

SHIRE OF COCOS (KEELING) ISLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021

13. INFORMATION ON BORROWINGS

	2021	2020
	\$	\$
(a) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	Nil	Nil
Bank overdraft at balance date	Nil	Nil
Credit card limit	40,000	40,000
Credit card balance at balance date	0	0
<b>Total amount of credit unused</b>	<b>40,000</b>	<b>40,000</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

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

**Borrowing costs**

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

**Risk**

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

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14. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2020

Current provisions  
Non-current provisions

Additional provision

Amounts used

Balance at 30 June 2021

Comprises

Current  
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	164,086	189,358	353,444
Non-current provisions	0	18,262	18,262
	164,086	207,620	371,706
Additional provision	185,803	108,993	294,796
Amounts used	(165,371)	(25,770)	(191,141)
<b>Balance at 30 June 2021</b>	<b>184,518</b>	<b>290,843</b>	<b>475,361</b>
Comprises			
Current	184,518	213,386	397,904
Non-current	0	77,457	77,457
	184,518	290,843	475,361

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date  
More than 12 months from reporting date  
Expected reimbursements from other WA local governments

	2021	2020
	\$	\$
Less than 12 months after the reporting date	238,100	259,444
More than 12 months from reporting date	252,807	127,808
Expected reimbursements from other WA local governments	(15,546)	(15,546)
	475,361	371,706

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees.

Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

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

**Provisions**

Provisions are recognised when the Shire has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the

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15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2021 Actual \$	2021 Budget \$	2020 Restated* \$
Cash and cash equivalents	3,555,071	2,384,837	3,961,090
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	22,459	214,623	517,374
Non-cash flows in Net result:			
Depreciation on non-current assets	1,263,454	1,591,050	1,262,832
(Profit)/loss on sale of asset	0	0	(14,300)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(237,621)	0	56,428
(Increase)/decrease in inventories	3,273	0	0
Increase/(decrease) in payables	(79,475)	0	(95,019)
Increase/(decrease) in employee provisions	103,655	0	29,702
Increase/(decrease) in other liabilities	68,370	0	
Non-operating grants, subsidies and contributions	(1,329,070)	(1,486,659)	(451,381)
Net cash from operating activities	(184,955)	319,014	1,305,636

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16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021 \$	2020 Restated* \$
Governance	4,082,397	4,272,542
Law, order, public safety	85,157	121,784
Education and welfare	320,261	338,327
Housing	1,622,232	881,670
Community amenities	1,830,866	2,024,249
Recreation and culture	4,689,376	4,809,491
Transport	8,612,120	8,631,769
Economic services	2,406,103	2,373,757
Other property and services	1,318,696	1,398,610
	24,967,208	24,852,199

**17. CONTINGENT LIABILITIES**

The Shire is not aware of any contingent liabilities as at 30 June 2021.

**18. CAPITAL COMMITMENTS**

**(a) Capital Expenditure Commitments**

	2021	2020
	\$	\$
Contracted for:		
- capital expenditure projects	79,631	0
- plant & equipment purchases	0	0
	79,631	0
Payable:		
- not later than one year	79,631	0
The capital expenditure project outstanding at the end of the current reporting period represents the construction of:		
- Home Island retail precinct	19,111	0
- Home Island new housing project	17,872	0
- The Spot - shelter	34,000	0
- Council chamber upgrades	8,648	0
	79,631	0

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19. ELECTED MEMBERS REMUNERATION

	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>President - Cr. Minkom</b>			
President's annual allowance	5,250	5,500	5,000
Meeting attendance fees	5,250	5,714	5,000
Other expenses	0	1,429	0
Travel and accommodation expenses	5,275	8,571	15,725
	15,775	21,214	25,725
<b>Deputy President - Cr. Iku</b>			
Meeting attendance fees	5,250	5,714	5,000
Other expenses	0	1,429	0
Travel and accommodation expenses	4,270	8,571	9,840
	9,520	15,714	14,840
<b>Councillor - Cr. Charleston</b>			
Meeting attendance fees	5,250	5,714	5,000
Other expenses	0	1,429	0
Travel and accommodation expenses	1,060	8,571	3,746
	6,310	15,714	8,746
<b>Councillor - Cr. Lacy</b>			
Meeting attendance fees	5,250	5,714	5,000
Other expenses	0	1,429	0
Travel and accommodation expenses	509	8,571	2,677
	5,759	15,714	7,677
<b>Councillor - Cr. Hamiril</b>			
Meeting attendance fees	5,250	5,714	5,000
Other expenses	0	1,429	0
Travel and accommodation expenses	4,486	8,571	2,056
	9,736	15,714	7,056
<b>Councillor - Cr. Ibram</b>			
Meeting attendance fees	5,250	5,714	5,000
Other expenses	0	1,429	0
Travel and accommodation expenses	3,570	8,571	2,056
	8,820	15,714	7,056
<b>Councillor - Cr. Amat-Noor</b>			
Meeting attendance fees	5,250	5,714	5,000
Other expenses	0	1,429	0
Travel and accommodation expenses	509	8,571	0
	5,759	15,714	5,000
<b>Councillor - Cr. Young</b>			
Travel and accommodation expenses	0	0	4,773
	0	0	4,773
<b>Councillor - Cr. Dedian</b>			
Travel and accommodation expenses	0	0	4,627
	0	0	4,627
	61,679	115,498	85,500
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	5,250	5,500	5,000
Meeting attendance fees	36,750	39,998	35,000
Other expenses	0	10,003	0
Travel and accommodation expenses	19,679	59,997	45,500
	61,679	115,498	85,500

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20. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Shire during the year are as follows:

	2021 Actual \$	2020 Actual \$
Short-term employee benefits	583,812	525,970
Post-employment benefits	74,225	80,851
Other long-term benefits	10,190	8,116
	668,227	614,937

*Short-term employee benefits*

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

*Post-employment benefits*

These amounts are the current-year's estimated cost of providing for the Shire's superannuation contributions made during the year.

*Other long-term benefits*

These amounts represent long service benefits accruing during the year.

20. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

Transactions between related parties and the Shire are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:	2021 Actual \$	2020 Actual \$
Sale of goods and services	219,707	260,089
Purchase of goods and services	39,610	54,442
Short term employee benefits -other related parties	222	0
Payment of salaries and wages	683,519	692,247
<b>Amounts outstanding from related parties:</b>		
Trade and other receivables	15,254	25,127
<b>Amounts payable to related parties:</b>		
Trade and other payables	7,592	5,965

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

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

iii. Entities subject to significant influence by the Shire

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

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21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21 Actual Rateable Value \$	2020/21 Actual Rate Revenue \$	2020/21 Actual Interim Rates \$	2020/21 Actual Back Rates \$	2020/21 Actual Total Revenue \$	2020/21 Budget Rate Revenue \$	2020/21 Budget Interim Rate \$	2020/21 Budget Back Rate \$	2020/21 Budget Total Revenue \$	2019/20 Actual Total Revenue \$
<b>Differential general rate / general rate</b>												
<b>Gross rental valuations</b>												
General Developed	10.90	127	2,180,360	237,659	894	0	238,553	237,659	0	0	237,659	242,706
Vacant Land	21.75	11	55,200	12,006	0	0	12,006	12,006	0	0	12,006	13,422
Business	11.50	25	835,595	96,093	0	0	96,093	96,093	0	0	96,093	96,273
Holiday Accommodation	10.90	16	297,920	32,473	0	0	32,473	32,473	0	0	32,473	39,555
<b>Sub-Total</b>		179	3,369,075	378,231	894	0	379,125	378,231	0	0	378,231	391,956
<b>Minimum payment</b>												
<b>Gross rental valuations</b>												
General Developed	705	3	3,540	2,115	0	0	2,115	2,115	0	0	2,115	2,115
Vacant Land	800	4	13,620	3,200	0	0	3,200	3,200	0	0	3,200	3,200
Business	705	23	91,564	16,215	0	0	16,215	16,215	0	0	16,215	15,962
Holiday Accommodation	705	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>		30	108,724	21,530	0	0	21,530	21,530	0	0	21,530	21,277
Discounts/concessions (Note 21(d))							0	0	0	0	0	100
<b>Total amount raised from general rates</b>		209	3,477,799	399,761	894	0	400,655	399,761	0	0	399,761	413,233

**SIGNIFICANT ACCOUNTING POLICIES**

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer.

Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

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21. RATING INFORMATION (Continued)

(b) Specified Area Rate

The Shire did not levy a specified area rate for the 2020/21 financial year.

(c) Service Charges

The Shire did not levy any service charges for the 2020/21 financial year.

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2021 Actual \$	2021 Budget \$	2020 Actual \$	Circumstances in which Discount is Granted
Rate Assessment	N/A	N/A	0	0	(100)	Write Off
			0	0	(100)	
Total discounts/concessions (Note 21(a))			0	0	(100)	

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21. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
<b>Option One</b>				
Single full payment	5/10/2020	0.00	0.00%	11.00%
<b>Option Two</b>				
First instalment	5/10/2020	15.00	5.50%	11.00%
Second instalment	7/12/2020	0.00	5.50%	11.00%
Third instalment	8/02/2021	0.00	5.50%	11.00%
Fourth instalment	12/04/2021	0.00	5.50%	11.00%
		2021 Actual	2021 Budget	2020 Actual
		\$	\$	\$
Interest on unpaid rates		4,681	4,000	4,836
Interest on instalment plan		230	500	620
Charges on instalment plan		225	500	360
		5,136	5,000	5,816

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22. RATE SETTING STATEMENT INFORMATION

Note	2020/21	2020/21	2019/20
	(30 June 2021 Carried Forward)	Budget (30 June 2021 Carried Forward)	(30 June 2020 Carried Forward)
	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
	The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .		
	<b>Adjustments to operating activities</b>		
	Less: Profit on asset disposals		
9(a)	0	0	(14,300)
	Movement in employee benefit provisions (non-current)		
	59,195	0	(5,705)
	Movement in employee benefit provisions (current)		
	44,460	0	35,407
	Add: Depreciation on non-current assets		
9(b)	1,263,454	1,591,050	1,262,832
	1,367,109	1,591,050	1,278,234
<b>(b) Surplus/(deficit) after imposition of general rates</b>			
	The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.		
	<b>Adjustments to net current assets</b>		
	Less: Reserves - cash backed		
4	(3,020,601)	(2,225,078)	(2,672,145)
	Add: Current liabilities not expected to be cleared at end of year		
	- Employee benefit provisions		
	397,904	318,037	353,444
	(2,622,697)	(1,907,041)	(2,318,701)
	<b>Net current assets used in the Rate Setting Statement</b>		
	Total current assets		
	4,040,708	2,636,886	4,212,379
	Less: Total current liabilities		
	(714,198)	(729,845)	(680,843)
	Less: Total adjustments to net current assets		
	(2,622,697)	(1,907,041)	(2,318,701)
	703,813	0	1,212,835



### 23. FINANCIAL RISK MANAGEMENT

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

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

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

#### (a) Interest rate risk

##### Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk.

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2021</b>					
Cash and cash equivalents	0.17%	3,555,071	3,020,601	534,070	400
<b>2020</b>					
Cash and cash equivalents	0.39%	3,961,090	2,672,145	(1)	1,288,946

##### Sensitivity

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

	2021	2020
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	5,341	0

\* Holding all other variables constant

### 23. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk

##### Trade and Other Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

No expected credit loss was forecast on 1 July 2020 or 30 June 2021 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates. Any amounts written off over the 36 month period relate to small balances and are considered immaterial.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2021</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	0	26,616	0	0	26,616
Loss allowance	0	0	0	0	0
<b>30 June 2020</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	0	15,209	0	0	15,209
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2021</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.51%	
Gross carrying amount	354,927	26,154	24,951	37,647	443,679
Loss allowance	0	0	0	17,409	17,409
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.25%	
Gross carrying amount	74,531	20,746	10,247	125,603	231,127
Loss allowance	0	0	0	31,071	31,071

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables

Payables are subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(a).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2021</b>					
Payables	247,924	0	0	247,924	247,924
	247,924	0	0	247,924	247,924
<b>2020</b>					
Payables	327,399	0	0	327,399	327,399
	327,399	0	0	327,399	327,399

24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

(a) AASB 1059 Service Concession Arrangements: Grantors

Service concessions assets are those assets where a third-party operator conducts assets for the Shire, upgrades existing assets of the Shire or uses existing assets of the Shire to operate and maintain the assets to provide public service, for a specified period of time. Where, in these circumstances, the third party operator provides a public service on behalf of the Shire and is deemed to manage a least some of the services under its own discretion, the assets are classified as service concession assets. Newly constructed or upgraded assets are measured at current replacement costs in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. In the case of existing assets, these are classified and treated in the same manner with any difference at the date of reclassification between the carrying amount of the assets and their fair value (current replacement cost) being treated as if it is a revaluation of the asset.

The Shire assessed the impacts of AASB 1059 Service Concession Arrangements and determined that the Shire does not hold as such arrangements.

## 25. CORRECTION OF ERROR

Land and improvements located in the Shire of Cocos (Keeling) Islands were placed under the control of the Shire in its capacity of Trustee in 1979 and 1984 on the formation of a community trust in each of the two years by the Commonwealth and transfer of various parcels of land to the two trusts. The Shire of Cocos (Keeling) Islands has in previous years considered these assets to be Shire assets and accounted for the assets and their maintenance on this basis.

Revenue and expenditure associated with Trust assets is now considered Trust revenue and expenditure and not Shire revenue or expenditure following receipt of legal advice to this effect. Removal of the trust revenue or expenditure has resulted in the Shire making a contribution to each of the Trusts equivalent to the sum of net cash expenditure and asset purchases made on behalf of each of the Trusts.

The opening balance at 1 July 2019 has been amended to remove the assets not recognised as Shire assets at the 1 July 2019.

Statement of Financial Position (Extract)	30 June 2020	Increase/ (Decrease)	30 June 2020 (Restated)	30 June 2019	Increase/ (Decrease)	01 July 2019 (Restated)
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	50,825,220	(38,150,710)	12,674,510	50,786,165	(38,467,150)	12,319,015
Net assets	62,303,804	(38,150,710)	24,153,094	62,102,871	(38,467,150)	23,635,721
Retained surplus	14,397,416	(985,838)	13,411,578	14,328,967	(1,302,277)	13,026,690
Reserves - cash backed	2,672,145	0	2,672,145	2,539,660	0	2,539,660
Revaluation surplus	45,234,244	(37,164,873)	8,069,371	45,234,244	(37,164,873)	8,069,371
Total equity	62,303,804	(38,150,710)	24,153,094	62,102,871	(38,467,150)	23,635,721

Statement of Comprehensive Income (Extract)	2020	Increase/ (Decrease)	2020 (Restated)
	\$	\$	\$
<i>By Nature or Type</i>			
<b>Revenue</b>			
Fees and charges	1,202,775	(609,023)	593,752
Other revenue	129,167	(87,768)	41,399
<b>Expenses</b>			
Employee costs	(2,647,329)	174,184	(2,473,145)
Materials and contracts	(1,204,342)	143,575	(1,060,767)
Utility charges	(129,144)	74,600	(54,544)
Depreciation on non-current assets	(1,659,401)	396,569	(1,262,832)
Insurance expenses	(367,450)	230,628	(136,822)
Other expenditure	(53,064)	(6,325)	(59,389)
Net result for the period	200,934	316,440	517,374
<b>Total comprehensive income for the period</b>	200,934	316,440	517,374

## 25. CORRECTION OF ERROR (Continued)

By program	2020	Increase/ (Decrease)	2020 (Restated)
	\$	\$	\$
<b>Revenue</b>			
Health	46,664	(46,664)	0
Housing	493,458	(467,218)	26,240
Economic services	86,364	(13,451)	72,913
Other property and services	606,025	(169,458)	436,567
<b>Expenses</b>			
Governance	(265,689)	78,023	(187,666)
Health	(25,284)	7,781	(17,503)
Housing	(1,052,960)	819,546	(233,414)
Community amenities	(1,362,338)	1,260	(1,361,078)
Recreation and culture	(1,213,289)	28,907	(1,184,382)
Economic services	(348,429)	84,039	(264,390)
Other property and services	(425,896)	(6,325)	(432,221)
Net result for the period	200,934	316,440	517,374
<b>Total comprehensive income for the period</b>	200,934	316,440	517,374
<b>Statement of Cash Flow (Extract)</b>			
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fees and charges	1,202,775	(609,022)	593,753
Other Revenue	129,167	(87,768)	41,399
<b>Payments</b>			
Employee costs	(2,598,397)	174,183	(2,424,214)
Materials and contracts	(1,314,458)	143,574	(1,170,884)
Utility charges	(129,144)	74,600	(54,544)
Insurance paid	(367,450)	230,628	(136,822)
Other expenditure	(53,064)	(6,325)	(59,389)
<b>Net cash provided by (used in) operating activities</b>	1,385,766	(80,130)	1,305,636
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant & equipment	(1,151,522)	80,127	(1,071,395)
<b>Net cash provided by (used in) investment activities</b>	(1,263,748)	80,127	(1,183,621)

SHIRE OF COCOS (KEELING) ISLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021

25. CORRECTION OF ERROR (Continued)

Rate Setting Statement (Extract)	2020 \$	Increase/ (Decrease) \$	2020 (Restated) \$
<b>Revenue from operating activities (excluding rates)</b>			
Health	46,664	(46,664)	0
Housing	493,458	(467,218)	26,240
Economic services	86,364	(13,451)	72,913
Other property and services	606,025	(169,458)	436,567
<b>Expenditure from operating activities</b>			
Governance	(265,689)	78,023	(187,666)
Health	(25,284)	7,781	(17,503)
Housing	(1,052,960)	819,546	(233,414)
Community amenities	(1,362,338)	1,260	(1,361,078)
Recreation and culture	(1,213,289)	28,907	(1,184,382)
Economic services	(348,429)	84,039	(264,390)
Other property and services	(425,896)	(6,325)	(432,221)
Non-cash amounts excluded from operating activities	1,674,804	(396,570)	1,278,234
<b>Amount attributable to operating activities</b>	2,195,738	(80,130)	2,115,608
Purchase of property, plant & equipment	(1,151,522)	80,127	(1,071,395)
<b>Amount attributable to investing activities</b>	(1,263,748)	80,127	(1,183,621)

Note 2. Revenue and Expenses  
(Extract)

Fees and Charges

Health	46,664	(46,664)	0
Housing	405,690	(379,450)	26,240
Economic services	55,496	(13,451)	42,045
Other property and services	606,025	(169,458)	436,567

Other revenue

Reimbursements and recoveries	89,737	(89,737)	0
Refunds	36,086	(36,086)	0
Other	3,344	38,055	41,399

Note 7. Property, Plant and Equipment  
(Extract)

Movements in Balances	Buildings - non-specialised	Increase/ (Decrease)	2020 (Restated)	Total property plant and equipment	Increase/ (Decrease)	2020 (Restated)
	2020 \$	\$	\$	2020	\$	\$
Balance at 1 July 2019	48,458,602	(38,467,151)	9,991,451	50,786,165	(38,467,150)	12,319,015
Additions	467,645	(80,127)	387,518	1,151,522	(80,127)	1,071,395
Depreciation (expense)	(547,417)	396,569	(150,848)	(1,112,468)	396,568	(715,900)
Balance at 30 June 2020	48,378,830	(38,150,709)	10,228,121	50,825,219	(38,150,709)	12,674,510
<b>Comprises:</b>						
Gross balance at 30 June 2020	49,949,614	(39,304,884)	10,644,730	55,507,652	(39,304,884)	16,202,768
Accumulated depreciation at 30 June 2020	(1,570,783)	1,154,174	(416,609)	(4,682,432)	1,154,174	(3,528,258)
Balance at 30 June 2020	48,378,831	(38,150,710)	10,228,121	50,825,220	(38,150,710)	12,674,510

SHIRE OF COCOS (KEELING) ISLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021

25. CORRECTION OF ERROR (Continued)

Note 9(b). Fixed Assets (Extract)	2020 \$	Increase/ (Decrease) \$	2020 (Restated) \$
<b>Depreciation</b>			
Buildings - non specialised	547,417	(396,569)	150,848
Total Depreciation	1,659,400	(396,568)	1,262,832

Note 10. Revaluation Surplus (Extract)	30 June 2020 \$	Increase/ (Decrease) \$	30 June 2020 (Restated) \$	30 June 2019 \$	Increase/ (Decrease) \$	01 July 2019 (Restated) \$
Revaluation Surplus-Buildings-non specialised	44,267,665	(37,164,872)	7,102,793	44,267,655	(37,164,862)	7,102,793

Note 15. Notes to the Statement of Cash Flow  
(Extract)

	2020 \$	Increase/ (Decrease) \$	2020 (Restated) \$
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	200,934	316,441	517,375

Non-cash flows in Net result:

Depreciation on non-current assets	1,659,400	(396,568)	1,262,832
Net cash from operating activities	1,385,765	(80,129)	1,305,636

Note 16. Total Assets Classified by Function and Activity  
(Extract)

Governance	1,370,636	2,901,906	4,272,542
General purpose funding	1,268,322	(1,268,322)	0
Health	495,201	(495,201)	0
Education and welfare	476,655	(138,328)	338,327
Housing	33,826,829	(32,945,159)	881,670
Community amenities	2,935,567	(911,318)	2,024,249
Recreation and culture	5,392,949	(583,458)	4,809,491
Transport	9,142,555	(510,786)	8,631,769
Economic services	5,819,080	(3,445,323)	2,373,757
Unallocated	754,721	(754,721)	0
Total Assets Classified by Function and Activity	63,002,909	(38,150,710)	24,852,199

Note 22. Rates Setting Statement Information  
(Extract)

<b>Adjustments to operating activities</b>			
Add: Depreciation on non-current assets	1,659,401	(396,569)	1,262,832
Non cash amounts excluded from operating activities	1,674,804	(396,569)	1,278,234

Note 29. Financial Ratios  
(Extract)

	2020	Increase/ (Decrease)	2020 (Restated)
Current ratio	4.33	0.11	4.44
Asset consumption ratio	0.59	0.19	0.78
Asset renewal funding ratio	1.38	1.38	Not calculated
Asset sustainability ratio	0.65	0.14	0.79
Operating surplus ratio	(0.14)	0.20	0.06
Own source revenue coverage ratio	0.29	(0.08)	0.21

SHIRE OF COCOS (KEELING) ISLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021

26. TRUST FUNDS

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

LAND TRUST 1979  
STATEMENT OF COMPREHENSIVE INCOME  
NATURE OR TYPE

	2021 Actual \$	2020 Actual \$
<b>Revenue</b>		
Contributions	821,462	0
Rent revenue	496,528	505,104
Other revenue	92,046	87,768
	<u>1,410,036</u>	<u>592,872</u>
<b>Expenses</b>		
Employee costs	(162,468)	(146,883)
Materials and contracts	(111,964)	(109,539)
Utility charges	(66,938)	(51,250)
Depreciation on non-current assets	(342,010)	(342,958)
Insurance expenses	(225,523)	(212,158)
Other expenses	0	(38,592)
	<u>(908,903)</u>	<u>(901,380)</u>
	<u>501,133</u>	<u>(308,508)</u>
<b>Net result for the period</b>	<b>501,133</b>	<b>(308,508)</b>

LAND TRUST 1979  
STATEMENT OF FINANCIAL POSITION

	2021 \$	2020 \$
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	33,676,212	33,175,079
<b>TOTAL NON-CURRENT ASSETS</b>	<u>33,676,212</u>	<u>33,175,079</u>
<b>TOTAL ASSETS</b>	<u>33,676,212</u>	<u>33,175,079</u>
<b>EQUITY</b>		
Retained surplus	1,563,338	1,062,205
Revaluation surplus	32,112,874	32,112,874
<b>TOTAL EQUITY</b>	<u>33,676,212</u>	<u>33,175,079</u>

SHIRE OF COCOS (KEELING) ISLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021

26. TRUST FUNDS (Continued)

LAND TRUST 1984  
STATEMENT OF COMPREHENSIVE INCOME  
NATURE OR TYPE

	2021 Actual \$	2020 Actual \$
<b>Revenue</b>		
Contributions	250,198	44,917
Rent revenue	90,332	103,918
	<u>340,530</u>	<u>148,835</u>
<b>Expenses</b>		
Employee costs	(99,044)	(27,301)
Materials and contracts	(69,747)	(34,036)
Utility charges	(18,569)	(23,350)
Depreciation on non-current assets	(54,068)	(53,611)
Insurance expenses	(17,807)	(18,470)
	<u>(259,235)</u>	<u>(156,768)</u>
	<u>81,295</u>	<u>(7,933)</u>
<b>Net result for the period</b>	<b>81,295</b>	<b>(7,933)</b>

LAND TRUST 1984  
STATEMENT OF FINANCIAL POSITION

	2021 \$	2020 \$
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5,056,924	4,975,630
<b>TOTAL NON-CURRENT ASSETS</b>	<u>5,056,924</u>	<u>4,975,630</u>
<b>TOTAL ASSETS</b>	<u>5,056,924</u>	<u>4,975,630</u>
<b>EQUITY</b>		
Retained surplus	4,926	(76,368)
Revaluation surplus	5,051,998	5,051,998
<b>TOTAL EQUITY</b>	<u>5,056,924</u>	<u>4,975,630</u>

**SHIRE OF COCOS (KEELING) ISLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021**

**27. OTHER SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Level 1**  
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**  
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3**  
Measurements based on unobservable inputs for the asset or liability.

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

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

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

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

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

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

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

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

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

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

**SHIRE OF COCOS (KEELING) ISLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021**

**28. ACTIVITIES/PROGRAMS**

Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<b>GOVERNANCE</b> To provide the highest level of administrative support to all Council functions and activities as well as to elected members.	Activities include administration and the operation of facilities and services to members of Council including fees, expenses, allowances, election expenses, conference expenses, refreshments and receptions.
<b>GENERAL PURPOSE FUNDING</b> To provide a solid financial platform by good financial management in order to provide a level of services expected by electors.	Activities include rates and general grants income, expenditure relating to the collection of rates.
<b>LAW, ORDER, PUBLIC SAFETY</b> To ensure that residents enjoy a standard of living as free as possible from public nuisance.	Activities include administration and enforcement of animal control, litter, camping and other local laws as required.
<b>HEALTH</b> Maintain a high standard of health control for the benefit of residents by ensuring compliance with all relevant legislation and regular health testing.	Activities include general inspections of all food establishments ensuring compliance with relevant standards.
<b>EDUCATION AND WELFARE</b> To provide youth and community support, community information and project services.	Activities include the provision of shire community small grant funding, assistance with community projects, school holiday program and youth activities.
<b>HOUSING</b> To provide and maintain kampong housing for the community.	This includes the provision, administration and maintenance of rental kampong housing, the administration of Kampong Leases.
<b>COMMUNITY AMENITIES</b> To provide high quality community amenities for the use by residents and visitors to the Cocos (Keeling) Islands.	Activities include the provision of waste management, public conveniences, cemetery maintenance and the administration of the Town Planning Scheme.
<b>RECREATION AND CULTURE</b> To provide and maintain recreation and cultural facilities.	Activities include the administration and operation of Public Libraries, contributions to community festivals and events, and the maintenance of public reserves, the museum and other significant sites.
<b>TRANSPORT</b> To construct and maintain all streets and roads within the Shire to a high standard.	Includes the construction and maintenance of all local roads, street signage and transport facilities.
<b>ECONOMIC SERVICES</b> The regulation and promotion of economic development, tourism, area promotion and building control.	This includes building and planning approval, controls on building standards, assistance in tourism promotion and the development of tourism facilities.
<b>OTHER PROPERTY AND SERVICES</b> To ensure that all Council plant and equipment is in good working order and to perform private works where required.	Activities include plant operations, private works, insurance and lease administration.

SHIRE OF COCOS (KEELING) ISLANDS  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2021

29. FINANCIAL RATIOS

	2021 Actual	2020 Restated *	2019 Restated
Current ratio	2.51	4.44	3.72
Asset consumption ratio	0.75	0.78	0.80
Asset renewal funding ratio *	Not calculated	Not calculated	Not calculated
Asset sustainability ratio	0.48	0.79	0.53
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio**	(1.53)	0.06	Not calculated
Own source revenue coverage ratio**	0.13	0.21	Not calculated

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

\* The asset renewal funding ratio has not been calculated as the Shire is yet to revise its Long Term Financial Plan and Asset Management Plan following the correction of the prior period error discussed at Note 25. This change in assets has resulted in existing plans no longer being valid for 2021, 2020 and 2019.

\*\*The operating surplus and own source revenue coverage ratio has not been recalculated for 2019 as the work required to determine the Shire portion of operating revenues and expenses within the 2019 Financial year exceeds the benefits in restating the 2019 comparative ratios.



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2021 Shire of Cocos (Keeling) Islands

To the Councillors of the Shire of Cocos (Keeling) Islands

## Report on the audit of the annual financial report

### Opinion

I have audited the financial report of the Shire of Cocos (Keeling) Islands (Shire) which comprises:

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

In my opinion the financial report of the Shire of Cocos (Keeling) Islands:

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

### Basis for opinion

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

### Emphasis of Matter – Restatement of comparative balances

I draw attention to Note 25 to the financial report which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

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

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

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

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

### Auditor's responsibility for the audit of the financial report

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

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

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

### Report on other legal and regulatory requirements

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

- (i) In my opinion, the following material matters indicate a significant adverse trend in the financial position of the Shire:
  - a.) The Asset Sustainability Ratio as reported in Note 29 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of 0.90 for the last three financial years; and
  - b.) The Own Source Revenue Coverage Ratio as reported in Note 29 of the annual financial report is below the DLGSCI's standard of 0.40 for the last two financial years.
- (ii) The following material matters indicate non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
  - a.) The Shire has not reported the Asset Renewal Funding Ratio for the last three financial years as the Shire is yet to revise the Long Term Financial Plan and Asset Management Plan following the correction of prior period error disclosed in Note 25. The change in assets has resulted in existing plans no longer being valid for 2021, 2020 and 2019;



- b.) The Shire has not reported the Operating Surplus Ratio and the Own Source Coverage Ratio for 2019 as disclosed in Note 29
  - c.) The Shire does not have policies and procedures for financial management and internal controls for key areas of the business such as revenue processes, risk management, business continuity and disaster recovery; and
  - d.) We identified significant weaknesses in remote access and network security controls at the Shire. The weaknesses could result in a potential security exposure such as unauthorized access to sensitive information and an increased risk of information loss. The weaknesses expose the network to increased vulnerabilities which could undermine the integrity of data across the financial system, however our audit testing did not identify any inappropriate access/use.
- (iii) All required information and explanations were obtained by me.
  - (iv) All audit procedures were satisfactorily completed.
  - (v) In my opinion, the Asset Consumption Ratio included in the financial report was supported by verifiable information and reasonable assumptions.


#### **Other information**

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

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

#### **Matters relating to the electronic publication of the audited financial report**

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



Grant Robinson  
Assistant Auditor General Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
8 April 2022

# APPENDICES

## Statutory Reporting

### Disability Access and Inclusion Plan

Amendments made to the Disabilities Services Act in 1999 requires all Public Authorities to include in their Annual Report, a statement on that organisation's efforts to implement the contents of its adopted Disability Services Plan. The Shire of Cocos (Keeling) Islands is committed to ensuring that the community is an accessible community for people with disabilities, their families and carers. The Shire believes that people with disabilities, their families and carers who live in an area such as the Cocos (Keeling) Islands should be given support to remain in the community of their choice. In 2020, the Shire adopted its Disability Access and Inclusion Plan which sets out to achieve the following outcomes:

**Outcome 1:** People with disability have the same opportunities as other people to access the services of, and any events organised by, the Shire of Cocos (Keeling) Islands.

**Outcome 2:** People with disability have the same opportunities as other people to access the buildings and other facilities of the Shire of Cocos (Keeling) Islands.

**Outcome 3:** People with disability receive information from the Shire of Cocos (Keeling) Islands in a format that will enable them to access the information as readily as other people are able to access it.

**Outcome 4:** People with disability receive the same level and quality of service from the staff at Shire of Cocos (Keeling) Islands staff as other people receive.

**Outcome 5:** People with disability have the same opportunities as other people to make complaints to the Shire of Cocos (Keeling) Islands.

**Outcome 6:** People with disability have the same opportunities as other people to participate in any public consultation by the Shire of Cocos (Keeling) Islands.

**Outcome 7:** People with disability have the same opportunities as other people to obtain and maintain employment with the Shire of Cocos (Keeling) Islands.

### National Competition Policy

The Shire of Cocos (Keeling) Islands has met its obligations in regard to the National Competition Policy with no issues being raised with the Shire.

### Local Government Act 1995 (WA) (CKI)

This Annual Report complies with the requirements of section 5.53(1) of the *Local Government Act 1995 (WA) (CKI)* to prepare an annual report for each financial year.

### Elected Member Conduct

Section 5.121 of the *Local Government Act 1995 (WA) (CKI)* requires a local government to maintain a register of complaints that result in an action under s. 5.110(6)(b) or (c). One complaint was reported to the Local Government Standards Panel in 2020/21. The Panel found that the essential elements which need to be satisfied for a contravention of Regulation 9 occurred and an order for a Public Apology was made. The Order was carried out as required.

## Local Government (Financial Management) Regulations 1996

Under section 6.4 of the *Local Government Act 1995 (WA) (CKI)*, a Local Government is to prepare an Annual Financial Report for the preceding financial year and such other financial reports as are prescribed in the *Local Government (Financial Management) Regulations 1996*.

## State Records Act 2000

The *State Records Act 2000* is currently being assessed by the State Records Office of Western Australia. The Shire of Cocos (Keeling) Islands is currently developing its Record Keeping Plan. The Plan will include monitoring the process and compliance of the retention, storage and destruction of digital and hardcopy records.

## Freedom of Information Act 1992

In accordance with Section 96(1) of the *Freedom of Information Act 1992*, residents have the legally enforceable right to access records (which are not otherwise exempt) held by State and local government agencies. There were no FOI applications received in 2020/21.

## Public Health Act 2016 and Food Safety Standards

The Shire has complied with the authorisation requirements for Officers registered under the *Public Health Act 2016*. The Shire engages technical staff from the Shire of Dandaragan to perform the roles required under the *Public Health Act 2016*.

## Council Policies

Section 2.7(2)(b) of the *Local Government Act 1995 (WA) (CKI)* states that the Council is responsible for determining its policies. There is

no prescribed timeframe for local government to review policies. To ensure the Shire continues to develop and provide good governance, all policies are regularly reviewed. The *Shire's full Policy Manual* was reviewed in 2020.

## Local Laws

Section 3.16 of the *Local Government Act 1995 (WA) (CKI)* requires that all of the Local Laws of a Local Government must be reviewed within an eight year period after their commencement to determine if they should remain unchanged or be repealed or amended. In August 2020 a new local law was adopted, *Shire of Cocos (Keeling) Islands Public Places and Local Government Property Local Law 2020*.

## Annual Salaries

The *Local Government Act 1995 (WA) (CKI)* requires the Local Government to provide the number of employees who are entitled to an annual salary of \$100,000 or more. The figures below are as at 30 June 2021, noting that they include any staff members who are entitled to an annual salary of \$100,000 or more.

Salary Band	Number of Employees
\$100,000 - \$109,999	0
\$110,000 - \$119,000	1
\$120,000 - \$129,999	1
\$130,000 - \$139,999	0
\$140,000 - \$149,999	1
\$150,000 - \$159,999	0
<b>Total</b>	<b>3</b>

