past.
- 9) Many times I have felt like a mushroom in the past. I believe this is changing under the new council.

Risk Management & Audit Committee **FIN09**

Name	FIN09 Risk Management & Audit Committee
Policy Type	Council
Responsible Officer	Chief Executive Officer
Approval Date	20/11/2019
Review Date	19/11/2023

**1. Purpose**

This Policy sets out the terms of reference for the Risk Management and Audit Committee. The Committee is an Advisory Committee established pursuant to Part 5.3 of the Local Government Act.

**2. Scope**

The Risk Management and Audit Committee is an Advisory Committee of Council responsible for monitoring the compliance by Council with the proper standards of financial management, and compliance by Council with the Local Government (General) Regulations and the Accounting Standards. In addition, the Committee monitors, reviews, and advises the Chief Executive Officer on compliance, risk management and policy matters, and acts as an independent line of reporting by the auditor to Council.

**3. Definitions**

For the purposes of this Policy, the following definitions apply:

Term	Definition
Committee	This term refers to the Risk Management and Audit Committee.
The Act	The term refers to the most recent Local Government Act of the Northern Territory.
Regulations	This term refers to recent Local Government Regulations in the Northern Territory.

**4. Policy Statement**

## 4.1. Membership

- 4.1.1. The Committee shall consist of at least one independent member and two Elected Members of Council not including the Mayor. The minimum size of the Committee shall be three members.
- 4.1.2. The chairperson of the committee must be an independent member.

4.1.3. The Chief Executive Officer (CEO) shall provide an agenda for each meeting, with the Executive Assistant to the CEO providing secretariat services. The Chief Executive Officer and Chief Financial Officer will be invited to attend each Committee meeting.

4.1.4. Council's external and internal auditors may be invited to attend meetings of the Committee.

#### 4.2. Appointment and Termination of Committee Members

4.2.1. Members of the Committee are appointed by the Council. Appointment to the Committee from among the Elected Members of Council shall be for a period of up to one year, or until the end of the term of the Council. Committee members cease being a member of the committee if they are no longer an elected member of the Council.

4.2.2. Independent member(s) of the Committee shall be appointed for a period of up to four years, commencing part-way through an election cycle, so that their terms overlap each Council election and provide some continuity. Appointees may be reappointed by Council. Independent members can be terminated by the Council subject to the appointment agreement.

4.2.3. The selection process for the independent member (s) should consider the following factors when assessing the applicants:

- Level of understanding of local government and the environment in which they operate;
- Level of knowledge and practical exposure on governance and financial management practices;
- Capacity to dedicate adequate time on the committee;
- Depth of knowledge of regulatory and legislative requirements; and
- Ability to maintain professional relationships with staff, council members and other stakeholders.

#### 4.3. Voting Right of Committee Members

4.3.1. Only members of the Committee are entitled to vote in the Committee meetings. All Committee members have equal voting rights. Unless otherwise required (by the conflict of interest provision in the Act) and each member must vote on every matter that is before the committee for decision.

4.3.2. Where a vote is taken and the result is undecided the chairperson has the casting vote.

#### 4.4. Remuneration Committee Members

4.4.1. The Independent Chair shall be remunerated for the for preparation and attendance at each Committee meeting at the C1 daily rate identified in the Northern Territory Government Remuneration of Board Members as amended from time to time.

4.4.2. Elected members serving on the Committee shall be remunerated as per Council Policy.

#### 4.5. Committee Performance and Review

- 4.5.1. The chairperson, in consultation with the Chief Executive Officer, will initiate a self-assessment review of performance of the committee at least once every four years.
- 4.5.2. The review will be conducted on a self-assessment basis with appropriate input sought from the Chief Executive Officer, the auditors, Elected Members, management and any other relevant stakeholders, as determined by the Chief Executive Officer.

#### 4.6. Quorum

- 4.6.1. The quorum for the transaction of business shall be one independent member and one committee member that is a member of the Council. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all of the authorities, powers and discretions vested in or exercisable by the Committee.

#### 4.7. Meetings

- 4.7.1. Where agenda items are addressed in confidential, this shall be done in compliance with Part 4 Confidential Information and Business of the Local Government (Administration) Regulations.
- 4.7.2. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three clear days before the date of the meeting.
- 4.7.3. The committee shall meet a minimum of four times per year as per a meeting schedule set at the last meeting of the previous year to accommodate the reporting and audit cycle.

#### 4.8. Minutes of Meetings

- 4.8.1. The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minute and that the minutes otherwise comply with the requirements of all Regulations.
- 4.8.2. Minutes shall be circulated within five days after a meeting to all members of the Committee and to all members of the Council and will (as appropriate) be made available to the public within ten business days after the meeting on the Council's website.
- 4.8.3. The Chief Executive Officer maintains a register of audit report recommendations and action taken to address these recommendations. The Committee considers any follow-up action required pursuant to the report or the implementation of report recommendations.
- 4.8.4. The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.
- 4.8.5. After meeting, the Committee shall report to Council at the next Council Meeting including the Committee's recommendations and key issues of discussion to council.



#### 4.9. Role of the Committee

##### 4.9.1. Financial Reporting

4.9.1.1. The Committee shall monitor the integrity of the

- annual financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain; and
- the annual report.

4.9.1.2. The Committee shall review and challenge where necessary:

- The consistency of, and/or any changes to, accounting policies;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- All material information presented with the financial statements.

##### 4.9.2. Internal Controls and Risk Management Systems

The Committee shall:

- Keep under review the effectiveness of the Council's internal controls and risk management systems; and
- Review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.

##### 4.9.3. Whistle Blowing

4.9.3.1. The Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial recording or reporting or other matters. The Committee shall ensure these arrangements allow independent investigations of such matters and appropriate follow-up action.

4.9.3.2. Review the effectiveness of the Fraud Protection Plan established by the Chief Executive Officer pursuant to Section 6(d) of the Local Government (General) Regulations.

##### 4.9.4. Internal Audit

The Committee shall:

4.9.4.1. Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;

- 4.9.4.2. Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- 4.9.4.3. Review all reports on the Council's operations from the internal auditors;
- 4.9.4.4. Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 4.9.4.5. Where appropriate, meet with an internal auditor as required without management present, to discuss any issues arising from an internal audit that has been conducted. In addition, the Internal Auditor shall be given the right of direct access to the Principle member of the committee.

#### 4.9.5. External Audit

The Committee shall:

- 4.9.5.1. Monitor the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- 4.9.5.2. Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.
- 4.9.5.3. Monitor Council's relationship with the external auditor including, but not limited to:
  - Recommending the approval of the external auditor's remuneration, covering fees for both audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
  - Recommending the approval of external auditor's terms of engagement,
  - including any engagement letter issues at the commencement of each audit and the scope of the audit;
  - Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
  - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business); and
  - Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the Audit Committee's own internal quality procedures);
- 4.9.5.4. Meet the external auditor at least once a year and more often as needed, without management being present; to discuss the external auditor's report and any issues arising from the audit;

- 4.9.5.5. Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 4.9.5.6. Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - A discussion of any major issues which arose during the external audit;
  - Any accounting and audit judgements, and
  - Levels of errors identified during the external audit.
- 4.9.5.7. Review the effectiveness of the external audit;
- 4.9.5.8. Review any representation letter(s) requested by the external auditor before they are signed by management;
- 4.9.5.9. Review the subsequent audit management letter from the external auditor and management's proposed response, by Council, to the external auditor's findings and recommendations in that audit management letter.

#### 4.10. Conflict of Interest

- 4.10.1. Committee members must declare any real or perceived conflicts of interest when joining the committee, annually and at the start of each meeting before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.
- 4.10.2. Where a Committee member is deemed to have a real or perceived conflict of interest, at the chairperson's discretion, it may be appropriate that the person is excused from committee deliberations on the agenda item where a conflict of interest exists, or if necessary excused from the meeting.

#### 4.11. Committee Access to Council Records and Resources

- 4.11.1. The Chief Executive Officer will provide the necessary council records and reports for the audit committee to undertake its role and responsibilities subject to any confidentiality provisions in the Local Government Act or other legislative provisions.
- 4.11.2. With consideration of legal and confidentiality implications, via the Chief Executive Officer the Committee is authorised to:
  - Obtain any information it requires from any employee and/or external party.
  - Discuss any matters with the external auditor, or other external parties.
  - Request the attendance of any employee at committee meetings.
  - Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, contingent on a decision by Council to fund such advice.
- 4.11.3. The audit committee has no authority to procure resources independently of council.

4.12. Review of Terms of Reference

- 4.12.1. Every four years the committee will review its Terms of Reference to ensure it is consistent with the perceived needs to the council. This review will be in consultation with the Chief Executive Officer.
- 4.12.2. The outcome and recommendations will be given to council as part of this policy to consider.
- 4.12.3. While the Committee is required to review these Terms of Reference and make recommendations to Council, it has no power or authority to amend or alter the committee’s Terms of Reference.

**5. Associated Documents**

Litchfield Council Policies

**6. References and Legislation**

Local Government Act and associated Regulations, Ministerial Guidelines and General Instructions.

**7. Review History**

Date Reviewed	Description of changes (Inc Decision No. if applicable)
19/11/2015	Policy Adopted
18/10/2017	Policy reviewed (Decision No. 1718/089) to remove reference to individual member performance review
20/11/2019	Policy updated (Decision No. 1920-097). Public access to meeting, policy review cycle, external auditor meetings.
09/08/2021	Minor administrative changes made, including formatting and new regulation titles. Policy review date to remain the same.



## RMAC REPORT

<b>Agenda Item Number:</b>	8.03
<b>Report Title:</b>	Local Government Compliance Review
<b>Author and Recommending Officer:</b>	Maxie Smith, General Manager Business Excellence
<b>Meeting Date:</b>	26/10/2022
<b>Attachments:</b>	A: Letter of Notification – Compliance Review

### Executive Summary

This report presents to the Risk Management and Audit Committee (RMAC), the letter of notification dated 12 September 2022 received from the Department of Chief Minister and Cabinet informing of a compliance review.

### Recommendation

THAT the Risk Management and Audit Committee receive and note correspondence from the Department of Chief Minister and Cabinet dated 12 September 2022, as at Attachment A being the Letter of Notification – Compliance Review.

### Background

On 12 September 2022, Council received correspondence from the Department of Chief Minister and Cabinet (DCMC) notifying that Council had been selected for a compliance review. The DCMC is required to undertake a program of compliance reviews of local government bodies in the Northern Territory under section 298 of the *Local Government Act 2019*.

The purpose of a compliance review is to ensure that a council is conducting its business lawfully. The compliance review also provides feedback on how council is discharging its obligations under relevant legislation and assesses management practices.

As part of the compliance review program, Litchfield Council was selected for a compliance review from 1 July 2021 to 31 August 2022. The review includes a site visit by DCMC inspectors to Council's office which occurred in October.

The outcome of the compliance review will be presented to both Council and the RMAC once the final report has been received.

### Links with Strategic Plan

Performance - An Effective and Efficient Organisation

## Legislative and Policy Implications

Local Government Act 2019, section 298.  
Local Government (General) Regulations 2021.  
Ministerial Guidelines / General Instructions made under the Act.

## Risks



### Governance

Council is required to comply with the Local Government Act 2019, failure to comply would see Council in breach of the Act and result in poor governance.

## Financial Implications

Nil.

## Community Engagement

Not applicable.

12 September 2022

Mr Stephen Hoyne  
Chief Executive Officer  
Litchfield Council**File reference**  
2022/792-1~1Via email: [stephen.hoyne@litchfield.nt.gov.au](mailto:stephen.hoyne@litchfield.nt.gov.au)

Dear Mr Hoyne

**Re: Notification of Upcoming Compliance Review**

The Department of the Chief Minister and Cabinet is required to undertake a program of compliance reviews of local government bodies in the Northern Territory pursuant to section 298 of the *Local Government Act 2019*.

The purpose of a compliance review is to ensure that a council is conducting its business lawfully. The compliance review also serves to provide feedback on how council is discharging its obligations under relevant legislation, and to assess management practises.

As part of the compliance review program, Litchfield Council has been selected for a compliance review for the period 1 July 2021 to 31 August 2022, with a planned site visit to your head office scheduled for 12 October 2022. Please advise as soon as possible if this timing does not suit your council.

To prepare for this review, enclosed is the Compliance Review Procedure document detailing the steps of the review and the information required prior to the site visit. Please note the Compliance Review Procedure document is a guide only and timeframes and steps may be altered.

It is requested that the information listed in Attachment A be provided electronically via email to [lg.compliance@nt.gov.au](mailto:lg.compliance@nt.gov.au) by 28 September 2022.

Please provide contact details of an officer in your council to be the inspectors' single point of contact during the review process. The inspectors who will be conducting the review are:

- Mr Bilal Abbas
- Ms Pauline Williams
- Ms Samantha Gasura

If you require any further information in regards to the compliance review, please do not hesitate to contact me on 8999 8868 or email [lg.compliance@nt.gov.au](mailto:lg.compliance@nt.gov.au).

Yours sincerely

Meeta Ramkumar  
Director Sustainability and Compliance

## 9. Other Business

## 10. Confidential Items

Pursuant to Section 93 of the Local Government Act and Regulation 51 of Local Government (General) Regulations the meeting be closed to the public to consider the following Confidential Item:

### 10.1 Cyber Security Update

*Regulation 51(1) For section 293(1) of the Act, the following information is prescribed as confidential:*

*(c)(iii) prejudice the security of the council, it's members or staff.*

### 10.1 DRAFT Closing Audit Report 2021-2022

*Regulation 51(1) For section 293(1) of the Act, the following information is prescribed as confidential:*

*(e) subject to subregulation (3) – information provided to the council on condition that it be kept confidential and would, if publicly disclosed, be likely to be contrary to the public interest.*

## 11 Close of Meeting