



File Code: OR.MTG 6/1/1

CONFIRMED MINUTES

AUDIT & RISK COMMITTEE
MEETING

15 NOVEMBER 2016



CONFIRMED MINUTES
AUDIT & RISK COMMITTEE MEETING
15 NOVEMBER 2016

ATTENTION/DISCLAIMER

The purpose of this Committee Meeting is to discuss and make recommendations to Council about items appearing on the agenda and other matters for which the Committee is responsible. The Committee has no power to make any decisions which are binding on the Council or the Shire of Mundaring unless specific delegation of authority has been granted by Council. No person should rely on or act on the basis of any advice or information provided by a Member or employee, or on the content of any discussion occurring, during the course of the Committee Meeting.

The Shire of Mundaring expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any advice or information provided by a Member or employee, or the content of any discussion occurring during the course of the Committee Meeting.

LEGEND

To assist the reader, the following explains the method of referencing used in this document:

Item	Example	Description
Page Numbers	ARC1 NOVEMBER 12 (ARC2, ARC3 etc)	Sequential page numbering of ARC Agenda or Minutes for August 2016
Item Numbers	8.1 (8.2, 8.3 etc)	Sequential numbering of reports under the heading "8.0 Reports of Officers"
Committee Recommendation Reference	ARC11.11.16	Committee Recommendation number 11 from ARC meeting November 2016
Committee Decision Reference	DARC7.11.16	Committee Decision number 7 from ARC meeting November 2016

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**AUDIT & RISK COMMITTEE MEETING
COMMITTEE ROOM**

1.0 OPENING PROCEDURES

Presiding Person declared the meeting open at 5.30pm.

1.1 Announcement of Visitors

Nil

1.2 Record of Attendance/Apologies

Members	<i>Cr Patrick Bertola (Presiding Person)</i>	<i>East Ward</i>
	<i>Cr Bob Perks (Deputy Presiding Person)</i>	<i>Central Ward</i>
	<i>Cr David Lavell</i>	<i>South Ward</i>
	<i>Cr Tony Brennan</i>	<i>West Ward</i>
	<i>Cr Doug Jeans</i>	<i>Central Ward</i>
	<i>Kim Stewart</i>	<i>External Member</i>
Staff	<i>Jonathan Throssell</i>	<i>Chief Executive Officer</i>
	<i>Paul O'Connor</i>	<i>Director Corporate Services</i>
	<i>Stanislav Kocian</i>	<i>Manager Finance & Governance</i>
	<i>Danielle Courtin</i>	<i>Governance Co-ordinator</i>
	<i>Andrea Douglas</i>	<i>Minute Secretary</i>
Leave of Absence	<i>Nil</i>	
Apologies	<i>Cr James Martin</i>	<i>South Ward</i>
Guests/Observer	<i>David Tomasi</i>	<i>Moore Stephens</i>
Members of the Public	<i>Nil</i>	
Members of the Press	<i>Nil</i>	

2.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

3.0 DECLARATION OF INTEREST

3.1 Disclosure of Financial Interest and Proximity Interests

Members must disclose the nature of their interest in matters to be discussed at the meeting (Sections 5.60B and 5.65 of the *Local Government Act 1995*).

Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting (Sections 5.70 and 5.71 of the *Local Government Act 1995*).

Nil

3.2 Disclosure of Interest Affecting Impartiality

Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee has given or will give advice (Shire of Mundaring Code of Conduct, Local Government (Admin) Reg. 34C).

Nil

4.0 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

5.0 PUBLIC QUESTION TIME

Procedures for asking and responding to questions are determined by the Person Presiding. Questions must relate to a function of the Committee.

Note: This is not a verbatim record of questions asked and answers given. It is a summary only.

Nil

6.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

COMMITTEE DECISION		DARC1.11.16	
<i>Moved by:</i>	<i>Cr Brennan</i>	<i>Seconded by:</i>	<i>Cr Lavell</i>

That the minutes of the meeting of the Audit and Risk Committee Meeting held Thursday 14 July 2016 be confirmed.

CARRIED 5/0

For: *Cr Bertola, Cr Lavell, Cr Brennan, Cr Jeans, Ms Stewart*

Against: *Nil*

5.32pm Cr Perks arrived at the meeting

7.0 PRESENTATIONS

7.1 Deputations

Nil

7.2 Petitions

Nil

7.3 Presentations

Nil

8.0 REPORTS OF EMPLOYEES

8.1 Annual Financial Report 2015/16

File Code	FI.RPT 3
Author	Stan Kocian, Manager Finance & Governance
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil

SUMMARY

This report presents the Annual Financial Report for the year ended 30 June 2016 for acceptance by Council (**ATTACHMENT 1**). The Report includes the independent audit report issued by the Shire's auditors, Moore Stephens.

Moore Stephens as part of their annual audit process have also provided a management report (**ATTACHMENT 2**).

BACKGROUND

Council is required to accept the audited Annual Financial Report which will be included as part of the Shire's Annual Report.

The Shire's auditors, Moore Stephens, have completed the audit and have provided their independent Audit Report, which is included as part of the Annual Financial Report on pages 56 and 57 of the document (**ATTACHMENT 2**).

The Annual Financial Report for the year ended 30 June 2016 has been prepared in accordance with Australian Accounting Standards and complies with the requirements of the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

The Audit and Risk Committee (ARC) is to review the Annual Financial Report prior to its presentation to Council.

The ARC Terms of Reference provides:

- 8.1.12 Review the local government's draft Annual Financial Report.
Focussing on:
- Accounting policies and practices
 - Changes to accounting policies and practices
 - The process used in making significant accounting estimates
 - Significant adjustments to the financial report (if any) arising from the audit process
 - Compliance with accounting standards and other reporting requirements
 - Significant variances from prior years.

STATUTORY / LEGAL IMPLICATIONS

The *Local Government Act 1995* sets out the requirements for the preparation of the annual financial report as follows:

- Section 6.4 - requires Council to prepare an annual financial report for the preceding financial year which is to be presented in the manner and form prescribed.
- Section 6.4(3) - requires Council to submit to its auditor the accounts balanced up to the last day of the preceding financial year and the annual financial report by 30 September.
- Section 5.53(2) - requires Council to prepare an annual report that includes the financial report for the financial year and the auditor's report for the financial year.
- Section 5.54 - requires Council to accept the annual report for a financial year by no later than 31 December after that financial year, unless the auditor's report is not available in time, then it is to be accepted no later than 2 months after the auditor's report becomes available.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Supports Strategic Community Plan 2026:

- Strategic Theme 1.1.1 - Prudently consider resource allocation
- Strategic Theme 1.1.4 - Practise effective governance and financial risk management.

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

The Audit of the Shire's financial report is undertaken by an external auditor to mitigate the risk of material misstatement of the Shire's financial position and performance.

EXTERNAL CONSULTATION

Nil

COMMENT

The independent audit report issued by Moore Stephens is an unqualified report. The implication of this is that in the auditor's opinion the Shire's financial report is in accordance with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*, and:

- a) gives a true and fair view of the Shire's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year ended on that date; and
- b) complies with the Australian Accounting Standards.

The report also states that:

- a) there are no adverse trends in the Shire's financial position or financial management practices; and
- b) there are no matters indicating non-compliance with Part 6 of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*.

In their Management Report, Moore Stephens have provided commentary on the Shire's financial ratios. In the summary they have stated:

The Shire's ratio position, after adjustment for FAGs, is reasonably consistent with prior years and appears relatively strong.

Moore Stephens have raised two matters for consideration as improvements to the Shire's current processes.

The first point raised in the Management Report relates to corporate credit cards. The auditors have made the following observations and recommendation:

"Whilst Council has established an appropriate credit card policy, we noted that there are approximately 75 employees with corporate credit cards. Whilst our review found the current credit card policy to be satisfactory and controls are in place, given the size of the Shire and the sensitivities surrounding credit cards, we consider this number is too large.

The number of credit cards held should be reviewed and guidelines established to streamline the number on issue."

Management agree with the observation and recommendation. The number of credit cards is already currently under review as part of implementing the recommendations of the procurement audit undertaken earlier this year by Deloitte.

The second point raised in the Management Report relates to payroll reconciliation.

The auditors have made the following observations and recommendation:

“Our review of month end procedures revealed that payroll reconciliations are not being performed.

To help ensure all payments are bona fide and all salaries and wages are completely and correctly posted in to the general ledger, salaries and wages should be reconciled every pay run to the payroll summary report and document for review by a senior staff members independent of preparation. The independent review should seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.”

Whilst all payroll payments are verified by an independent Finance Officer before being release to ensure all payments are legitimate, there is currently no monthly reconciliation between the payroll system and the general ledger. To ensure that payroll is costed correctly in the general ledger, Finance will set up a monthly reconciliation report that compares the general ledger postings to the payroll summaries for each month.

In addressing the specifics of the Terms of Reference of ARC, the following is provided:

1. Accounting policies and practices

Significant accounting policies are set out in Note 1 to the annual financial report.

2. Changes to accounting policies and practices

In accordance with AASB 116 the useful lives of the Shire’s assets were reviewed at the end of annual reporting period. This review resulted in the following changes to the useful lives of road and footpath assets.

Asset Class	Useful Life 14/15	Useful Life 15/16
Sealed Roads		
Pavement	60 years	70-110 years
Surface	12-15 years	15-30 years
Footpaths	15-30 years	15-80 years

A fair value assessment was undertaken of these assets as at 30 June 2015 by an independent valuer. Upon reviewing the useful lives assigned by the valuer in 2014/15, Infrastructure Services staff determined that the useful lives in the valuation report did not represent a realistic reflection of the actual useful lives of these type assets located in the Shire.

3. The process used in making significant accounting estimates

The accounts have been prepared on the accrual basis under the convention of historical cost accounting except where otherwise stated.

4. Significant adjustments to the financial report (if any) arising from the audit process

There were no significant adjustments to the financial report arising from the audit process.

5. Compliance with accounting standards and other reporting requirements

The accounts have been prepared in compliance with applicable Australian Accounting Standards, the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996*.

6. Significant variances from prior years

When comparing income and expenditure for the Income Statement it is appropriate to compare actual results to budget. Major variances between 2016 Budget and 2016 Actual and major variances between 2016 Actual and 2015 Actual are set out in **ATTACHMENT 3**.

VOTING REQUIREMENT

Simple majority

<p>RECOMMENDATION</p>

1. That Council accepts the audited Annual Financial Report for the year ended 30 June 2016 and notes the independent Audit Report issued by Moore Stephens (**ATTACHMENT 1**);
2. That the Audit and Risk Committee:
 - a) notes the Management Report from Moore Stephens (**ATTACHMENT 2**); and
 - b) notes the significant variances and explanations (**ATTACHMENT 3**).

MOTION**COMMITTEE RECOMMENDATION****ARC1.11.16***Moved by: Cr Brennan**Seconded by: Cr Perks*

1. That Council accepts the audited Annual Financial Report for the year ended 30 June 2016 and notes the independent Audit Report issued by Moore Stephens (**ATTACHMENT 1**);
2. That the Audit and Risk Committee:
 - a) notes the Management Report from Moore Stephens (**ATTACHMENT 2**); and
 - b) notes the significant variances and explanations (**ATTACHMENT 3**).
3. ***That Council notes the comments of the external auditor and commends the CEO and Shire staff for their co-operation and assistance provided to the auditors, resulting in an excellent outcome.***

CARRIED 6/0***For:*** *Cr Bertola, Cr Lavell, Cr Brennan, Cr Jeans, Cr Perks, Ms Stewart****Against:*** *Nil****6.01pm Mr Tomasi left the room and did not return.***

ATTACHMENT 1

REPORT 8.1

58 PAGES

SHIRE OF MUNDARING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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**SHIRE OF MUNDARING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 19th day of October 2016



Jonathan Throssell
Chief Executive Officer

SHIRE OF MUNDARING
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	25,335,202	25,009,786	23,755,786
Operating grants, subsidies and contributions	30	4,595,110	5,630,261	7,986,159
Fees and charges	29	11,686,873	11,332,521	10,908,892
Interest earnings	2(a)	974,924	980,000	890,264
Other revenue		1,501,166	3,290,687	3,012,129
		<u>44,093,275</u>	<u>46,243,255</u>	<u>46,553,230</u>
Expenses				
Employee costs		(18,768,947)	(18,603,742)	(17,642,450)
Materials and contracts		(17,394,027)	(18,196,176)	(18,026,256)
Utility charges		(1,219,073)	(1,384,400)	(1,045,887)
Depreciation on non-current assets	2(a)	(8,901,536)	(8,230,604)	(7,075,476)
Interest expenses	2(a)	(367,504)	(580,395)	(312,759)
Insurance expenses		(826,230)	(890,488)	(890,568)
Other expenditure		(919,202)	(2,681,830)	(572,177)
		<u>(48,396,519)</u>	<u>(50,567,635)</u>	<u>(45,565,573)</u>
		(4,303,244)	(4,324,380)	987,657
Non-operating grants, subsidies and contributions	30	4,562,376	5,387,174	3,407,740
Profit on asset disposals	21	1,431,204	1,330,000	0
(Loss) on asset disposals	21	(133,749)	(63,636)	(97,279)
Change in Equity - Joint Venture	17	1,603,101	0	1,340,977
(Loss) on revaluation of furniture and equipment	6(b)	(16,089)	0	0
(Loss) on revaluation of Infrastructure - gardens	7(b)	0	0	(2,264,507)
Net result		3,143,599	2,329,158	3,374,588
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(595,550)	0	208,411,635
Total other comprehensive income		(595,550)	0	208,411,635
Total comprehensive income		2,548,049	2,329,158	211,786,223

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

SHIRE OF MUNDARING
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		172,002	91,700	145,484
General purpose funding		27,607,044	28,997,477	29,187,405
Law, order, public safety		763,421	455,200	930,862
Health		84,150	55,700	100,918
Education and welfare		5,521,660	4,964,318	5,375,622
Community amenities		7,714,047	7,626,183	7,252,262
Recreation and culture		1,186,676	1,130,210	1,281,772
Transport		270,739	198,000	173,268
Economic services		261,576	243,500	316,172
Other property and services		511,960	2,480,967	1,789,465
		<u>44,093,275</u>	<u>46,243,255</u>	<u>46,553,230</u>
Expenses	2(a)			
Governance		(4,639,326)	(5,186,168)	(4,403,412)
General purpose funding		(642,813)	(609,075)	(669,022)
Law, order, public safety		(2,685,288)	(2,288,974)	(2,659,846)
Health		(687,079)	(816,121)	(684,683)
Education and welfare		(7,455,127)	(7,301,420)	(6,659,065)
Community amenities		(8,663,147)	(9,295,788)	(8,158,999)
Recreation and culture		(10,494,856)	(10,332,069)	(9,823,430)
Transport		(10,547,028)	(10,120,141)	(8,743,645)
Economic services		(756,775)	(785,364)	(737,417)
Other property and services		(1,457,576)	(3,252,120)	(2,713,295)
		<u>(48,029,015)</u>	<u>(49,987,240)</u>	<u>(45,252,814)</u>
Finance costs	2(a)			
Governance		(324,616)	(580,395)	(312,759)
Recreation and culture		(42,888)	0	0
		<u>(367,504)</u>	<u>(580,395)</u>	<u>(312,759)</u>
		<u>(4,303,244)</u>	<u>(4,324,380)</u>	<u>987,657</u>
Non-operating grants, subsidies and contributions	30	4,562,376	5,387,174	3,407,740
Profit on disposal of assets	21	1,431,204	1,330,000	0
(Loss) on disposal of assets	21	(133,749)	(63,636)	(97,279)
Change in Equity - Joint Venture	17	1,603,101	0	1,340,977
(Loss) on revaluation of furniture and equipment	6(b)	(16,089)	0	0
(Loss) on revaluation of Infrastructure - gardens	7(b)	0	0	(2,264,507)
Net result		<u>3,143,599</u>	<u>2,329,158</u>	<u>3,374,588</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(595,550)	0	208,411,635
Total other comprehensive income		<u>(595,550)</u>	<u>0</u>	<u>208,411,635</u>
Total comprehensive income		<u><u>2,548,049</u></u>	<u><u>2,329,158</u></u>	<u><u>211,786,223</u></u>

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

SHIRE OF MUNDARING
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	36,431,621	21,563,712
Trade and other receivables	4	1,900,544	2,278,492
Inventories	5	103,837	225,231
TOTAL CURRENT ASSETS		<u>38,436,002</u>	<u>24,067,435</u>
NON-CURRENT ASSETS			
Other receivables	4	885,222	806,016
Property, plant and equipment	6	72,229,783	77,373,189
Infrastructure	7	364,698,043	363,046,945
Interest in Joint Venture	17	18,082,646	16,479,545
TOTAL NON-CURRENT ASSETS		<u>455,895,694</u>	<u>457,705,695</u>
TOTAL ASSETS		<u>494,331,696</u>	<u>481,773,130</u>
CURRENT LIABILITIES			
Trade and other payables	8	2,540,354	1,285,827
Current portion of long term borrowings	9	550,311	213,366
Provisions	10	3,193,548	2,982,877
TOTAL CURRENT LIABILITIES		<u>6,284,213</u>	<u>4,482,070</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	12,319,063	4,133,215
Provisions	10	271,441	248,915
TOTAL NON-CURRENT LIABILITIES		<u>12,590,504</u>	<u>4,382,130</u>
TOTAL LIABILITIES		<u>18,874,717</u>	<u>8,864,200</u>
NET ASSETS		<u>475,456,979</u>	<u>472,908,930</u>
EQUITY			
Retained surplus		128,504,202	139,461,200
Reserves - cash backed	12	26,557,766	12,457,169
Revaluation surplus	13	320,395,011	320,990,561
TOTAL EQUITY		<u>475,456,979</u>	<u>472,908,930</u>

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

**SHIRE OF MUNDARING
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		137,822,786	10,720,995	112,578,926	261,122,707
Comprehensive income					
Net result		3,374,588	0	0	3,374,588
Changes on revaluation of assets	13	0	0	208,411,635	208,411,635
Total comprehensive income		3,374,588	0	208,411,635	211,786,223
Transfers from/(to) reserves		(1,736,174)	1,736,174	0	0
Balance as at 30 June 2015		139,461,200	12,457,169	320,990,561	472,908,930
Comprehensive income					
Net result		3,143,599	0	0	3,143,599
Changes on revaluation of assets	13	0	0	(595,550)	(595,550)
Total comprehensive income		3,143,599	0	(595,550)	2,548,049
Transfers from/(to) reserves		(14,100,597)	14,100,597	0	0
Balance as at 30 June 2016		128,504,202	26,557,766	320,395,011	475,456,979

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

SHIRE OF MUNDARING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		25,179,522	25,009,786	23,556,751
Operating grants, subsidies and contributions		4,595,110	5,630,261	7,986,159
Fees and charges		12,204,672	11,332,521	12,419,424
Interest earnings		974,924	980,000	890,264
Goods and services tax		1,313,092	1,700,000	2,052,581
Other revenue		<u>1,529,729</u>	<u>3,290,687</u>	<u>3,012,129</u>
		45,797,049	47,943,255	49,917,308
Payments				
Employee costs		(18,535,750)	(18,603,742)	(17,366,496)
Materials and contracts		(16,134,301)	(18,196,176)	(20,086,676)
Utility charges		(1,219,073)	(1,384,400)	(1,045,887)
Interest expenses		(367,504)	(580,395)	(312,759)
Insurance expenses		(826,230)	(890,488)	(890,568)
Goods and services tax		(1,405,032)	(1,700,000)	(1,954,067)
Other expenditure		<u>(919,202)</u>	<u>(2,681,830)</u>	<u>(572,177)</u>
		(39,407,092)	(44,037,031)	(42,228,630)
Net cash provided by (used in) operating activities	14(b)	<u>6,389,957</u>	<u>3,906,224</u>	<u>7,688,678</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(4,623,627)	(9,726,397)	(3,639,114)
Payments for construction of infrastructure		(6,782,827)	(7,611,854)	(4,451,685)
Non-operating grants, subsidies and contributions		4,562,376	5,387,174	3,407,740
Proceeds from sale of fixed assets		6,799,237	7,827,509	424,721
Net cash provided by (used in) investment activities		<u>(44,841)</u>	<u>(4,123,568)</u>	<u>(4,258,338)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(277,207)	(341,075)	(199,080)
Proceeds from new debentures		8,800,000	9,600,000	0
Net cash provided by (used in) financing activities		<u>8,522,793</u>	<u>9,258,925</u>	<u>(199,080)</u>
Net increase (decrease) in cash held		14,867,909	9,041,581	3,231,260
Cash at beginning of year		21,563,712	17,926,611	18,332,452
Cash and cash equivalents at the end of the year	14(a)	<u><u>36,431,621</u></u>	<u><u>26,968,192</u></u>	<u><u>21,563,712</u></u>

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

**SHIRE OF MUNDARING
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)		<u>7,225,367</u>	<u>5,041,094</u>	<u>5,479,160</u>
		7,225,367	5,041,094	5,479,160
Revenue from operating activities (excluding rates)				
Governance		172,002	91,700	145,484
General purpose funding		2,271,842	3,987,691	5,431,619
Law, order, public safety		763,421	455,200	930,862
Health		84,150	55,700	100,918
Education and welfare		5,521,660	4,964,318	5,375,622
Community amenities		7,714,047	7,626,183	7,252,262
Recreation and culture		1,186,676	1,130,210	1,281,772
Transport		270,739	134,364	173,268
Economic services		261,576	243,500	316,172
Other property and services		<u>1,943,164</u>	<u>3,810,967</u>	<u>1,789,465</u>
		20,189,277	22,499,833	22,797,444
Expenditure from operating activities				
Governance		(4,963,942)	(5,766,563)	(4,813,450)
General purpose funding		(642,813)	(609,075)	(669,022)
Law, order, public safety		(2,685,288)	(2,288,974)	(2,659,846)
Health		(687,079)	(816,121)	(684,683)
Education and welfare		(7,455,127)	(7,301,420)	(6,659,065)
Community amenities		(8,663,147)	(9,295,788)	(8,158,999)
Recreation and culture		(10,537,744)	(10,332,069)	(9,823,430)
Transport		(10,680,777)	(10,120,141)	(8,743,645)
Economic services		(756,775)	(785,364)	(737,417)
Other property and services		<u>(1,457,576)</u>	<u>(3,252,120)</u>	<u>(2,713,295)</u>
		(48,530,268)	(50,567,635)	(45,662,852)
Operating activities excluded from budget				
(Profit on disposal of assets)	21	(1,431,204)	(1,330,000)	0
Loss on disposal of assets	21	133,749	63,636	97,279
Movement in deferred pensioner rates (non-current)		(68,094)	0	(59,500)
Movement in employee benefit provisions (non-current)		11,414	0	(63,834)
Depreciation and amortisation on assets	2(a)	<u>8,901,536</u>	<u>8,230,604</u>	<u>7,075,476</u>
Amount attributable to operating activities		(13,568,223)	(16,062,468)	(10,336,827)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		4,562,376	5,387,174	3,407,740
Proceeds from disposal of assets	21	6,799,237	7,827,509	424,721
Purchase of property, plant and equipment	6(b)	(4,623,627)	(9,726,397)	(3,639,114)
Purchase and construction of infrastructure	7(b)	<u>(6,782,827)</u>	<u>(7,611,854)</u>	<u>(4,451,685)</u>
Amount attributable to investing activities		(44,841)	(4,123,568)	(4,258,338)
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(277,207)	(341,075)	(199,080)
Proceeds from new debentures	22(a)	8,800,000	9,600,000	0
Transfers to reserves (restricted assets)	12	(25,073,040)	(26,211,000)	(4,461,361)
Transfers from reserves (restricted assets)	12	<u>10,972,443</u>	<u>13,902,166</u>	<u>2,725,187</u>
Amount attributable to financing activities		(5,577,804)	(3,049,909)	(1,935,254)
Surplus(deficiency) before general rates		<u>(19,190,868)</u>	<u>(23,235,945)</u>	<u>(16,530,419)</u>
Total amount raised from general rates	23	<u>25,335,202</u>	<u>25,009,786</u>	<u>23,755,786</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u>6,144,334</u>	<u>1,773,841</u>	<u>7,225,367</u>

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

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

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

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

The local government reporting entity

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

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

(b) 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.

(c) Cash and Cash Equivalents

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

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

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(e) Inventories

General

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

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

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a), the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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

Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

Buildings	
- Structure	25 to 50 years
- Fit out	10 years
- Mechanical	5 to 15 years
- Roof Cladding	30 to 50 years
Furniture and Equipment	3 to 12 years
Plant and Equipment	3 to 20 years
Sealed Roads and Streets	
- Formation	not depreciated
- Pavement	70 to 110 years
- Surface	15 to 30 years
- Kerb	70 years
Unsealed Roads	
- Formation	not depreciated
- Surface	15 years
Drainage	75 years
Culverts	70 years
Bridges	35 to 100 years
Footpaths	15 to 80 years
Heritage Trails	75 years
Waste Transfer Stations	15 to 100 years
Bus Shelters	50 years
Parks Hard Assets	10 to 75 years

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

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

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

Capitalisation threshold

Infrastructure Assets - Roads

Expenses totalling less than \$5,000 on any one item in any year need not be capitalised.

All other assets

Expenses totalling less than \$3,000 on any one item in any year need not be capitalised.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

When performing a revaluation, the Shire uses a mix of both independent and management valuations using the following as a guide:

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.

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.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities (Continued)

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 an asset at its current service capacity.

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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(h) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Shire no longer has any significant continual involvement in the risks and benefits associated with the asset.

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.

(i) Impairment of Assets

In accordance with Australian Accounting Standards the Shire's 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 assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The 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.

(l) 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.

(m) 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 reporting period.

(n) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

An associate is an entity over which the Shire has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Shire and the associate are eliminated to the extent of the Shire's interest in the associate.

When the Shire's share of losses in an associate equals or exceeds its interest in the associate, the Shire discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(q) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues 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 nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(r) 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.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. 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 even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Shire's intentions to release for sale.

(t) Rounding Off Figures

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

(u) 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 statement, 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.

(v) 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.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

Management's assessment of the new and amended pronouncements that are relevant to the Shire, applicable to future reporting periods and which have not yet been adopted are set out as follows:

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii) AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.</p>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv)	AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.</p>
(v)	AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi)	AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column. It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

During the current 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.

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES	2016	2015
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Significant expense		
Bushfire expenses - WANDRRA	<u>0</u>	<u>282,797</u>
Auditors remuneration		
Current Auditors		
- Audit of the Annual Financial Report	12,000	0
- Financial Management Review	0	0
- Other services	0	0
	<u>12,000</u>	<u>0</u>
Previous Auditors		
- Audit of the Annual Financial Report	10,640	19,800
- Financial Management Review	0	18,000
- Other services	1,500	2,110
	<u>12,140</u>	<u>39,910</u>
Depreciation		
Buildings - specialised	2,754,744	2,663,390
Furniture and equipment	163,701	163,619
Plant and equipment	851,362	758,928
Infrastructure - roads	3,735,707	2,392,286
Infrastructure - footpaths	322,283	168,058
Infrastructure - drainage	476,692	583,534
Infrastructure - parks and ovals	597,047	345,661
	<u>8,901,536</u>	<u>7,075,476</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	367,504	312,759
	<u>367,504</u>	<u>312,759</u>
(ii) Crediting as revenue:		
Significant revenue		
Bushfire Reimbursements - WANDRRA	0	282,797
Non cash - change in equity joint venture EMRC	1,603,101	1,340,977
	<u>1,603,101</u>	<u>1,623,774</u>

	2016	2016	2015
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	412,667	450,000	366,597
- Municipal funds	399,118	375,000	379,037
Other interest revenue (refer note 28)	163,139	155,000	144,630
	<u>974,924</u>	<u>980,000</u>	<u>890,264</u>

**SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

COMMUNITY VISION

"a sense of space, a sense of place"

The Shire operations as disclosed in this budget encompass the following service orientated activities/programs:

GOVERNANCE

Objective:

To provide a decision making process for the efficient allocation of scarce resources.

Activities:

Includes the activities of members of council and the administrative support available to the Council and the Shire for the provision of governance of the district.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer community.

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Prevention of human illnesses, including inspection of premises/food control.

EDUCATION AND WELFARE

Objective:

To provide services to disadvantaged persons, the elderly, children and youth.

Activities:

Maintenance of child minding centres and playgroup centres.

Provision of services and programs for the youth and seniors of the Shire.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide essential services required by the community.

Activities:

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

RECREATION AND CULTURE

Objective:

To establish and effectively manage infrastructure and resource which will help the social well being of the community.

Activities:

Maintenance of public halls, civic centres, aquatic centres, lake, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of libraries and other cultural facilities.

TRANSPORT

Objective:

To provide safe, effective and efficient transport services to the community.

Activities:

Construction and maintenance of roads, streets, pathways, depots, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

To help promote the Shire and its economic wellbeing.

Activities:

Tourism and area promotion. Provision of standpipes. Approval of building construction and implementation of building controls.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control the Shire's overheads operating accounts.

Activities:

Private works operation, plant repair and operation costs and engineering operation costs.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance ⁽¹⁾ 1/07/14	Received ⁽²⁾ 2014/15	Expended ⁽³⁾ 2014/15	Closing Balance ⁽¹⁾ 30/06/15	Received ⁽²⁾ 2015/16	Expended ⁽³⁾ 2015/16	Closing Balance 30/06/16
Grant/Contribution	Function/ Activity	\$	\$	\$	\$	\$	\$	\$
Grant - Kidsport funding	Recreation and culture	19,400	53,340	(49,451)	23,289	43,340	(53,363)	13,266
Grant - Elsie Austin Oval Social Rooms	Recreation and culture	150,000	37,500	(4,221)	183,279	112,500	(295,779)	0
Grant - Friends Groups	Community amenities	21,832	5,909	(27,741)	0	0	0	0
Grant - MRRG Guidelines	Transport	5,446	0	(5,446)	0	0	0	0
Contribution - Communication Plan Sculpture Park	Recreation and culture	80,656	0	(121)	80,535	0	(2,044)	78,491
Grant - Local Government Reform	Governance	98,433	0	(98,433)	0	0	0	0
Grant - New Child Care Centres	Education and welfare	310,092	0	(310,092)	0	0	0	0
Grant - Environmental	Community amenities	0	41,700	(27,483)	14,217	0	(14,217)	0
Grant - Roads to Recovery	Transport	0	480,858	(382,280)	98,578	1,374,148	(1,472,726)	0
Grant - Swan View Youth Centre	Education and welfare	0	58,470	(9,095)	49,375	0	(49,375)	0
Grant - Mundaring Recreation Centre	Recreation and culture	0	500,000	(93,825)	406,175	1,000,000	(317,419)	1,088,756
Grant - Black Spot Funding Roland Road	Transport	0	0	0	0	337,952	(318,509)	19,443
Grant - Black Spot Funding Thomas Road	Transport	0	0	0	0	247,600	(241,238)	6,362
Grant - Black Spot Funding Lilydale Road	Transport	0	0	0	0	65,636	0	65,636
Total		685,859	1,177,777	(1,008,188)	855,448	3,181,176	(2,764,670)	1,271,954

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		9,873,855	9,106,543
Restricted		<u>26,557,766</u>	<u>12,457,169</u>
		<u>36,431,621</u>	<u>21,563,712</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant reserve	12	831,353	316,102
Civic facilities reserve	12	13,706,248	1,938,928
Information technology reserve	12	871,196	812,501
Children services reserve	12	2,998,563	2,200,153
Capital investment reserve	12	3,896,605	3,920,966
Capital income reserve	12	2,611,068	2,107,416
Gravel pit rehabilitation reserve	12	69,077	110,339
Long service leave reserve	12	301,702	195,316
Unspent grants	2(c) 12	<u>1,271,954</u>	<u>855,448</u>
		<u>26,557,766</u>	<u>12,457,169</u>
		2016 \$	2015 \$
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		880,486	792,900
Sundry debtors		556,398	1,089,004
GST receivable		330,022	238,082
Sanitation debtors		95,688	80,881
LSL contributions - other local governments		<u>37,950</u>	<u>77,625</u>
		<u>1,900,544</u>	<u>2,278,492</u>
Non-current			
Rates outstanding - pensioners		834,633	766,539
Debtors - POS Payments		27,237	27,237
LSL Contributions		<u>23,352</u>	<u>12,240</u>
		<u>885,222</u>	<u>806,016</u>
5. INVENTORIES			
Current			
Fuel and materials		103,837	109,036
Land held for resale - cost			
Cost of acquisition		<u>0</u>	<u>116,195</u>
		<u>103,837</u>	<u>225,231</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	26,719,602	31,719,602
- Additions after valuation - cost	<u>24,361</u>	<u>0</u>
	26,743,963	31,719,602
Land - vested in and under the control of Council (Golf course) at:		
- Independent valuation 2014- level 3	<u>800,000</u>	<u>800,000</u>
	800,000	800,000
	<u>27,543,963</u>	<u>32,519,602</u>
Buildings - specialised at:		
- Independent valuation 2014 - level 3	35,643,000	35,643,000
- Additions after valuation - cost	4,101,819	2,854,771
Less: accumulated depreciation	<u>(5,415,815)</u>	<u>(2,663,390)</u>
	34,329,004	35,834,381
Total land and buildings	<u>61,872,967</u>	<u>68,353,983</u>
Works in progress	3,151,290	294,658
Furniture and equipment at:		
- Management valuation 2013 - level 3	0	1,792,898
- Management valuation 2016 - level 2	346,434	
- Management valuation 2016 - level 3	757,335	0
- Additions after valuation - cost	0	59,628
Less accumulated depreciation	<u>(533,425)</u>	<u>(1,053,561)</u>
	570,344	798,965
Plant and equipment at:		
- Management valuation 2013 - level 2	0	8,008,991
- Independent valuation 2016 - level 2	6,924,500	0
- Independent valuation 2016 - level 3	3,115,000	
- Management valuation 2016 - level 3	308,154	0
- Additions after valuation - cost	0	1,773,732
Less accumulated depreciation	<u>(3,712,472)</u>	<u>(1,857,140)</u>
	6,635,182	7,925,583
	<u>72,229,783</u>	<u>77,373,189</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Land - freehold	31,719,602	24,361	(5,000,000)	0	0	0	0	26,743,963
Land - vested in and under the control of Council (Golf course)	800,000	0	0	0	0	0	0	800,000
Total land	32,519,602	24,361	(5,000,000)	0	0	0	0	27,543,963
Buildings - specialised	35,834,381	1,277,048	(27,681)	0	0	0	(2,754,744)	34,329,004
Total buildings	35,834,381	1,277,048	(27,681)	0	0	0	(2,754,744)	34,329,004
Total land and buildings	68,353,983	1,301,409	(5,027,681)	0	0	0	(2,754,744)	61,872,967
Works in progress	294,658	2,856,632	0	0	0	0	0	3,151,290
Furniture and equipment	798,965	8,944	0	(57,775)	(16,089)	0	(163,701)	570,344
Plant and equipment	7,925,583	456,642	(357,906)	(537,775)	0	0	(851,362)	6,635,182
Total property, plant and equipment	77,373,189	4,623,627	(5,385,587)	(595,550)	(16,089)	0	(3,769,807)	72,229,783

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	Level 2	Market approach using recent observable data for similar properties in the area	Independent Registered Valuers	June 2014	Price per square metre
Land - vested in and under the control of Council (Golf course)	Level 3	Improvements to the land using the cost approach using depreciated replacement cost	Independent Registered Valuers	June 2014	Ground rent included with the cost of developing the golf course and applied the Depreciated Replacement Cost over the estimated economic working life, assuming the lease will be renewed, utilising the straight line depreciation method.
Buildings - specialised	Level 3	Improvements to the land using the cost approach using depreciated replacement cost	Independent Registered Valuers	June 2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	Level 2	Market approach using recent observable data for similar items	Management Valuation	June 2016	Price per item (Level 2)
Furniture and equipment	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment	Level 2	Market approach using recent observable data for similar plant	Independent Registered Valuers	June 2016	Price per item (Level 2)
Plant and equipment	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
7 (a). INFRASTRUCTURE		
Infrastructure - roads		
- Independent valuation 2015 - level 3	294,773,844	294,773,844
- Management valuation 2015 - level 3	948,000	948,000
- Additions after valuation - cost	7,023,599	3,377,127
Less accumulated depreciation	<u>(16,891,300)</u>	<u>(13,155,593)</u>
	285,854,143	285,943,378
Infrastructure - footpaths		
- Independent valuation 2015 - level 3	13,915,481	13,915,481
- Additions after valuation - cost	779,422	273,355
Less accumulated depreciation	<u>(982,979)</u>	<u>(660,696)</u>
	13,711,924	13,528,140
Infrastructure - drainage		
- Management valuation 2015 - level 3	63,178,222	63,178,222
- Additions after valuation - cost	991,157	511,450
Less accumulated depreciation	<u>(21,973,321)</u>	<u>(21,496,629)</u>
	42,196,058	42,193,043
Infrastructure - parks and ovals		
- Independent valuation 2015 - level 3	11,265,904	11,367,684
- Management valuation 2015 - level 3	12,512,794	12,512,794
- Additions after valuation - cost	2,338,554	289,753
Less accumulated depreciation	<u>(3,384,894)</u>	<u>(2,787,847)</u>
	22,834,138	21,382,384
Works in progress	101,780	0
	<u>364,698,043</u>	<u>363,046,945</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires infrastructure to be shown at fair value.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - roads	285,943,378	3,646,472	0	0	0	0	(3,735,707)	285,854,143
Infrastructure - footpaths	13,528,140	506,067	0	0	0	0	(322,283)	13,711,924
Infrastructure - drainage	42,193,043	479,707	0	0	0	0	(476,692)	42,196,058
Infrastructure - parks and ovals	21,382,384	2,048,801	0	0	0	0	(597,047)	22,834,138
Works in progress	0	101,780	0	0	0	0	0	101,780
Total infrastructure	<u>363,046,945</u>	<u>6,782,827</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,131,729)</u>	<u>364,698,043</u>

SHIRE OF MUNDARING
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7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - roads	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers and Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - drainage	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers and Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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	2016 \$	2015 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	1,181,610	941,524
Creditor accruals	1,358,744	344,303
	<u>2,540,354</u>	<u>1,285,827</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	550,311	213,366
	<u>550,311</u>	<u>213,366</u>
Non-current		
Secured by floating charge		
Debentures	12,319,063	4,133,215
	<u>12,319,063</u>	<u>4,133,215</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	1,352,993	1,629,884	2,982,877
Non-current provisions	0	248,915	248,915
	<u>1,352,993</u>	<u>1,878,799</u>	<u>3,231,792</u>
Additional provision	1,142,893	440,920	1,583,813
Amounts used	<u>(1,054,374)</u>	<u>(296,242)</u>	<u>(1,350,616)</u>
Balance at 30 June 2016	<u>1,441,512</u>	<u>2,023,477</u>	<u>3,464,989</u>
Comprises			
Current	1,441,512	1,752,036	3,193,548
Non-current	0	271,441	271,441
	<u>1,441,512</u>	<u>2,023,477</u>	<u>3,464,989</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 Transfer (from)	Actual 2016 Closing Balance	Budget 2016 Opening Balance	Budget 2016 Transfer to	Budget 2016 Transfer (from)	Budget 2016 Closing Balance	Actual 2015 Opening Balance	Actual 2015 Transfer to	Actual 2015 Transfer (from)	Actual 2015 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant reserve	316,102	762,137	(246,886)	831,353	324,905	770,191	(379,088)	716,008	559,891	218,780	(462,569)	316,102
Civic facilities reserve	1,938,928	15,478,867	(3,711,547)	13,706,248	1,075,187	16,596,963	(6,098,755)	11,573,395	1,698,326	2,053,865	(1,813,263)	1,938,928
Information technology reserve	812,501	58,695	0	871,196	807,707	75,279	(8,300)	874,686	707,899	104,602	0	812,501
Children services reserve	2,200,153	811,886	(13,476)	2,998,563	2,016,277	88,067	(38,000)	2,066,344	1,786,292	413,861	0	2,200,153
Capital investment reserve	3,920,966	6,547,399	(6,571,760)	3,896,605	3,720,682	7,692,512	(6,530,000)	4,883,194	3,920,966	0	0	3,920,966
Capital income reserve	2,107,416	592,738	(89,086)	2,611,068	2,075,094	526,637	(156,255)	2,445,476	1,724,238	605,536	(222,358)	2,107,416
Gravel pit rehabilitation reserve	110,339	2,184	(43,446)	69,077	102,179	93,463	(150,000)	45,642	164,574	5,496	(59,731)	110,339
Long service leave reserve	195,316	402,628	(296,242)	301,702	180,587	367,888	(91,768)	456,707	158,809	203,773	(167,266)	195,316
Unspent grants reserve	855,448	416,506	0	1,271,954	450,000	0	(450,000)	0	0	855,448	0	855,448
	12,457,169	25,073,040	(10,972,443)	26,557,766	10,752,618	26,211,000	(13,902,166)	23,061,452	10,720,995	4,461,361	(2,725,187)	12,457,169

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reseve	Anticipated date of use	Purpose of the reserve
Plant reserve	Ongoing	- to fund the replacement of works plant and light vehicles.
Civic facilities reserve	Ongoing	- to fund the construction and/or purchase of public buildings and facilities.
Information technology reserve	Ongoing	- to fund the upgrade and replacement of the Shire's information technology.
Children services reserve	Ongoing	- to provide funds for the purchase of capital equipment, preventative maintenance for Children's Services buildings and employee entitlements. Also allows cash surpluses to be carried forward to fund operating expenses for future years.
Capital investment reserve	Ongoing	- to fund the advancement of the Shire's property strategy.
Capital income reserve	Ongoing	- to fund the development of Shire facilities and infrastructure.
Gravel pit rehabilitation reserve	Ongoing	- to fund the production of gravel and the rehabilitation of gravel pits.
Long service leave reserve	Ongoing	- to fund the Shire's long service leave liability.
Unspent grants reserve	2016/17	- to quarantine any unspent grant funds received during the financial year.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

13. REVALUATION SURPLUS

	2016 Opening Balance \$	2016 Revaluation Increment \$	2016 Revaluation Decrement \$	2016 Total Movement on Revaluation \$	2016 Closing Balance \$	2015 Opening Balance \$	2015 Revaluation Increment \$	2015 Revaluation Decrement \$	2015 Total Movement on Revaluation \$	2015 Closing Balance \$
Land and buildings	47,901,060	0	0	0	47,901,060	47,901,060	0	0	0	47,901,060
Furniture and equipment	57,775	0	(57,775)	(57,775)	0	57,775	0	0	0	57,775
Plant and equipment	1,464,646	0	(537,775)	(537,775)	926,871	1,464,646	0	0	0	1,464,646
Infrastructure - gardens	0	0	0	0	0	251,621	0	(251,621)	(251,621)	0
Infrastructure - roads	221,527,299	0	0	0	221,527,299	60,139,527	161,387,772	0	161,387,772	221,527,299
Infrastructure - footpaths	8,286,627	0	0	0	8,286,627	372,448	7,914,179	0	7,914,179	8,286,627
Infrastructure - drainage	26,107,191	0	0	0	26,107,191	343,500	25,763,691	0	25,763,691	26,107,191
Infrastructure - parks and ovals	15,645,963	0	0	0	15,645,963	2,048,349	13,597,614	0	13,597,614	15,645,963
	<u>320,990,561</u>	<u>0</u>	<u>(595,550)</u>	<u>(595,550)</u>	<u>320,395,011</u>	<u>112,578,926</u>	<u>208,663,256</u>	<u>(251,621)</u>	<u>208,411,635</u>	<u>320,990,561</u>

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016	2016	2015
	\$	Budget	\$
	\$	\$	\$
Cash and cash equivalents	<u>36,431,621</u>	<u>26,968,192</u>	<u>21,563,712</u>

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

Net result	3,143,599	2,329,158	3,374,588
Non-cash flows in Net result:			
Depreciation	8,901,536	8,230,604	7,075,476
(Profit)/Loss on sale of asset	(1,297,455)	(1,266,364)	97,279
Fair value adjustments to fixed assets at fair value through profit or loss	16,089	0	2,264,507
Change in Equity - Joint Venture	(1,603,101)	0	(1,340,977)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	298,742	0	1,410,011
(Increase)/Decrease in inventories	5,199	0	(10,390)
Increase/(Decrease) in payables	1,254,527	0	(2,050,030)
Increase/(Decrease) in provisions	233,197	0	275,954
Grants contributions for the development of assets	<u>(4,562,376)</u>	<u>(5,387,174)</u>	<u>(3,407,740)</u>
Net cash from operating activities	<u>6,389,957</u>	<u>3,906,224</u>	<u>7,688,678</u>

	2016	2015
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	0	0
Credit card limit	300,000	300,000
Credit card balance at balance date	<u>(62,327)</u>	<u>(97,268)</u>
Total amount of credit unused	<u>1,237,673</u>	<u>1,202,732</u>
Loan facilities		
Loan facilities - current	550,311	213,366
Loan facilities - non-current	<u>12,319,063</u>	<u>4,133,215</u>
Total facilities in use at balance date	<u>12,869,374</u>	<u>4,346,581</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

15. CONTINGENT LIABILITIES

The Shire has no contingent liabilities as at 30 June 2016.

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

The Shire did not have any future operating lease commitments at the reporting date.

(b) Capital Expenditure Commitments

	2016	2015
	\$	\$
Contracted for:		
- capital expenditure projects	3,757,430	0
Payable:		
- not later than one year	3,757,430	0

The capital expenditure project outstanding at the end of the reporting period represents the construction of the new Boya Community Hub facility.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

17. JOINT VENTURE ARRANGEMENTS

The Shire is a member of the Eastern Metropolitan Regional Council (EMRC). The Shire's interest in the joint venture as calculated by the EMRC is 11.05%

The Shire's interest in the assets and liabilities of the EMRC is as follows:

	2016	2015
	\$	\$
Current Assets	10,003,654	8,765,846
Non-Current Assets	9,700,120	9,099,072
Total Assets	<u>19,703,774</u>	<u>17,864,918</u>
Current Liabilities	802,510	597,920
Non-Current Liabilities	818,618	787,453
Total Liabilities	<u>1,621,128</u>	<u>1,385,373</u>
Net Assets	<u>18,082,646</u>	<u>16,479,545</u>
Net Movement	<u>1,603,101</u>	<u>1,340,977</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
Governance	12,108,811	11,647,571
General purpose funding	38,146,740	24,347,574
Law, order, public safety	3,776,171	4,130,472
Health	403,542	458,707
Education and welfare	1,679,084	1,910,551
Community amenities	19,721,328	18,261,962
Recreation and culture	51,225,020	47,296,874
Transport	344,832,537	345,855,168
Economic services	38,475	42,027
Other property and services	22,399,988	27,507,119
Unallocated	0	315,105
	<u>494,331,696</u>	<u>481,773,130</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	1.99	2.71	1.81
Asset sustainability ratio	0.94	0.79	0.69
Debt service cover ratio	12.18	14.37	16.06
Operating surplus ratio	(0.04)	0.00	0.01
Own source revenue coverage ratio	0.84	0.80	0.81

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 sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information in Note 36 of this document.

Two of the 2016 and 2015 ratios disclosed above are distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,455,586.

The early payment was considered to be "one-off" and if recognised in the year to which the allocation related the calculations in the 2016 and 2015 columns above would be as follows:

	2016	2015
Debt service cover ratio	14.43	11.53
Operating surplus ratio	0.00	(0.04)

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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20. TRUST FUNDS

Funds held at balance date over which the Shire has no control and which are not included in the financial statements are as follows:

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Deposits, Bonds & Retentions	1,403,210	619,821	(1,187,314)	835,717
POS & Road Construction	4,004,879	542,337	(110,417)	4,436,799
Scheme 7 Costs	39,635	888	0	40,523
BCITF Levy	0	171,723	(171,723)	0
Building Services Levy	0	179,936	(179,936)	0
	<u>5,447,724</u>			<u>5,313,039</u>

21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Plant and Equipment	357,906	251,838	0	(106,068)	361,145	297,509	0	(63,636)
Land	5,116,195	6,547,399	1,431,204	0	6,200,000	7,530,000	1,330,000	0
Buildings	27,681	0	0	(27,681)	0	0	0	0
	<u>5,501,782</u>	<u>6,799,237</u>	<u>1,431,204</u>	<u>(133,749)</u>	<u>6,561,145</u>	<u>7,827,509</u>	<u>1,330,000</u>	<u>(63,636)</u>

SHIRE OF MUNDARING
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INFORMATION ON BORROWINGS

Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Repayments	Budget	30 June 2016	Budget	Repayments	Budget
	\$	\$	Actual	\$	Actual	\$	Actual	\$
Governance								
Loan 170 - Civic Facilities Redevelopment	4,346,581	0	213,366	213,366	4,133,215	4,133,215	324,616	298,755
Recreation and culture								
Loan 171 - Community Building Facilities	0	8,800,000	63,841	127,709	8,736,159	9,472,291	42,888	281,640
	<u>4,346,581</u>	<u>8,800,000</u>	<u>277,207</u>	<u>341,075</u>	<u>12,869,374</u>	<u>13,605,506</u>	<u>367,504</u>	<u>580,395</u>

All loan repayments were financed by general purpose revenue.

SHIRE OF MUNDARING
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INFORMATION ON BORROWINGS (Continued)

New Debentures - 2015/16

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total	Interest	Amount Used		Balance
	Actual	Budget				Interest & Charges	Rate	Actual	Budget	Unspent
	\$	\$				\$	%	\$	\$	\$
Loan 171 - Community Building Facilities	8,800,000	9,600,000	WA Treasury Corp	Debenture	20	3,854,094	3.17%	3,386,931	9,600,000	5,413,069
	<u>8,800,000</u>	<u>9,600,000</u>				<u>3,854,094</u>		<u>3,386,931</u>	<u>9,600,000</u>	<u>5,413,069</u>

Unspent Debentures

Particulars	Date Borrowed	Balance	Borrowed	Expended	Balance
		1 July 15	During Year	During Year	30 June 16
		\$	\$	\$	\$
Loan 171 - Community Building Facilities	May 2016	0	8,800,000	(3,386,931)	5,413,069
		<u>0</u>	<u>8,800,000</u>	<u>(3,386,931)</u>	<u>5,413,069</u>

The unspent loan funds were held in the Civic Facilities Reserve as at 30 June 2016. These funds are anticipated to be spent during 2016/17.

Overdraft

The Shire of Mundaring has an overdraft facility of \$1,000,000 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2015 and 30 June 2016 was Nil.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV - Residential	0.0756	10,816	211,226,646	15,968,734	219,145	0	16,187,879	15,939,426	123,800	0	16,063,226
GRV - Commercial	0.0756	262	22,104,296	1,671,085	14,056	0	1,685,141	1,668,332	0	0	1,668,332
GRV - Light Industrial	0.0756	283	17,997,027	1,360,575	4,430	0	1,365,005	1,358,431	0	0	1,358,431
GRV - Rural Residential	0.0756	2,992	62,282,053	4,708,523	38,501	0	4,747,024	4,700,952	0	0	4,700,952
Unimproved value valuations											
UV - Rural	0.0047	235	156,245,000	734,352	2,668	0	737,020	732,965	0	0	732,965
Sub-Total		14,588	469,855,022	24,443,269	278,800	0	24,722,069	24,400,106	123,800	0	24,523,906
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV - Residential	760	535	4,199,118	406,600	0	0	406,600	414,200	0	0	414,200
GRV - Commercial	760	6	51,936	4,560	0	0	4,560	4,560	0	0	4,560
GRV - Light Industrial	760	1	9,328	760	0	0	760	760	0	0	760
GRV - Rural Residential	760	81	733,624	61,560	0	0	61,560	61,560	0	0	61,560
Unimproved value valuations											
UV - Mining Lease	960	5	64,213	4,800	(388)	0	4,412	4,800	0	0	4,800
Sub-Total		628	5,058,219	478,280	(388)	0	477,892	485,880	0	0	485,880
		15,216	474,913,241	24,921,549	278,412	0	25,199,961	24,885,986	123,800	0	25,009,786
Movement in Rates Received in Advance							135,241				0
Total amount raised from general rate							25,335,202				25,009,786

SHIRE OF MUNDARING
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24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	<u>6,144,334</u>	<u>7,225,367</u>	<u>7,225,367</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	9,873,855	9,106,543	9,106,543
Restricted	26,557,766	12,457,169	12,457,169
Receivables			
Rates outstanding	880,486	792,900	792,900
Sundry debtors	556,398	1,089,004	1,089,004
GST receivable	330,022	238,082	238,082
Sanitation debtors	95,688	80,881	80,881
LSL contributions - other local governments	37,950	77,625	77,625
Inventories			
Fuel and materials	103,837	109,036	109,036
Land held for resale - cost			
Cost of acquisition	0	116,195	116,195
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(1,181,610)	(941,524)	(941,524)
Creditor accruals	(1,358,744)	(344,303)	(344,303)
Current portion of long term borrowings			
Secured by floating charge	(550,311)	(213,366)	(213,366)
Provisions			
Provision for annual leave	(1,441,512)	(1,352,993)	(1,352,993)
Provision for long service leave	(1,752,036)	(1,629,884)	(1,629,884)
Unadjusted net current assets	<u>32,151,789</u>	<u>19,585,365</u>	<u>19,585,365</u>
Adjustments			
Less: Reserves - restricted cash	(26,557,766)	(12,457,169)	(12,457,169)
Less: Land held for resale - cost			
Cost of acquisition	0	(116,195)	(116,195)
Add: Current portion of long term borrowings			
Secured by floating charge	550,311	213,366	213,366
Adjusted net current assets - surplus/(deficit)	<u>6,144,334</u>	<u>7,225,367</u>	<u>7,225,367</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire did not impose any specified area rates.

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2015/16 FINANCIAL YEAR

	Type	Total Cost/ Value \$	Budget Cost/ Value \$
Rates	Write-Off	2,047	1,500
Legal Fees	Write-Off	467	50
		2,514	1,550

No discount on rates is available.

The cost to the Shire for the early payment of rates incentive was \$4,300 being \$2,500 towards the first prize, \$1,500 towards the second prize and \$300 for pool entry.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

28. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Unpaid Rates Interest Rate %
Instalment Options			
First Instalment	17-Aug-15	0	11.00%
Second Instalment	19-Oct-15	8.50	11.00%
Third Instalment	21-Dec-15	8.50	11.00%
Fourth Instalment	22-Feb-16	8.50	11.00%

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	163,139	155,000
Charges on instalment plan	132,817	127,500
	<u>295,956</u>	<u>282,500</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
29. FEES & CHARGES		
Governance	341	0
General purpose funding	132,817	125,942
Law, order, public safety	208,295	269,305
Health	83,900	100,918
Education and welfare	2,527,079	2,033,682
Community amenities	7,676,904	7,191,806
Recreation and culture	778,113	834,349
Transport	10,055	10,809
Economic services	261,576	316,172
Other property and services	7,793	25,909
	<u>11,686,873</u>	<u>10,908,892</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

30. GRANT REVENUE

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:

	2016 \$	2015 \$
By Nature or Type:		
Operating grants, subsidies and contributions		
Governance	0	530
General purpose funding	1,087,675	4,299,600
Law, order, public safety	491,021	369,710
Education and welfare	2,899,495	3,127,220
Recreation and culture	85,132	121,066
Transport	31,787	53,952
Other property and services	0	14,081
	<u>4,595,110</u>	<u>7,986,159</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	80,240	812,107
Education and welfare	0	58,470
Recreation and culture	1,778,185	869,339
Transport	2,703,951	1,667,824
	<u>4,562,376</u>	<u>3,407,740</u>
	<u>9,157,486</u>	<u>11,393,899</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>208</u>	<u>202</u>
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SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

32. ELECTED MEMBERS REMUNERATION	2016	2016	2015
	\$	Budget	\$
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	252,707	260,321	247,475
President's allowance	49,831	50,604	22,492
Deputy President's allowance	12,458	12,651	11,626
Travelling expenses	9,931	10,000	7,801
Telecommunications allowance and expenses	42,716	43,500	44,361
	<u>367,643</u>	<u>377,076</u>	<u>333,755</u>

33. MAJOR LAND TRANSACTIONS

(a) Details

A major land transaction was completed and finalised when the Shire sold Lots 50/51 Morrison and Farrall Roads Midvale during 2015/16.

(b) Current year transactions	2016	2016	2015
	\$	Budget	\$
Operating income			
- Profit on sale	1,431,204	1,330,000	0
Capital income			
- Sale proceeds	6,547,399	6,530,000	0

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT

The Shire's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Shire's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Shire.

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 Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	36,431,621	21,563,712	36,431,621	21,563,712
Receivables	2,785,766	3,084,508	2,785,766	3,084,508
Other Assets (Share of EMRC)	18,082,646	16,479,545	18,082,646	16,479,545
	<u>57,300,033</u>	<u>41,127,765</u>	<u>57,300,033</u>	<u>41,127,765</u>
Financial liabilities				
Payables	2,540,354	1,285,827	2,540,354	1,285,827
Borrowings	12,869,374	4,346,581	14,058,376	2,638,232
	<u>15,409,728</u>	<u>5,632,408</u>	<u>16,598,730</u>	<u>3,924,059</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the Shire.

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2016	2015
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	364,316	215,637
- Statement of Comprehensive Income	364,316	215,637

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The Shire's major receivables comprise rates and annual charges and user charges and fees. 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. The Shire is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

The Shire makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Shire's credit risk at balance date was:

	2016	2015
Percentage of rates and annual charges		
- Current	91%	97%
- Overdue	9%	3%
Percentage of other receivables		
- Current	97%	92%
- Overdue	3%	8%

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The 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.

The contractual undiscounted cash flows of the Shire's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	2,540,354	0	0	2,540,354	2,540,354
Borrowings	<u>1,103,182</u>	<u>4,392,206</u>	<u>12,374,684</u>	<u>17,870,072</u>	<u>12,869,374</u>
	<u>3,643,536</u>	<u>4,392,206</u>	<u>12,374,684</u>	<u>20,410,426</u>	<u>15,409,728</u>
<u>2015</u>					
Payables	1,285,827	0	0	1,285,827	1,285,827
Borrowings	<u>509,258</u>	<u>2,037,032</u>	<u>4,074,064</u>	<u>6,620,354</u>	<u>4,346,581</u>
	<u>1,795,085</u>	<u>2,037,032</u>	<u>4,074,064</u>	<u>7,906,181</u>	<u>5,632,408</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (continued)

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	550,311	577,065	605,330	635,200	666,777	9,834,691	12,869,374	4.67%
Weighted average Effective interest rate	5.09%	5.07%	5.12%	5.01%	4.97%	4.29%		
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	213,366	228,676	245,085	262,672	281,520	3,115,262	4,346,581	6.95%
Weighted average Effective interest rate	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%		

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF MUNDARING

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Mundaring, which comprises the statement of financial position as at 30 June 2016, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Local Government Act 1995* (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation and fair presentation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial report of the Shire of Mundaring is in accordance with the *Local Government Act 1995* (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF MUNDARING (CONTINUED)**

Report On Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) Except as detailed above, no other matters indicating non-compliance with Part 6 of the *Local Government Act 1995* (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 58 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
 - i) reasonably calculated; and
 - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

DATE: 19 October 2016
PERTH, WA

**SHIRE OF MUNDARING
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2016**

36. RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report

	2016	2015	2014
Asset consumption ratio	0.89	0.90	0.93
Asset renewal funding ratio	0.98	0.94	0.95

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

ATTACHMENT 2

REPORT 8.1

3 PAGES

19 October 2016

MOORE STEPHENS

Cr David Lavell
President
Shire of Mundaring
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Dear Cr Lavell

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2016

We advise that we have completed our audit procedures for the year ended 30 June 2016 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to the Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

COMMENT ON RATIOS

Since the arrival of the new statutory ratios in 2013 (which included the requirement to calculate for 2012), we have endeavoured to provide Council and Audit Committees with a comparison of these ratios.

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying new trends. By providing this overview, we aim to improve the understanding of the trends and how they interact. This is beneficial for the allocation of scarce resources and planning for the future.

Information relating to the statutory ratios disclosed in the financial report is summarised in the table below and our commentary is provided on the following pages.

	Target Ratio ¹	Actual 2016	Council's Adjusted Ratios					Council's 5 Year Trend ²	4 Year Average ³	
			2016	2015	2014	2013	2012		Regional	State
Current Ratio	≥ 1	1.99	1.99	2.37*	1.81	2.39	2.43	↓	1.42	2.29
Asset Sustainability Ratio	≥ 1.1	0.94	0.94	0.79	0.69	1.32	0.87	↑	1.06	1.23
Debt Service Cover Ratio	≥ 10	12.18	14.46*	15.95*	19.48*	12.67	10.24	↓	22.23	14.01
Operating Surplus Ratio	≥ 0.15	(0.04)	0.00*	0.02*	0.05*	(0.05)	0.06	↓	0.07	(0.02)
Own Source Revenue Coverage Ratio	≥ 0.9	0.84	0.84	0.84*	0.81	0.81	0.82	↑	0.94	0.68
Asset Consumption Ratio	≥ 0.75	0.89	0.89	0.91	0.93	0.84	N/A	↓	0.69	1.16
Asset Renewal Funding Ratio	≥ 1.05	0.98	0.98	0.94	0.95	0.97	N/A	↑	0.99	1.00

¹ Target ratios per Department of Local Government and Communities (DLGC) Guidelines except the Debt Service Ratio which is a target devised by Moore Stephens (and based on experience). For information, DLGC Guidelines indicate a target Debt Service Cover Ratio of 5.

² The 5 year trend compares the adjusted 2016 ratios to the average of the adjusted ratios for the last 5 years (except for the Asset Consumption and Asset Renewal Funding Ratios which are the 4 year trend).

³ The average in relation to the Regional and State comparisons is a 4 year average of 2012, 2013, 2014 and 2015.

* Adjusted for "one-off" timing/non-cash items.

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COMMENT ON RATIOS (CONTINUED)

Adjustment relating to 2016

Two of the 2016 ratios disclosed above are distorted by the early receipt of half of the allocation of the 2015-2016 Financial Assistance Grant (FAGs) on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,455,586.

This item is considered “one-off” timing in nature and was adjusted when calculating the ratios in the above table (as shown by “*”) as were relevant comparative year ratios (which had been affected by similar “one-off” items).

Regional and State 4 Year Averages

Regional and State 4 year averages have not been adjusted for “one-off” items even though these items may have been applicable in prior years as they are based on the statutory ratios which have been reported in published financial reports. However, they still provide a useful reference point as they are indicative of a trend.

Summary

The Shire’s ratio position, after adjustment for FAGs, reasonably consistent with prior years, is stable and appears relatively strong.

We would also like to take this opportunity to stress one-off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating situation of the Shire. As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered.

We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do so also as they strive to manage the scarce resources of the Shire.

If the Shire requires, we have a report available which is able to compare your ratios against other Local Governments across the State and by Region. The report is also able to incorporate a selection of your peer Local Governments, whether they be of near neighbours or similar type in nature. This may be of particular relevance in your case as you are included in the Metropolitan region when comparison to other, more similar local governments, may be more relevant. If you are interested in such an expanded report, please contact us.

CREDIT CARDS

Whilst Council has established an appropriate credit card policy, we noted that there are approximately 75 employees with corporate credit cards. Whilst our review found the current credit card policy to be satisfactory and controls are in place, given the size of the Shire and the sensitivities surrounding credit cards, we consider this number is too large.

The number of credit cards held should be reviewed and guidelines established to streamline the number on issue.

PAYROLL RECONCILIATION

Our review of month end procedures revealed that payroll reconciliations are not being performed.

To help ensure all payments are bona fide and all salaries and wages are completely and correctly posted into the general ledger, salaries and wages should be reconciled every pay run to the payroll summary report and documented for review by a senior staff member independent of preparation. The independent review should seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.

We noted no other matters we wish to bring to your attention.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted during the course of our audit.

We take this opportunity to thank all staff for the assistance provided during the audit. Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



David Tomasi
Partner
Moore Stephens

Encl.

ATTACHMENT 3

REPORT 8.1

4 PAGES

Shire of Mundaring							
Annual Report 2015/16							
Variance Report for 2015							
Statement of Comprehensive Income	2016 BUDGET	2016 ACTUAL	2015 ACTUAL	Notes	Difference between 2016 Actual and 2016 Budget	Notes	Difference between 2016 Actual and 2015 Actual
	\$	\$	\$		\$		\$
Revenues from Ordinary Activities	46,243,255	44,093,275	46,553,230	1	(2,149,980)	7	(2,459,955)
Expenses from Ordinary Activities	(49,987,240)	(48,029,015)	(45,252,814)	2	1,958,225	8	(2,776,201)
Sub Total	(3,743,985)	(3,935,740)	1,300,416		(191,755)		(5,236,156)
Borrowing Cost Expense	(580,395)	(367,504)	(312,759)	3	212,891		(54,745)
Grants/Contributions for the development of Assets	5,387,174	4,562,376	3,407,740	4	(824,798)	9	1,154,636
Profit (Loss) on Disposal of Assets	1,266,364	1,297,455	(97,279)		31,091	10	1,394,734
Change in Equity - Joint Venture	-	1,603,101	1,340,977	5	1,603,101	11	262,124
Fair Value adjustments to fixed assets at fair value through profit and loss	-	(16,089)	(2,264,507)		(16,089)	12	2,248,418
Changes on revaluation of non-current assets	-	(595,550)	208,411,635	6	(595,550)	13	(209,007,185)
TOTAL COMPREHENISIVE INCOME	2,329,158	2,548,049	211,786,223		234,980		(211,486,592)

Shire of Mundaring				
Annual Report 2015/16				
Variance Report for 2015/16				
Note	Difference Amount	Detail	Variance Amount	Main Reasons for Difference
	\$		\$	
Difference between 2016 Actual and 2016 Budget				
1	(2,149,980)	General Purpose Grants	(1,706,516)	50% Advance payment of 15/16 Grants Commission Grant received in June 2015 - \$1,476,013, which was not factored into the 15/16 budget. Total actual allocation for 2015/16 was \$240k less than what was budgeted.
		Grant - Children Services Operations Clayton View Facility	(300,000)	Budget for grant funding in 15/16 was \$550,000 compared to actual amount of \$250,000. Funding not required.
		Grant - Indigenous Advancement Strategy (Midvale Hub)	(150,000)	Budget for grant funding in 15/16 was \$300,000 compared to actual amount of \$150,000. Balance unpaid has been included in the 2016/17 budget.
		Fees and Charges - Children Services Operations Middle Swan Facility	(123,765)	Budget for fees and charges income in 15/16 was \$150,000 compared to actual amount of \$26,235.
2	1,958,225	Redhill Refuse Site Operating Costs	605,839	Actual operating costs of \$1,852,771 vs Budget of \$2,458,610 due to lower than anticipated volumes of waste.
		Road Maintenance - Gravel Shoulders	180,167	Actual maintenance costs \$220,833 compared to budgeted maintenance costs of \$401,000.
		Communication Plan for Sculpture Park	102,612	Actual of \$2,044 vs Budget of \$104,656 as communication plan has not been developed. Project has been carried forward to 2016/17. Funded by a grant that is held in the Unspent Grants reserve.
		Maintenance - open drains	90,844	Actual maintenance costs \$230,156 compared to budgeted maintenance costs of \$321,000.
		Plant Operation Costs	82,335	Actual of \$1,310,728 vs Budget of \$1,393,063 due to lower than expected fuel and oil prices.
		Building Maintenance - Children Services Clayton View Facility	75,920	Actual of \$37,580 vs Budget of \$113,500 due to planned maintenance not being completed.
		Maintenance - gravel roads	68,981	Actual maintenance costs \$138,019 compared to budgeted maintenance costs of \$207,000.
		Maintenance - Helena Valley Road median and verge	56,127	Actual maintenance costs \$137,023 compared to budgeted maintenance costs of \$193,500.

		Office Expenses/Materials and Contracts - Midvale Child Care Centre	54,863	Actual of \$152,821 vs Budget of \$207,684
		Maintenance - Bitumen seal roads	54,267	Actual maintenance costs \$261,403 compared to budgeted maintenance costs of \$315,670.
		Building Maintenance - Children Services Middle Swan Facility	53,864	Actual of \$4,636 vs Budget of \$58,500 due to planned maintenance not being completed.
		Waste - Kerbside Recycling	53,804	Actual of \$913,776 vs Budget of \$967,580 - lower than budgeted contract costs
		Office Expenses/Materials and Contracts - Children Services Middle Swan	51,153	Actual of \$12,000 vs Budget of \$63,153
		Depreciation - Public Halls	47,091	Actual of \$498,397 vs Budget of \$545,488
		Building Maintenance - Parkerville Hall	46,357	Actual of \$25,130 vs Budget of \$71,487 due to planned maintenance not being completed.
		Maintenance - Brown Park Oval	46,157	Actual of \$155,718 vs Budget of \$201,875
		Building Maintenance - Administration Centre	45,256	Actual of \$328,287 vs Budget of \$373,543
		Building Maintenance - Bilgoman Pool	42,205	Actual of \$124,663 vs Budget of \$166,868
		Waste - Domestic collection	40,550	Actual of \$1,262,691 vs Budget of \$1,303,241 - lower than budgeted contract costs
		Maintenance - Helena Valley Oval	35,754	Actual maintenance costs \$49,786 compared to budgeted maintenance costs of \$85,540.
		Maintenance - Kadina Brook Reserve	33,432	Actual maintenance costs \$27,073 compared to budgeted maintenance costs of \$60,505.
		Election Expenses	31,040	Actual of \$48,960 vs Budget of \$80,000 - WAEC costs lower due to 2 vacancies being filled uncontested.
		Maintenance - Mundaring Oval	28,434	Actual maintenance costs \$97,198 compared to budgeted maintenance costs of \$125,632.
		Building Maintenance - Stoneville Hall	26,945	Actual of \$25,130 vs Budget of \$71,487 due to planned maintenance not being completed.

3	212,891	Borrowing Cost Expense	212,891	Interest paid due to a reduced amount of new loan funds required (Actual of \$8.8m compared to budget of \$9.6m) and a later than anticipated draw down date of the new loan.	
4	(824,798)	Capital Grants	(750,000)	Budgeted to receive \$1.75m for Mundaring Rec Centre only received \$1m	
5	1,603,101	Change in Equity - Joint Venture	1,603,101	Non-Cash Item - Increase in equity of EMRC investment accounted for. Not practical to budget for this change.	
6	(595,550)	Changes on revaluation of Plant and Equipment	(595,550)	Decrease in written down value of all Plant and Equipment Assets due to assessment of fair value.	
7	(2,459,955)	General Purpose Grants	(3,211,925)	50 % Advance payment of 15/16 Grants Commission Grant received in June 2015. i.e. received in 14/15 rather than 15/16	
8	(2,776,201)	Depreciation - Roads	(3,737,360)	Depreciation on roads has increased due to implementation of fair value for infrastructure 30 June 2015. i.e. Depreciable amount has increased significantly as a result of shifting from historical cost to current replacement cost.	
9	1,154,636	Capital Grants	1,000,000	Received \$1m for Mundaring Rec Centre in 15/16 for which no funds were received in 14/15.	
10	1,394,734	Profit (Loss) on Disposal of Assets	1,394,734	Impact of sale of Morrison Road land in 15/16.	
11	262,124	Change in Equity - Joint Venture	262,124	Difference in change in value of EMRC investment accounted for in 2014/15 and 2015/16.	
12	2,248,418	Fair Value adjustments to fixed assets at fair value through profit and loss	2,248,418	Difference between the adjustments through profit and loss in fair value of infrastructure assets in 2014/15 and fair value of plant and equipment in 2015/16. Adjustments are done through profit and loss when there is no valuation reserve to offset the decrease in valuation.	
13	(209,007,185)	Changes on revaluation of Plant and Equipment	(209,007,185)	Difference between the increase in fair value of infrastructure assets in 2014/15 (increment to valuation reserve) and decrease in fair value of plant and equipment (decrement to valuation reserve) in 2015/16.	

8.2 New Risk Management Policy

File Code	OR.OPP 1
Author	Danielle Courtin, Governance Coordinator
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil

SUMMARY

The Shire's Risk Management Framework has undergone a thorough review and is presented to the Audit and Risk Committee. The Framework consists of the Risk Management Policy (**ATTACHMENT 4**), to be endorsed by the Committee, and the Risk Management Procedure (**ATTACHMENT 5**), to be noted by the Committee.

BACKGROUND

The Risk Management Policy was last reviewed in November 2014 as part of the Chief Executive Officer's (CEO's) statutory review of systems and procedures. The next statutory review is due by December 2016.

Over the past few months and in consultation with a Senior Risk Consultant with the Shire's insurers LGIS, the Risk Management Framework has been systematically reviewed in a series of workshops with the Executive Leadership Team and appropriate staff.

STATUTORY / LEGAL IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review, at least once every two calendar years, systems and procedures in regard to risk management, internal control and legislative compliance. The Shire's review of its risk management framework covers the risk management component of this statutory biennial review.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

- Priority 1: Governance
- Objective 1: a fiscally responsible Shire that prioritises spending appropriately
- Strategy 4: Practice effective governance and financial risk management.

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

The Shire's Risk Management Framework sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks.

EXTERNAL CONSULTATION

The reviewed Framework was developed in collaboration with an experienced Risk Consultant from LGIS, the Shire's insurer.

COMMENT

The updated Risk Management Framework, consisting of a policy and procedures, documents the Shire's approach to identifying, assessing, managing, reporting and monitoring risk.

It allows for a dynamic ongoing approach, with regular six-monthly reviews and reporting, driven by the Risk Framework Owner (the Governance Co-ordinator).

LGIS has developed Risk Profiles based on the Shire's risk register and grouped these Profiles into Risk Themes. An initial review of the Risk Themes has been undertaken by the Executive Leadership Team together with relevant employees, resulting in the production of a Dashboard.

Progress on the issues noted on the Dashboard will be reported six-monthly to the Audit and Risk Committee.

VOTING REQUIREMENT

Simple majority

COMMITTEE RECOMMENDATION		ARC2.11.16	
<i>Moved by:</i>	<i>Cr Brennan</i>	<i>Seconded by:</i>	<i>Cr Jeans</i>

That Council endorses the updated Risk Management Policy IS-01 and notes the updated Risk Management Procedure.

CARRIED 6/0

For: *Cr Bertola, Cr Lavell, Cr Brennan, Cr Jeans, Cr Perks, Ms Stewart*

Against: *Nil*

ATTACHMENT 4

REPORT 8.2

8 PAGES

Shire of Mundaring

POLICY

RISK MANAGEMENT

Policy Ref: IS-01

Committee Rec: PROC7.04.07

Date: 12 Apr 2007

Adopted by: C16.04.07

Date: 24 Apr 2007

Amended by: C11.11.14

Date: 25 Nov 2014

Reviewed: Once per Electoral Cycle

Date: [November 2016](#)

Procedure Ref:

Delegation Ref:

Statute Ref: AS/NZS ISO 31000:2009 – Risk Management - [Principles and guidelines](#)
Occupational Health & Safety Act 1984

Local Law Ref:

Purpose

~~The aim of this Policy is to ensure that all Shire operations are performed within the Council approved risk tolerance levels. The Shire of Mundaring's Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives.~~

Definitions ([from](#) AS/NZS ISO 31000:2009)

Risk:

Effect of uncertainty on objectives.

- Note 1: An effect is a deviation from the expected – positive or negative.
- Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

Risk Management:

Coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process:

Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Policy

It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk Management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the strategic, operational, project and line management responsibilities and where possible will be incorporated within the Shire's Integrated Planning Framework.

The Executive Leadership Team (ELT) will determine and communicate the Risk Management policy, objectives and procedures, as well as direct and monitor implementation, practice and performance.

Every employee, elected member, volunteer and contractor within the Shire is recognised as having a role in risk management, from the identification of risks to implementing risk treatments and shall be invited and encouraged to participate in the process..

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

Risk Management Objectives

- Optimise the achievement of our vision, experiences, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations

Risk Appetite

The Shire defined its risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.

All organisational risks to be reported at a corporate level are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's appetite and are to be noted within the individual risk assessment and approved by a ELT.

Roles, Responsibilities & Accountabilities

Council's role is to -

- Review and approve the Shire's Risk Management Policy and Risk Assessment and Acceptance Criteria;
- Appoint external auditors to report on financial statements annually; and

- Establish and maintain an Audit Committee in accordance with the *Local Government Act 1995*.

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (operational document).

Monitor & Review

The Shire will implement and integrate a monitor and review process to report on the achievement of its Risk Management objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by the Executive Leadership Team and appropriate employees. It will be formally reviewed by Council every two years.**Commitment**

Appendix A – Risk Assessment and Acceptance Criteria

MEASURES OF CONSEQUENCE

<u>RATING</u>	<u>PEOPLE</u>	<u>INTERRUPTION TO SERVICE</u>	<u>REPUTATION</u> (Social / Community)	<u>COMPLIANCE</u>	<u>PROPERTY</u> (Plant, Equipment, Buildings)	<u>NATURAL ENVIRONMENT</u>	<u>FINANCIAL IMPACT</u>
<u>Insignificant (1)</u>	<u>Near-Miss</u>	<u>No material service interruption</u> <u>Less than 1 hour</u>	<u>Unsubstantiated, localised low impact on community trust, low profile or no media item.</u>	<u>No noticeable regulatory or statutory impact</u>	<u>Inconsequential damage.</u>	<u>Contained, reversible impact managed by on site response</u>	<u>Less than \$10,000</u>
<u>Minor (2)</u>	<u>First Aid Treatment</u>	<u>Short term temporary interruption – backlog cleared < 1 day</u>	<u>Substantiated, localised impact on community trust or low media item</u>	<u>Some temporary non compliances</u>	<u>Localised damage rectified by routine internal procedures</u>	<u>Contained, reversible impact managed by internal response</u>	<u>\$10,000 - \$100,000</u>
<u>Moderate (3)</u>	<u>Medical treatment / Lost time injury >30 Days</u>	<u>Medium term temporary interruption – backlog cleared by additional resources < 1 week</u>	<u>Substantiated, public embarrassment, moderate impact on community trust or moderate media profile</u>	<u>Short term non-compliance but with significant regulatory requirements imposed</u>	<u>Localised damage requiring external resources to rectify</u>	<u>Contained, reversible impact managed by external agencies</u>	<u>\$100,001 to \$350,000</u>
<u>Major (4)</u>	<u>Lost time injury <30 Days / temporary disability</u>	<u>Prolonged interruption of services – additional resources; performance affected < 1 month</u>	<u>Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions</u>	<u>Non-compliance results in termination of services or imposed penalties to Shire / Officers</u>	<u>Significant damage requiring internal & external resources to rectify</u>	<u>Uncontained, reversible impact managed by a coordinated response from external agencies</u>	<u>\$350,000 to \$2.0M</u>
<u>Extreme (5)</u>	<u>Fatality, permanent disability</u>	<u>Indeterminate prolonged interruption of services non- performance > 1 month</u>	<u>Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions</u>	<u>Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire / Officers</u>	<u>Extensive damage requiring prolonged period of restitution</u> <u>Complete loss of plant, equipment & building</u>	<u>Uncontained, irreversible impact</u>	<u>>\$2.0M</u>

The Shire is committed to Risk Management to help protect and enhance:

Employees' wellbeing and skills;
Community and environment;
Assets and intellectual property;
Image and reputation;
Contractual and statutory obligations; and
Dealings with contractors and business stakeholders.

Overview

Risk management is a key part of improving the business and the aim is to ensure that all business operations are performed within Council approved risk tolerance levels.

To achieve this aim a Risk Management framework will be created, maintained and continually improved. This will involve risk assessments linked to practical and cost-effective risk control measures commensurate with the business.

Risk Management is a continuous process demanding awareness and proactive action from all Shire's employees and contractors to reduce the possibility and impact of accidents and losses, whether caused by internal or external sources.

POLICY

The Shire will:

Ensure a system is in place to protect its resources, income and reputation so that accidental occurrences or other negatively impacting events will not prevent the Council from achieving its strategic and service objectives;

Provide its various stakeholders including the local community with the confidence that risk is being effectively managed and minimised or where possible eliminated;

Regularly assess its appetite for risk, in balancing the need to achieve strategic goals, maximise opportunities and to simultaneously minimise risk; and

Embed Risk Management into its culture, everyday business operations and those of its contractors and stakeholders. Everyone's involvement and support is critical to deliver effective results in line with the Shire's strategic objectives, vision and values.

The Audit and Governance Committee shall have a role in monitoring and reviewing this process.

Monitor and Review

~~The Shire will implement and integrate a monitor and review process to report on the achievement of its Risk Management objectives, the management of individual risks and the ongoing identification of issues and trends.~~

MEASURES OF CONSEQUENCE (PROJECT)

<u>LEVEL</u>	<u>RATING</u>	<u>Project TIME</u>	<u>Project COST</u>	<u>Project SCOPE / QUALITY</u>
<u>1</u>	<u>Insignificant</u>	<u>Exceeds deadline by >5% of project timeline</u>	<u>Exceeds project budget by 2%</u>	<u>Minor variations to project scope or quality</u>
<u>2</u>	<u>Minor</u>	<u>Exceeds deadline by >10% of project timeline</u>	<u>Exceeds project budget by 5%</u>	<u>Scope creep requiring additional work, time or resources. Reduced perception of quality by Stakeholders.</u>
<u>3</u>	<u>Moderate</u>	<u>Exceeds deadline by >15% of project timeline</u>	<u>Exceeds project budget by 7.5%</u>	<u>Scope creep requiring additional work, time and resources or shortcuts being taken. Stakeholder concerns.</u>
<u>4</u>	<u>Major</u>	<u>Exceeds deadline by >20% of project timeline</u>	<u>Exceeds project budget by 15%</u>	<u>Project goals, deliverables, costs and/or deadline failures. Project no longer aligned with the project scope Stakeholder intervention in project.</u>
<u>5</u>	<u>Extreme</u>	<u>Exceeds deadline by 25% of project timeline</u>	<u>Exceeds project budget by 20%</u>	<u>Failure to meet project objectives. Project outcomes negatively affecting the community or the environment. Public embarrassment, third party actions.</u>

MEASURES OF LIKELIHOOD

<u>Level</u>	<u>Rating</u>	<u>Description</u>	<u>Frequency</u>
<u>5</u>	<u>Almost Certain</u>	<u>The event is expected to occur in most circumstances</u>	<u>More than once per year</u>
<u>4</u>	<u>Likely</u>	<u>The event will probably occur in most circumstances</u>	<u>At least once per year</u>
<u>3</u>	<u>Possible</u>	<u>The event should occur at some time</u>	<u>At least once in 3 years</u>
<u>2</u>	<u>Unlikely</u>	<u>The event could occur at some time</u>	<u>At least once in 10 years</u>
<u>1</u>	<u>Rare</u>	<u>The event may only occur in exceptional circumstances</u>	<u>Less than once in 15 years</u>

RISK MATRIX

<u>Consequence</u>		<u>Insignificant</u>	<u>Minor</u>	<u>Moderate</u>	<u>Major</u>	<u>Extreme</u>
<u>Likelihood</u>		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
<u>Almost Certain</u>	<u>5</u>	<u>Moderate (5)</u>	<u>High (10)</u>	<u>High (15)</u>	<u>Extreme (20)</u>	<u>Extreme (25)</u>
<u>Likely</u>	<u>4</u>	<u>Low (4)</u>	<u>Moderate (8)</u>	<u>High (12)</u>	<u>High (16)</u>	<u>Extreme (20)</u>
<u>Possible</u>	<u>3</u>	<u>Low (3)</u>	<u>Moderate (6)</u>	<u>Moderate (9)</u>	<u>High (12)</u>	<u>High (15)</u>
<u>Unlikely</u>	<u>2</u>	<u>Low (2)</u>	<u>Low (4)</u>	<u>Moderate (6)</u>	<u>Moderate (8)</u>	<u>High (10)</u>
<u>Rare</u>	<u>1</u>	<u>Low (1)</u>	<u>Low (2)</u>	<u>Low (3)</u>	<u>Low (4)</u>	<u>Moderate (5)</u>

RISK ACCEPTANCE

<u>Risk Rank</u>	<u>Description</u>	<u>Criteria</u>	<u>Responsibility</u>
<u>LOW (1-4)</u>	<u>Acceptable</u>	<u>Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring</u>	<u>Supervisor / Team Leader</u>
<u>MEDIUM (5-9)</u>	<u>Monitor</u>	<u>Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring</u>	<u>Service Manager</u>
<u>HIGH (10-16)</u>	<u>Urgent Attention Required</u>	<u>Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring</u>	<u>Executive Leadership Team</u>
<u>EXTREME (17-25)</u>	<u>Unacceptable</u>	<u>Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring</u>	<u>CEO / Council</u>

ATTACHMENT 5

REPORT 8.2

23 PAGES

Shire of Mundaring

PROCEDURE

RISK MANAGEMENT

Procedure Ref:	Admin-36	File Code: OR.OPP 3
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Originating Service/Officer:	Governance	
Originating Date:	August 2016	
Reviewed by:		Date:
Amended by:		Date:
Policy Reference:	IS-01	

PURPOSE

To detail the processes, roles and responsibilities of risk management at Shire of Mundaring. This Procedure sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks.

Governance

Appropriate governance of risk management within the Shire of Mundaring provides:

- Transparency of decision making;
- Clear identification of the roles and responsibilities of risk management functions; and
- An effective governance structure to support the risk framework.

Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness biennially.

Operating Model

The Shire has adopted a "Three Lines of Defence" model for the management of risk. This model ensures roles, responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, Council, management and community will have assurance that risks are managed effectively to support the delivery of the strategic, corporate and operational plans.

First Line of Defence

All operational areas of the Shire are considered '**1st Line**'. They are responsible for ensuring that risks within their scope of operations are identified, assessed, managed, monitored and reported. Ultimately they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include:

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures);
- Undertaking adequate analysis (data capture) to support the decision-making process of risk;
- Preparing risk acceptance proposals where necessary, based on the level of residual risk; and
- Retaining primary accountability for the ongoing management of their risk and control environment.

Second Line of Defence

The Shire's Governance Coordinator acts as the primary '**2nd Line**'. This position owns and manages the framework for risk management, drafts and implements governance procedures and provides the necessary tools and training to support the 1st line process. The Executive Leadership Team (ELT) and Risk Management Committee supplement the second line of defence.

Maintaining oversight on the application of the framework provides a transparent view and level of assurance to the 1st & 3rd lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1st line teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required;
- Monitoring and reporting on emerging risks;
- Co-coordinating the Shire's risk reporting for the CEO, ELT and the Audit and Risk Committee.

Third Line of Defence

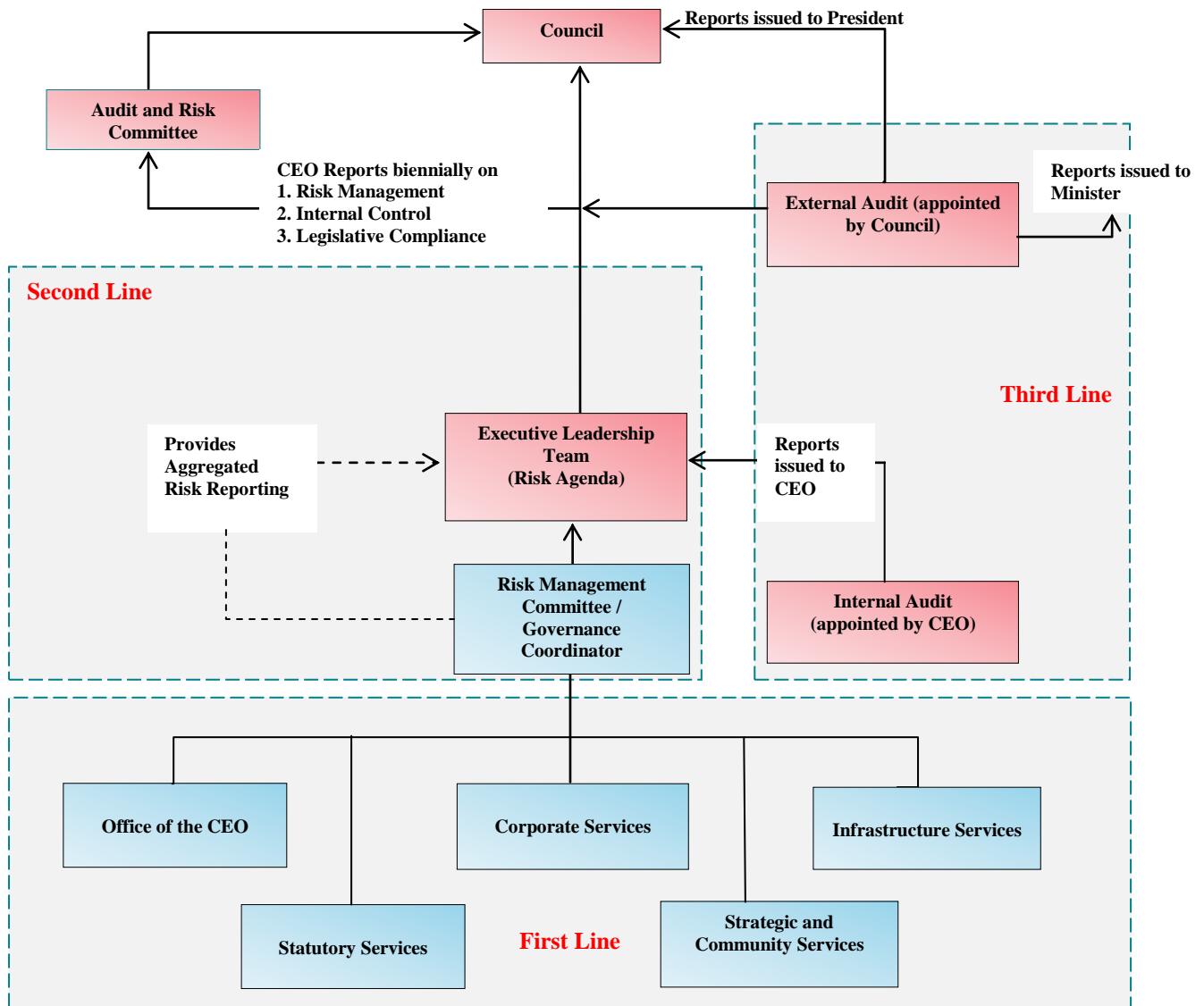
Internal self-audits & external audits are the '**3rd Line**' of defence, providing assurance to Council, the Audit and Risk Committee and ELT on the effectiveness of business operations and oversight frameworks (1st and 2nd Line).

Internal Audit – Appointed by the CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope is determined by the CEO with input from the Audit and Risk Committee.

External Audit – Appointed by Council on the recommendation of the Audit and Risk Committee to report independently to Council and CEO on the annual financial statements.

Governance Structure

The following diagram depicts the current operating structure for risk management within the Shire.



Roles & Responsibilities

Council

- Review and approve the Shire's Risk Management Policy and Risk Assessment and Acceptance Criteria.
- Appoint / engage external auditors to report on financial statements annually.
- Establish and maintain the Audit and Risk Committee in accordance with the Local Government Act.

Audit & Risk Committee

- Support Council in providing effective corporate governance.
- Oversight of all matters that relate to the conduct of external audits.
- Independent, objective and autonomous in deliberations.
- Recommendations to Council on external auditor appointments.

CEO / Executive Leadership Team

- Undertake internal audits in accordance with the Shire's Internal Audit Charter Policy OR-19).
- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of the Risk Management Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues and trends.
- Document decisions and actions arising from risk matters.
- Own and manage the risk profiles at Shire level.

Governance Coordinator

- Oversee and facilitate the Risk Management Framework.
- Champion risk management within operational areas.
- Support reporting requirements for Risk matters.
- Monitor KPI's for risk.

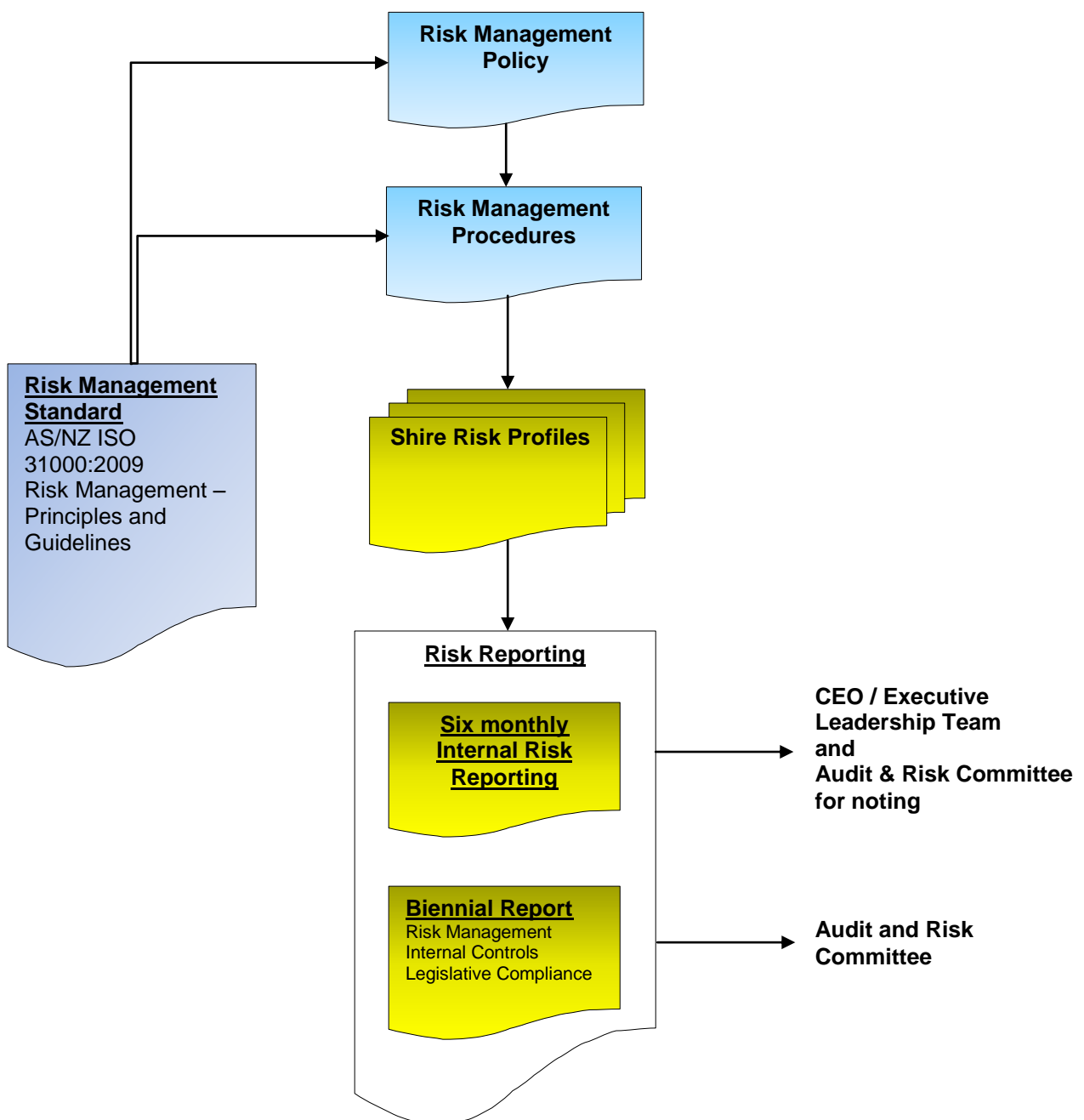
Managers

- Drive risk management culture within work areas.
- Own, manage and report on specific risk issues as required.
- Assist in the Risk and Control Management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate 'Risk Management' into team meetings, by incorporating the following agenda items:
 - New or emerging risks;

- Review existing risks;
- Control adequacy;
- Outstanding issues and actions.

Document Structure (Framework)

The following diagram depicts the relationship between the Risk Management policy, procedures and supporting documentation and reports.



Risk & Control Management

All work areas of the Shire are required to assess and manage the Risk Profiles on an ongoing basis.

Each Manager, in conjunction with the Governance Coordinator is accountable for ensuring that Risk Profiles are:

- Reflective of the material risk landscape of the Shire.
- Reviewed on at least a six monthly basis, or sooner if there has been a material restructure or change in the risk and control environment.
- Maintained in the standard format.

This process is supported by the use of data inputs, workshops and ongoing business engagement.

Risk & Control Assessment

To ensure alignment with AS/NZ ISO 31000:2009 Risk Management, the following approach is to be adopted from a Risk and Control Assessment perspective:

A: Establishing the Context

The first step in the risk management process is to understand the context within which the risks are to be assessed and what is being assessed, this forms two elements:

Organisational Context

The Shire's Risk Management Procedures provide the basic information and guidance regarding the organisational context to conduct a risk assessment; this includes Risk Assessment and Acceptance Criteria (Appendix A) and any other tolerance tables as developed. In addition, existing Risk Themes are to be utilised (Appendix C) where possible to assist in the categorisation of related risks.

Any changes or additions to the Risk Themes must be approved by the Governance Coordinator and CEO.

All risk assessments are to utilise these documents to allow consistent and comparable risk information to be developed and considered within planning and decision making processes.

Specific Risk Assessment Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process.

For risk assessment purposes the Shire has been divided into three levels of risk assessment context:

1. Strategic Context

This constitutes the Shire's external environment and high-level direction. Inputs to establishing the strategic risk assessment environment may include:

- Organisation's vision;
- Stakeholder analysis;
- Environment scan / SWOT analysis;
- Existing strategies / objectives / goals.

2. Operational Context

The Shire's day to day activities, functions, infrastructure and services. Prior to identifying operational risks, the operational area should identify its Key Activities i.e. what is trying to be achieved. Note: these may already be documented in business plans, budgets etc.

3. Project Context

Project Risk has two main components:

- **Direct** refers to the risks that may arise as a result of project activity (i.e. impacting on current or future process, resources or IT systems) which may prevent the Shire from meeting its objectives.
- **Indirect** refers to the risks which threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

B: Risk Identification

Using the specific risk assessment context as the foundation, and in conjunction with relevant stakeholders, answer the following questions, capture and review the information within each Risk Profile:

- What can go wrong? What are areas of uncertainty? (Risk Description)
- How could this risk eventuate? (Potential Causes)
- What are the current measurable activities that mitigate this risk from eventuating? (Controls)
- What are the potential consequential outcomes of the risk eventuating? (Consequences)

C: Risk Analysis

To analyse the risks, the Shire's Risk Assessment and Acceptance Criteria (Appendix A) are applied:

- Based on the documented controls, analyse the risk in terms of Existing Control Ratings;
- Determine relevant consequence categories and rate how bad it could be if the risk eventuated with existing controls in place (Consequence);
- Determine how likely it is that the risk will eventuate to the determined level of consequence with existing controls in place (Likelihood);

- By combining the measures of consequence and likelihood, determine the risk rating (Level of Risk).

D: Risk Evaluation

The Shire is to verify the risk analysis and make a risk acceptance decision based on:

- Controls Assurance (i.e. are the existing controls in use, effective, documented, up to date and relevant)
- Existing Control Rating
- Level of Risk
- Risk Acceptance Criteria (Appendix A)
- Risk versus Reward / Opportunity

The risk acceptance decision needs to be documented and acceptable risks are then subject to the monitor and review process. Note: individual risks or issues may need to be escalated due to urgency, level of risk or systemic nature.

E: Risk Treatment

For unacceptable risks, determine treatment options that may improve existing controls and/or reduce consequence / likelihood to an acceptable level.

Risk treatments may involve actions such as avoid, share, transfer or reduce the risk with the treatment selection and implementation to be based on:

- Cost versus benefit;
- Ease of implementation;
- Alignment to organisational values / objectives.

Once a treatment has been fully implemented, the Governance Coordinator is to review the risk information and acceptance decision with the treatment now noted as a control and those risks that are acceptable then become subject to the monitor and review process (Refer to Risk Acceptance section).

F: Monitoring & Review

The Shire is to review all Risk Profiles at least on a six monthly basis or if triggered by one of the following:

- Changes to context;
- A treatment is implemented;
- An incident occurs or due to audit/regulator findings.

The Governance Coordinator is to monitor the status of risk treatment implementation and report on, if required.

The CEO and ELT will monitor significant risks and treatment implementation as part of their normal agenda item on a quarterly basis with specific attention given to risks that meet any of the following criteria:

- Risks with a Level of Risk of High or Extreme;
- Risks with Inadequate Existing Control Rating;
- Risks with Consequence Rating of Extreme;
- Risks with Likelihood Rating of Almost Certain.

The design and focus of the Risk Summary report will be determined from time to time on the direction of the CEO and ELT. They will also monitor the effectiveness of the Risk Management Framework ensuring it is practical and appropriate to the Shire.

G: Communication and Consultation

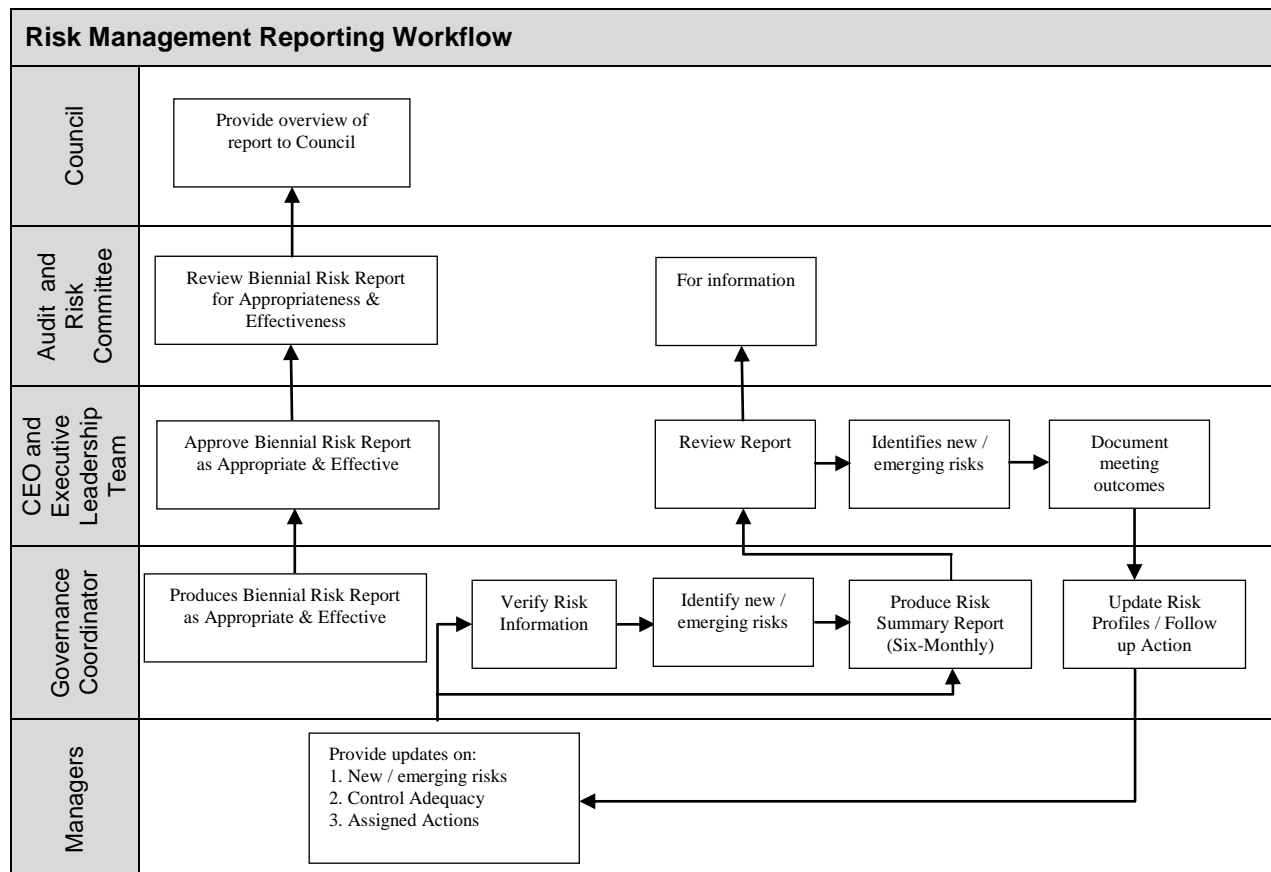
Throughout the risk management process stakeholders will be identified, and where relevant, be involved in or informed of outputs from the risk management process. Council, through the Audit and Risk Committee, will be provided with six-monthly update reports.

Risk management will be included within the employee induction process to ensure new employees are introduced to the Shire's risk management culture. Ongoing risk management awareness and training will be provided to staff.

Reporting Requirements

Coverage & Frequency

The following diagram provides a high level view of the ongoing reporting process for Risk Management.



Each Manager is responsible for ensuring:

- They continually provide updates in relation to new and emerging risks, control effectiveness and indicator performance to the Governance Coordinator.
- Work through assigned actions and provide relevant updates to the Governance Coordinator.
- Risks / issues reported to the CEO and ELT are reflective of the current risk and control environment.

The Governance Coordinator is responsible for:

- Ensuring Shire Risk Profiles are formally reviewed and updated, at least on a six monthly basis or when there has been a material restructure, change in risk ownership or change in the external environment.
- Producing a six-monthly Risk Report for the CEO and ELT which contains an overview Risk Summary for the Shire.

Indicators

Indicators are required to be used for monitoring and validating risks and controls. The process for the creation and reporting of Indicators is as follows:

Identification

Minimum standards when identifying appropriate Indicator risks and controls are:

- The risk description and causal factors are fully understood
- The Indicator is fully relevant to the risk or control
- Predictive Indicators are adopted wherever possible
- Indicators provide adequate coverage over monitoring risks and controls.

Validity of Source

In all cases an assessment of the data quality, integrity and frequency must be completed to ensure that the Indicator data is relevant to the risk or Control.

Where possible the source of the data (data owner) should be independent to the risk owner. Overlapping Indicators can be used to provide a level of assurance on data integrity.

If the data or source changes during the life of the Indicator, the data is required to be revalidated to ensure reporting of the Indicator against a consistent baseline.

Tolerances

Tolerances are set based on the Shire's Risk Appetite. They may be set and agreed over three levels:

- Green – within appetite; no action required.
- Amber – the Indicator must be closely monitored and relevant actions set and implemented to bring the measure back within the green tolerance.
- Red – outside risk appetite; the Indicator must be escalated to the CEO and ELT where appropriate management actions are to be set and implemented to bring the measure back within appetite.

Monitor & Review

All active Indicators are updated as per the stated frequency of the data source.

When monitoring and reviewing Indicators, the overall trend should be considered over a longer timeframe than individual data movements. The trend of the Indicators is specifically used as an input to the risk and control assessment.

Risk Acceptance

Day-to-day operational management decisions are generally managed under the delegated authority framework of the Shire.

Risk Acceptance *outside* of the appetite framework is a management decision to accept, within authority levels, material risks which will remain outside appetite framework (refer Appendix A – Risk Assessment & Acceptance Criteria) for an extended period of time (generally 3 months or longer).

The following process is designed to provide a framework for those *outside* appetite framework identified risks.

The 'Risk Acceptance' must be in writing, signed by the relevant Manager and cover:

- A description of the risk;
- An assessment of the risk (e.g. impact consequence, materiality, likelihood, working assumptions etc.);
- Details of any mitigating action plans or treatment options in place; and
- An estimate of the expected remediation date.

Reasonable action should be taken to mitigate the risk. A lack of budget to remediate a material risk outside of appetite is not sufficient justification in itself to accept a risk.

Accepted risks must be continually reviewed through standard operating reporting structure (i.e. ELT).

Annual Controls Assurance Plan

The annual assurance plan is a monitoring schedule prepared by ELT that sets out the control assurance activities to be conducted over the next 12 months. This plan needs to consider the following components.

- Coverage of all risk classes (Strategic, Operational, Project);
- Existing control adequacy ratings across the Shire's Risk Profiles;
- Consider control coverage across a range of risk themes (where commonality exists);
- Building profiles around material controls to assist in design and operating effectiveness reviews;
- Consideration to significant incidents;
- Nature of operations;
- Additional or existing 2nd line assurance information / reviews (e.g. HR, Financial Services, IT);
- Frequency of monitoring / checks being performed;

- Review and development of Indicators;
- Timetable for assurance activities; and
- Reporting requirements.

Whilst this document and subsequent actions are owned by the CEO, input and consultation will be sought from individual Managers.

Appendix A – Risk Assessment and Acceptance Criteria

MEASURES OF CONSEQUENCE

LEVEL	RATING	PEOPLE (Staff & Public)		INTERRUPTION TO SERVICE	REPUTATION (Social / Community)	COMPLIANCE	PROPERTY (Plant, Equipment, Buildings)	NATURAL ENVIRONMENT	FINANCIAL IMPACT
		Physical	Psychological						
1	Insignificant	Negligible injuries	Temporary, no leave taken, short term impact with full recovery	No material service interruption Less than 1 hour	Unsubstantiated, localised low impact on community trust, low profile or no media item.	No noticeable regulatory or statutory impact	Inconsequential or no damage.	Contained, reversible impact managed by on site response	Less than \$10,000
2	Minor	First aid injuries	Sick leave, short term impact, recovery 1-3 weeks	Short term temporary interruption – backlog cleared < 1 day	Substantiated, localised impact on community trust or low media item	Some temporary non compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	\$10,000 - \$100,000
3	Moderate	Lost time injury Less than 10 days	Significant, non-permanent, longer term illness, recovery 1-6 months	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Substantiated, public embarrassment, moderate impact on community trust or moderate media profile	Short term non-compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	\$100,001 to \$350,000
4	Major	Lost time injury More than 10 days	Longer term illness, severe trauma, extended incapacity	Prolonged interruption of services – additional resources; performance affected < 1 month	Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions	Non-compliance results in termination of services or imposed penalties to Shire / Officers	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	\$350,000 to \$2M
5	Extreme	Fatality, permanent disability	Death, permanent severely disabling illness, e.g. Post-Traumatic Stress Disorder	Indeterminate prolonged interruption of services – non-performance > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party	Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire / Officers	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact	>\$2M

MEASURES OF LIKELIHOOD

Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

RISK MATRIX

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

RISK ACCEPTANCE

Risk Rank	Description	Criteria	Responsibility
LOW (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Supervisor / Team Leader
MEDIUM (5-9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Service Manager
HIGH (10-16)	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Executive Leadership Team
EXTREME (17-25)	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

Shire of Mundaring Existing Controls Ratings		
Rating	Foreseeable	Description
Effective	There is little scope for improvement.	Processes (Controls) operating as intended and / or aligned to Policies & Procedures; are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.
Adequate	There is some scope for improvement.	Whilst some inadequacies have been identified; Processes (Controls) are in place, are being addressed / complied with and are subject to periodic review and testing.
Inadequate	A need for corrective and / or improvement actions exist.	Processes (Controls) not operating as intended, do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time.

Appendix B – Risk Profile Template

Risk Theme			Date
<u>What could go right / wrong?</u> <i>Definition of Theme</i>			
<u>Potential causes (What could cause it to go right / wrong?)</u> <i>List of potential causes</i>			
Controls <i>(What we have in place to prevent it going wrong)</i>	Type	Date	Shire Rating
<i>List of Controls</i>			
Overall Control Ratings:			
Consequence Category	Risk Ratings	Shire Rating	
	Consequence:		
	Likelihood:		
Overall Risk Ratings:			
Indicators <i>(These would 'indicate' to us that something has gone right / wrong)</i>	Tolerance	Date	Overall Shire Result
<i>List of Indicators</i>			
<u>Comments</u> <i>Rationale for all above ratings</i>			
Current Issues / Actions / Treatments		Due Date	Responsibility
<i>List current issues / actions / treatments</i>			

Appendix C – Risk Theme Definitions

1. Asset sustainability practices

- Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads, playgrounds, boat ramps and all other assets and their associated lifecycle from procurement to maintenance and ultimate disposal. Areas included in the scope are:
 - Inadequate design (not fit for purpose);
 - Ineffective usage (down time);
 - Outputs not meeting expectations;
 - Inadequate maintenance activities;
 - Inadequate financial management and planning.

It does not include issues with the inappropriate use of the plant, equipment or machinery. *Refer Misconduct.*

2. Business and community disruption

- Failure to adequately prepare and respond to events that cause disruption to the local community and /or normal Shire business activities. The event may result in damage to buildings, property, plant & equipment (all assets). This could be a natural disaster, weather event or an act carried out by an external party (incl. vandalism). This includes:
 - Lack of (or inadequate) emergency response / business continuity plans;
 - Lack of training to specific individuals or availability of appropriate emergency response; Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident;
 - Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc.

This does not include disruptions due to IT Systems or infrastructure related failures. *Refer "Failure of IT & communication systems and infrastructure".*

3. Failure to fulfil compliance requirements

- Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This could result in fines, penalties, litigation or increased scrutiny from regulators or agencies. This includes new or proposed regulatory and legislative changes in addition to the failure to maintain updated legal documentation (internal & public domain) to reflect changes.

This does not include Occupational Safety & Health Act (*refer "Inadequate safety and security practices"*) or any employment practices based legislation (*refer "Ineffective employment practices"*)

It does include the Local Government Act, Health Act, Building Act, Freedom of Information Act, Dog Act, Cat Act and all other legislative based obligations for local government.

4. Document management processes

- Failure to adequately capture, store, archive, retrieve, provide and /or dispose of documentation. This includes:
 - Contact lists.
 - Procedural documents.
 - 'Application' proposals/documents.
 - Contracts.
 - Forms, requests or other documents.

5. Employment practices

- Failure to effectively manage and lead human resources (full/part time, casuals, temporary and volunteers). This includes not having an effective Human Resources Framework in addition to not having appropriately qualified or experienced people in the right roles or not having sufficient staff numbers to achieve objectives. Other areas to consider in this risk theme are:
 - Breaching employee regulations (excluding OH&S);
 - Discrimination, harassment and bullying in the workplace;
 - Poor employee wellbeing (causing stress);
 - Key person dependencies without effective succession planning in place;
 - Induction issues;
 - Terminations (including any tribunal issues);
 - Industrial action.

Care should be taken when considering insufficient staff numbers as the underlying issue could be process inefficiencies.

6. Engagement practices

- Failure to maintain effective working relationships with the community (including local media), stakeholders, key private sector companies, government agencies and/or elected members. This invariably includes activities where communication, feedback and/or consultation is required and where it is in the best interests to do so. For example:
 - Following up on any access and inclusion issues;
 - Infrastructure projects;

- Regional or district committee attendance;
- Local planning initiatives;
- Strategic planning initiatives.

This does not include instances whereby community expectations have not been met for standard service provisions such as community events, library services and/or bus/transport services.

7. Environment management.

- Inadequate prevention, identification, enforcement and management of environmental issues. The scope includes:
 - Lack of adequate planning and management of catchment issues;
 - Failure to identify and effectively manage contaminated sites (including groundwater usage);
 - Waste facilities (landfill / transfer stations);
 - Weed control;
 - Ineffective management of water sources (reclaimed, potable);
 - Illegal dumping / illegal clearing / illegal land use.

8. Errors, omissions, delays

- Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process. This includes instances of:
 - Human errors, incorrect or incomplete processing
 - Inaccurate recording, maintenance, testing and / or reconciliation of data.
 - Errors or inadequacies in model methodology, design, calculation or implementation of models.

This may result in incomplete or inaccurate information. Consequences include:

- Inaccurate data being used for management decision making and reporting;
- Delays in service to customers;
- Inaccurate data provided to customers.

This excludes process failures caused by inadequate / incomplete procedural documentation. Refer *“Inadequate document management processes”*.

9. External theft and fraud (incl. cyber crime)

- Loss of funds, assets, data or unauthorised access, (whether attempts or successful) by external parties, through any means (including electronic), for the purpose of:

- Fraud – benefit or gain by deceit;
- Malicious damage – hacking, deleting, breaking or reducing the integrity or performance of systems;
- Theft – stealing of data, assets or information (no deceit).

Examples include:

- Scam invoices;
- Cash or other valuables from 'outstations'.

10. Management of Facilities / Venues / Events

➤ Failure to effectively manage the day to day operations of facilities and/or venues.

This includes:

- Inadequate procedures in place to manage the quality or availability;
- Ineffective signage;
- Booking issues;
- Financial interactions with hirers / users;
- Oversight / provision of peripheral services (e.g. cleaning / maintenance).

11. IT & Communications Systems and Infrastructure

➤ Instability, degradation of performance or other failure of IT systems, infrastructure, communication or utility causing the inability to continue business activities and provide services to the community. This may or may not result in IT disaster recovery plans being invoked. Examples include failures or disruptions caused by:

- Hardware and/or software;
- IT network;
- Failure of IT vendors.

This also includes where poor governance results in the breakdown of IT maintenance such as:

- Configuration management;
- Performance monitoring;
- IT incident, problem management and disaster recovery processes.

This does not include new system implementations. *Refer "Inadequate project / change management".*

12. Misconduct

- Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of:
 - Relevant authorisations not obtained;
 - Distributing confidential information;
 - Accessing systems and/or applications without correct authority to do so;
 - Misrepresenting data in reports;
 - Theft by an employee;
 - Collusion between internal and external parties.

This does not include instances where it was not an intentional breach. *Refer Errors, omissions or delays, or Inaccurate advice / information.*

13. Project / change management

- Inadequate analysis, design, delivery and/or status reporting of change initiatives, resulting in additional expenses, time requirements or scope changes. This includes:
 - Inadequate change management framework to manage and monitor change activities;
 - Inadequate understanding of the impact of project change on the business;
 - Failures in the transition of projects into standard operations;
 - Failure to implement new systems;
 - Failures of IT project vendors/contractors.

14. Safety and security practices

- Non-compliance with the Occupational Safety and Health Act, associated regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are:
 - Inadequate policies, frameworks, systems and structure to prevent the injury of visitors, staff, contractors and/or tenants;
 - Inadequate organisational emergency management requirements (evacuation diagrams, drills, wardens etc.);
 - Inadequate security protection measures in place for buildings, depots and other places of work (vehicle, community etc.);
 - Public liability claims, due to negligence or personal injury;
 - Employee liability claims due to negligence or personal injury;
 - Inadequate or unsafe modifications to plant & equipment.

15. Supplier / Contract Management

➤ Inadequate management of external suppliers, contractors, IT vendors or consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes. This also includes:

- Concentration issues;
- Vendor sustainability.

MEASURES OF CONSEQUENCE (PROJECTS)

LEVEL	RATING	Project TIME	Project COST	Project SCOPE / QUALITY
1	Insignificant	Exceeds deadline by >5% of project timeline	Exceeds project budget by 2%	Minor variations to project scope or quality
2	Minor	Exceeds deadline by >10% of project timeline	Exceeds project budget by 5%	Scope creep requiring additional work, time or resources. Reduced perception of quality by Stakeholders.
3	Moderate	Exceeds deadline by >15% of project timeline	Exceeds project budget by 7.5%	Scope creep requiring additional work, time and resources or shortcuts being taken. Stakeholder concerns.
4	Major	Exceeds deadline by >20% of project timeline	Exceeds project budget by 15%	Project goals, deliverables, costs and/or deadline failures. Project no longer aligned with the project scope Stakeholder intervention in project.
5	Extreme	Exceeds deadline by 25% of project timeline	Exceeds project budget by 20%	Failure to meet project objectives. Project outcomes negatively affecting the community or the environment. Public embarrassment, third party actions.

This procedure was approved by:
Jonathan THROSSELL
Chief Executive Officer

Date:

8.3 Risk Management Ongoing Review – Six-monthly Update

File Code	OR.OFC 8
Author	Danielle Courtin, Governance Coordinator
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil

SUMMARY

The first six-monthly update of the ongoing review of the Shire's risk management is presented to the Committee for noting.

BACKGROUND

In 2013 a review of the Shire's risk register was undertaken. This register was a rather static document and didn't allow for regular updates and reviews. A more pro-active way of managing risks has therefore been devised in collaboration with the Shire's insurers, LGIS, resulting in a new Risk Management Framework based on Risk Themes and Profiles.

During a series of workshops with each directorate in August 2016 fifteen "Risk Themes" were identified and analysed, resulting in "Risk Profiles" (**ATTACHMENT 6**) which:

- Define the risk theme – "what could go wrong?"
- List the potential causes – "What could cause it to go wrong/right?"
- List the controls in place to prevent it going wrong/right and whether these controls are adequate
- Specify the consequences if things go wrong/right
- Rate the risk, taking into account the measure of consequence and likelihood of anything going wrong/right
- Result in and overall risk rating
- Define the indicators (indicating that something has gone wrong/right)
- Summarise current issues, actions and treatments required.

The 15 risk themes are summarised in a Risk Dashboard Report, which will be presented to Council on a six-monthly basis (**ATTACHMENT 7**).

STATUTORY / LEGAL IMPLICATIONS

The Risk Management Framework is based on Australia/New Zealand Standard ISO 31000:2009 Risk Management.

POLICY IMPLICATIONS

A new Risk Management Policy and Risk Management Procedure are presented to Council for adoption/noting in a separate report.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan:

1. Priority one: Governance
- 1.2 Objective two – Transparent, responsive and engaged processes for Shire decision making
- 1.2.1 Strategy one: increase transparency and responsiveness of Shire administration processes.

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

The Shire's Risk Management Framework sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks.

EXTERNAL CONSULTATION

LGIS consultant Michael Sparks guided Shire staff through the new risk management processes.

COMMENT

As a result of the workshops with each directorate and a subsequent review of all Risk Themes by the Executive Leadership Team, a Risk Dashboard Report is presented to the Committee for noting.

All risks which were given a control rating of "inadequate" are described and listed on the Dashboard, showing a due date for action and a responsible employee. A summary is also attached (**ATTACHMENT 8**).

VOTING REQUIREMENT

Simple majority

COMMITTEE DECISION		DARC2.11.16	
<i>Moved by:</i>	<i>Cr Lavell</i>	<i>Seconded by:</i>	<i>Cr Jeans</i>

That the Committee notes the first six-monthly update of the Risk Dashboard.

CARRIED 6/0

For: *Cr Bertola, Cr Lavell, Cr Brennan, Cr Jeans, Cr Perks, Ms Stewart*

Against: *Nil*

ATTACHMENT 6

REPORT 8.3

2 PAGES

Asset Sustainability Practices		Oct-16
Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads, playgrounds, boat ramps and all other assets during their lifecycle from procurement to disposal. Areas included in the scope are: -Inadequate design (not fit for purpose) -Ineffective usage (down time) -Outputs not meeting expectations -Inadequate maintenance activities. -Inadequate financial management and planning (capital renewal plan). <i>It does not include issues with the inappropriate use of the Plant, Equipment or Machinery. Refer Misconduct.</i>		
Potential causes include: Unavailability of parts Lack of formal or appropriate scheduling (maintenance / inspections) Unexpected breakdowns Outdated equipment Insufficient budget to maintain or replace assets		
Risk Appetite Statements relating to Asset Sustainability		
Our risk appetite is reflected in the Key Indicator Tolerance Levels identified below		
Controls Assurance		
Controls	Type	Date
Asset Register (roads, buildings, playgrounds, etc)	Detective	Oct-16
Elected member briefings on budget breakdown	Detective	Oct-16
Fortnightly project coordination meetings	Detective	Oct-16
Asbestos Management Program (Register & Plan)	Preventative	Oct-16
Asset replacement program - Plant and Infrastructure	Preventative	Oct-16
Equipment redundancies available or hire if needed	Preventative	Oct-16
Long Term Financial Plan (budget forecast / allocation)	Preventative	Oct-16
Plant Maintenance Schedules	Preventative	Oct-16
Plant Reserve account funds the Plant replacement program	Preventative	Oct-16
Policies and Procedures in place and reviewed regularly.	Preventative	Oct-16
Contract Management	Preventative	Oct-16
Infrastructure Maintenance Program: Hard Infrastructure (Roads, buildings, footpaths)	Preventative / Detective	Oct-16
Infrastructure Maintenance Program: Parks, reserves & play equipment Infrastructure	Preventative / Detective	Oct-16
Most assets photographed	Preventative / Detective	Oct-16
Reactive maintenance program	Recovery	Oct-16
Overall Control Ratings: Adequate		
Consequence Category	Risk Ratings	Rating
Service Interruption, Financial	Consequence:	Minor
	Likelihood:	Unlikely
Has the Risk Rating Changed since the last review?		Comments
Consequence:		
Likelihood:		

Overall Risk Ratings:		Low	Risk rating trend since last review			
Indicators	Type	Tolerance Level	Result	Better or worse than Tolerance	Trend since last review?	Comments
Accidents and / or damage to property	Lagging					
Asset Consumption Ratio (The ratio highlights the aged condition of Munderling's stock of physical assets)	Leading	10				
Asset Renewal Funding Ratio (The financial capacity to fund asset renewal as required, and continue to provide existing levels of services)	Leading	8.63				
Asset Sustainability Ratio (Measures the extent to which assets are replaced as they reach the end of their useful lives)	Leading	1.87				
Asset utilisation	Lagging					
Breakdowns	Lagging	2 per month				
Notifications from members of the public	Lagging					
Comments			Comments			
As rated by Liam, Derrick, Bruce, Melissa & Danielle with Michael from LGIS on 29 August 2016. Reviewed by ELT on 14 Sep 2016.						
Current Issues / Actions / Treatments		Due Date	Responsibility	Status of Issues / Actions / Treatments		
Asbestos management program inadequate.		Jun-17	Building Assets			
Ensuring contracts are correctly constructed and contractors are held to it and deliver to it.		Jun-17	Employee responsible for managing the contract			

ATTACHMENT 7

REPORT 8.3

1 PAGE

Shire of Mundaring Risk Dashboard Report October 2016

Executive Summary

Recommendations

Asset Sustainability Practices		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Asbestos management (Register, Plan, Procedures): Review current documentation, reporting mechanisms & communicate to staff	Jun-17	Building Assets	
Ensuring contracts are correctly constructed and contractors are managed according to the contract.	Jun-17	Contract Manager	

External Theft and Fraud (Inc. Cyber Crime)		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Develop register of minor and attractive assets + procedures.	Jun-17	Director Infrastructure	

Business & Community Disruption		Risk	Control
Current Issues / Actions / Treatments	Due Date	High	Adequate
Responsibility			

Management of Facilities, Venues and Events		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Some community groups without a lease agreement	Jun-19	Gov Coord	

Failure to Fulfil Compliance Requirements (Statutory, Regulatory)		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			

IT, Communication Systems and Infrastructure		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Future of ICT Storage Continuation to be considered	Dec-16	DCorpS	

Document Management Processes		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Information Management can't record whether document is incoming or outgoing.	Jun-19	IM Team Leader	
Information Management not aware of any document audit trail.	Jun-19	IM Team Leader	
Archive room at depot not insulated.	tba	IM Team Leader	

Misconduct		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Minor and attractive items stocktake to be initiated.	Jun-17	Director Infrastructure	
Police clearances for all staff.	Jun-17	Mgr HR	
Review procurement authorisation controls, purchasing card policy, purchase order process.	Dec-16	Mgr Fin/Gov	
Fuel card management requires procedure.	Dec-16	Mgr Fin/Gov	

Employment Practices		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Workforce Plan (Succession planning component)	Jun-17	Mgr HR	
Knowledge-sharing	Jun-17	Mgr HR	

Project / Change Management		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Post project debriefs currently occur on ad hoc basis.	Jun-17	Project Manager	

Engagement practices		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			

Safety and Security Practices		Risk	Control
Current Issues / Actions / Treatments	Due Date	High	Adequate
Responsibility			
Drug & alcohol policy - no procedure for testing, particularly after incidents.	Jun-17	OSH	
Review Fitness for Work policy - under way.	Jun-17	OSH	
Building safety: no override on reception front door.	Dec-16	OSH	

Environment Management		Risk	Control
Current Issues / Actions / Treatments	Due Date	High	Adequate
Responsibility			
Commitment to review Weed Strategy.	Jun-19	Coord Env	
Additional resources to implement Weed Strategy.	Jun-19	ELT	

Supplier and Contract Management		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Contract management system - manual system, not well documented.	Jun-17	Contract Manager	
Contracts register - created during Reform, needs to be updated.	Jun-17	No dedicated officer	

Errors, Omissions and Delays		Risk	Control
Current Issues / Actions / Treatments	Due Date	Moderate	Adequate
Responsibility			
Complaints resolution process to be reviewed	Jun-20	DCorpS	

To add additional Issues / Actions / Treatments cells, insert a new line, click in the last of the existing cells above and drag down. This will bring the formulas into the new cells.

ATTACHMENT 8

REPORT 8.3

2 PAGES

RISK CONTROLS RATED AS BEING INADEQUATE – October 2016

RISK THEME	CONTROL	CURRENT ISSUES
Asset Sustainability Practices	Asbestos management program (register & plan)	Asbestos management (Register, Plan, Procedures): review current documentation, reporting mechanisms & communicate to staff.
	Contract management	Ensuring contracts are correctly constructed and contractors are managed according to the contract.
Business and Community Disruption	N/A	N/A
Failure to Fulfil Compliance Requirements (Statutory, Regulatory)	N/A	N/A
Document Management Processes	Incoming records weekly report	Information Management can't record whether document is incoming or outgoing. Note: when new records management system is implemented, this function will be available.
	Documentation audits	Information Management not aware of any document audit trail. Note: when new records management system is implemented, this function will be available.
	Archive room at the depot	Not insulated (no plans in place to remedy).
Employment Practices	Knowledge sharing	To be incorporated into organisational review business case for 2017/18 budget
	Succession planning	In Workforce Plan.
Engagement Practices	N/A	N/A
Environment Management	Weed control policy, strategy and implementation.	Commitment to review Weed Strategy; requires additional resources to implement.
Errors, Omissions and Delays	Complaints register	No central register, complaints are filed in

		Meridio according subject matter. Complaints resolution process to be reviewed.
External Theft and Fraud (inc. Cyber Crime)	Record of assets (minor and attractive items)	Not all items are recorded in a register. Develop a central register and procedure.
Management of Facilities, Venues and Events	Lease agreements for Shire facilities	Some community groups without a lease agreement
IT, Communication Systems and Infrastructure	ICT Steering Committee	Currently not active. Future to be considered.
Misconduct	Minor and attractive asset stocktakes	To be initiated when central register is completed.
	Police clearances	To be required for all staff.
	Procurement authorisation control (Authority software)	Review procurement authorisation controls, purchasing card policy. Refer Procurement Audit; currently under review.
	Fuel card management (policies)	Requires written procedure.
Project / Change Management	Post project debriefs	Currently occurs on an ad hoc basis..
Safety and Security Practices	Drug and alcohol policy	No procedure for testing, particularly after incidents.
	Fitness for work policy	To be reviewed (review under way).
	Building safety	No override on reception front door.
Supplier and Contract Management	Contract management system	Manual system, not well documented. Refer Procurement Audit.
	Contracts register	Created during reform, needs to be updated.

8.4 Biennial Review of Risk Management, Internal Controls and Legislative Compliance

File Code	OR.MTG 6/1
Author	Stan Kocian, Manager Finance & Governance
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil

SUMMARY

This report recommends that Council notes the results of the Chief Executive Officer's biennial review of the appropriateness and effectiveness of the Shire's systems in regard to risk management, internal control and legislative compliance.

BACKGROUND

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to review, at least once every two calendar years, the local government's systems and procedures relating to risk management, internal control and legislative compliance. The previous (and initial) review was presented to the Audit and Risk Committee in November 2014 and subsequently to Council in November 2014 (C11.11.14).

STATUTORY / LEGAL IMPLICATIONS

Local Government (Audit) Regulations 1996

Regulation 16 (c) – Functions of Audit Committee

An Audit Committee –

(c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –

- (i) report to the council the results of that review; and*
- (ii) give a copy of the CEO's report to the council."*

Regulation 17 – CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –

- (a) risk management;*
- (b) internal controls;*
- (c) legislative compliance.*

- (2) *The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.”*

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Supports Strategic Community Plan 2026:

- Strategic Theme 1.1.4 - Practise effective governance and financial risk management.

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996* enhances the reporting of the Shire's approach to risk management, internal controls and legislative compliance with increased transparency and involvement for the Elected Members.

EXTERNAL CONSULTATION

Nil

COMMENT

The Chief Executive Officer has reviewed the Shire's systems in relation to risk management, internal control and legislative compliance and considers that they are appropriate. The specific details of the review are outlined below:

Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good practices in monitoring internal control would typically include:

- 1. Reviewing whether the Shire has an effective risk management system and that material operating risks to the local government are considered.**

The Shire has had an established risk management framework in place for a number of years.

The Risk Management Policy was reviewed in November 2014 as part of the Chief Executive Officer's (CEO's) statutory review of systems and procedures. This policy has been reviewed again and is presented to the Audit and Risk Committee as a separate report as part of this meeting's agenda.

In 2013 a review of the Shire's risk register was undertaken. This register was a rather static document and wasn't conducive to regular updates and reviews. As a consequence, over the past few months, and in consultation with a Senior Risk Consultant with the Shire's insurers LGIS, the Risk Management Framework has been systematically reviewed in a series of workshops with the Executive Leadership Team and appropriate staff. The outcome of this review is a revised framework that facilitates a pro-active way for managing risks based on Risk Themes and Profiles. This revised framework, in the form of a "Risk Dashboard", is also presented to the Audit and Risk Committee as a separate report as part of this meeting's agenda. The intention going forward is to present the Audit and Risk Committee with a six-monthly update of the Risk Dashboard.

The Shire has an internal risk management committee (made up of the Shire's Executive team) that meets every two months to consider all operational risks and determine if the appropriate controls are in place.

All reports to Council and Council Committees specifically require any risk implications to be identified and highlighted to enable Council to fully consider the risk implications as part of an informed decision making process.

2. Reviewing whether the Shire has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.

The Shire has a Business Continuity Plan which was developed and tested in conjunction with LGIS during 2014 to ensure the Shire can prepare for, and continue to operate after an incident or crisis. This plan is a significant component of the Shire's overall management of risk and increases the Shire's recovery capabilities ensuring decisions are made quickly minimising financial, environmental and reputational impacts.

3. Assessing the internal processes for determining and managing internal operating risks.

The recent review of the Risk Management Framework included, but was not limited to, analysing the risks and confirming that appropriate internal controls are in place for the following areas:

- Potential non-compliance with legislation, regulations and standards and local Shire policies
- Litigation and claims
- Misconduct, fraud and theft
- Significant business risks such as Occupational Safety and Health and how they are managed by the Shire.

4. Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover.

The Shire undertakes an annual insurance policy renewal process with its insurers LGIS from February to April each year. LGIS provide advice in terms of recommended coverage. The process includes reviewing each policy to ensure that the Shire has adequate coverage for all relevant insured risks, eg. reviewing and updating insured values in property and motor vehicle schedule on an annual basis.

5. Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors.

In accordance with the *Local Government (Financial Management) Regulations 1996*, a review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was completed in 2014. This review is to be undertaken no less than once in every four financial years, with the outcome of the review to be reported to Council.

The results of the financial management review indicated that the overall effectiveness of the financial management systems and procedures of the Shire are reasonable and appropriate for the Shire's current level of operation and structure. The review was presented to Council on 11 November 2014 as a recommendation from the then Audit and Governance Committee.

As part of the Shire's annual audit process the Shire's external auditors provide a Management Report that provides comment on the Shire's financial systems and procedures. The external auditor's management report is presented to the Audit and Risk Committee.

The Audit and Risk Committee adopted an internal audit charter in February 2016. The purpose of the internal audit charter is to assist with the CEO's review of the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management internal control and legislative compliance. The Shire's current four year Corporate Business Plan includes an annual allocation of funds for the purpose of internal audit activities. The Shire's initial internal audit was on Procurement and the findings and recommendations of this audit were presented to the Audit and Risk Committee in July 2016.

6. Assessing the Shire's procurement framework with a focus on the probity and transparency of policies and procedures and whether these are being applied.

The Shire has the following policies, organisational practices and procedures in place relating to procurement and incurring expenses on behalf of the Shire:

- AS-04 – Purchasing Policy
- FI-01 – Corporate Purchasing Card Policy
- OP-32 – Petty Cash (Organisational Practice)
- OP-38 – Hospitality Expenditure (Organisational Practice)
- Admin-29 – Issue and use of Corporate Purchasing Cards (Procedure)
- Admin-30 – Ordering of Goods and Services (Procedure)
- Admin-31 – Quotations for Purchases of Goods and Services (Procedure)
- Admin-32 – Signing of cheques/approval of electronic funds transfer

All of the above documents are communicated to staff as part of the induction process and are also easily accessible on the Staff intranet. Finance and Governance staff also regularly reinforces and communicates the requirements of these documents to relevant staff.

As mentioned previously in this report, the Shire's initial internal audit was on Procurement and the findings and recommendations of this audit were presented to the Audit and Risk Committee in July 2016. As part of implementing the recommendations of the Procurement audit, all of the above policies, organisational practices and procedures are currently being reviewed or will be reviewed within the next 12 months.

The Shire has recently developed and implemented a Tender Guideline document. This document was presented to the Audit and Risk Committee in May 2016. The Guideline were developed to complement the Shire's Purchasing Policy AS-04, which sets out the statutory requirements for calling tenders, and to provide staff with guidance for the practical management of the tender process.

Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. A revised Governance Framework was presented to and endorsed by Council in June 2016.

An effective and transparent internal control environment is built on the following key areas:

- Integrity and ethics
- Policies and delegated authority
- Levels of responsibilities and authorities
- Audit practices
- Information system access and security
- Management operating style
- Human Resource management and practices.

Internal control systems involve policies and procedures that safeguard assets, and ensure accurate and reliable financial reporting, promote compliance legislation and achieve effective and efficient operations. Control systems will vary depending on the size and nature of a local government.

Aspects of the Shire's control framework include:

- A register of delegated authority, which is reviewed and approved by Council on an annual basis
- Documented policies, organisational practices and procedures. These documents are reviewed and updated on a regular basis. All new policies and policy reviews are adopted by Council on the recommendation of the Audit and Risk Committee

- The recruitment and retention of trained and qualified staff. All Shire position descriptions stipulate the required experience and qualifications for each position as part of the selection criteria
- IT systems controls
- The Audit and Risk Committee adopted an internal audit charter in February 2016. The Shire's current four year Corporate Business Plan includes an annual allocation of funds for the purpose of internal audit activities
- A risk management framework that includes documentation of identified risks, assessment of those risks and assessment of the appropriate risk controls.

The Shire has the following specific internal controls in place:

- Separation of roles and duties relating to the processing and authorisation of financial transactions
- Processes in place for the approval of documents, letters and financial records
- Restrictions are in place as to the direct physical access to Shire assets and records
- Restrictions are in place to limit the access to Shire computer applications and information systems
- Limits on staff access to make changes in data files and systems
- Monthly maintenance and review of financial accounts and trial balances
- Monthly comparison, analysis and review of actual financial results with budgeted amounts
- Reporting, review and approval of financial payments and reconciliations
- Comparison of the results of physical cash and inventory accounts with the accounting records.

Legislative Compliance

The compliance programs of the Shire are a strong indication of the Shire's attitude towards meeting legislative requirements. The Shire's practices and controls regarding monitoring compliance include:

- A dedicated Governance Service to provide guidance on legislative requirements and monitor compliance with legislation and regulations
- A Council endorsed Governance Framework which examines the principles and practices of good governance at Shire of Mundaring and clearly defines the respective roles, responsibilities and relationships of Council, the Chief Executive Officer and employees

- The Shire continues to complete the annual Compliance Audit Return (CAR) and submit it to the Department of Local Government and Communities by the required deadline. The CAR focuses on key areas of legislation and the Shire has consistently demonstrated a high level of compliance. The CAR is presented to the Audit and Risk Committee prior to adoption by Council
- The Shire has policies and procedures in place that provide direction as to how to receive, retain and treat complaints, including employee complaints
- Access to legal advice for specific compliance and legal matters. This includes paid professional advice and subscriptions to professional bodies that provide regular legal updates regarding legislative changes
- Regular liaison between Shire staff and the Shire's auditors
- Established processes for elected member and staff inductions and ongoing training
- Annual audit process that includes a review of compliance in terms of financial management and relevant legislation (Part 6 of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*)
- The recruitment and retention of appropriately experienced, trained and qualified staff
- Staff have easy on-line access to all relevant legislation and Government Gazettes
- Established staff network channels for the sharing of knowledge, eg. Governance Network and Finance Professionals Network.

Conclusion

The overall conclusion from this review is that there are established and appropriate systems and procedures in place for risk management, internal control and legislative compliance.

6.30pm Cr Lavell left the room and did not return.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION		ARC3.11.16	
<i>Moved by:</i>	<i>Cr Brennan</i>	<i>Seconded by:</i>	<i>Cr Perks</i>

That Council notes the Chief Executive Officer's biennial review of the appropriateness and effectiveness of the Shire's systems in regard to risk management, internal control and legislative compliance.

CARRIED 5/0

For: *Cr Bertola, Cr Brennan, Cr Jeans, Cr Perks, Ms Stewart*

Against: *Nil*

8.5 Review of Policy AS-01 – Records Management

File Code	OR.OPP 1
Author	Anne McDonald, Team Leader Information Management
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil

SUMMARY

Council is requested to consider the review of Policy AS-01 – Records Management, which establishes the Shire's framework for effective records management that complies with legislative requirements and best practice standards.

BACKGROUND

Policy AS-01 was last reviewed in August 2010.

The State Records Commission (SRC) Standard 1 – Government Recordkeeping requires that government organisations ensure that records are created, managed and maintained over time and disposed of in accordance with principles and standards issued by the SRC.

SRC Principle Two: Policies and Procedures states "*Government organisations ensure that recordkeeping programs are supported by policy and procedures.*"

STATUTORY / LEGAL IMPLICATIONS

In accordance with Section 2.7(2)(b) of the *Local Government Act 1995* it is the role of Council to determine the Local Government's policies.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan:

- Priority 1 – Governance;
- Objective 2 – Transparent, responsive and engaged processes for Shire decision making:
- Strategy 2 – Values, policies and procedures deliver ethical, transparent and accountable local governance. Policies and procedures and responsive to community and business priorities where possible and encourage economic development, business growth and local job creation.

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Up to date policies encourage good governance, ensuring transparency, accountability, effectiveness and efficiency.

EXTERNAL CONSULTATION

Nil

COMMENT

Policy AS-01 has been reviewed. The following amendment is proposed: to provide clarity to Shire employees and Elected Members a definition of **“record”** has been added at the beginning of the policy.

VOTING REQUIREMENT

Simple majority

RECOMMENDATION

That Council:

1. Notes that Policy AS-01 - Records Management has been reviewed and amended; and
2. Adopts Policy AS-01 as per (**ATTACHMENT 9**).

MOTION**COMMITTEE DECISION****DARC3.11.16***Moved by: Cr Perks**Seconded by: Cr Brennan*

That this item be deferred until the committee reviews the full list of council policies and determines whether the policies listed should be policies of Council or Management policies.

CARRIED 5/0

For: Cr Bertola, Cr Brennan, Cr Jeans, Cr Perks, Ms Stewart

Against: Nil

ATTACHMENT 9

REPORT 8.5

3 PAGES

Shire of Mundaring

POLICY

RECORDS MANAGEMENT ~~POLICY~~

Policy Ref: AS-01

Committee Rec:	SPC 6.02.04	Date:	16/02/2004
Reviewed:	Once per eElectoral cCycle	Date:	24 October August 2016
Adopted by:	RC 12.02.04 RC 12.02.04	Date:	24/02/200424/02/20 04
Amended by:	Anne McDonaldTeam Leader Information ManagementC16.04.07	Date:	17/10/201624/04/20 07
Reviewed:	Once per Electoral Cycle	Date:	24 August 2010
Procedure Ref:	n/aAdmin-09	Delegation Ref:	n/a
Statute Ref:	State Records Act 2000 <u>Local Government (Administration) Regulations 1996</u>		
Local Law Ref:	n/a		

PURPOSE

~~The purpose of the Policy is to~~ To define the principles and accountability that underpin the records management ~~keeping function and the roles and responsibilities of those individuals who manage or perform record keeping processes on behalf of the Shire.~~ This policy establishes the Shire's a framework for effective records management ~~the reliable and systematic management of records in accordance that conforms~~ with legislative requirements and best practice standards.

In this policy:-

"record" means any record of information however recorded and includes:-

- a) any thing on which there is writing or Braille; and
- b) a map, plan, diagram or graph; and
- c) a drawing, pictorial or graphic work, or photograph; and
- d) any thing on which there are figures, marks, perforations, or symbols, having a meaning for persons qualified to interpret them; and
- e) any thing from which images, sounds or writings can be reproduced with or without the aid of anything else; and
- f) any thing on which information has been stored or recorded, either mechanically, magnetically, or electronically;

~~a) 1. Record Keeping Policy~~

~~This policy will be published throughout the organisation and will be available to all employees, contractors, elected members and outsource agencies.~~

1. Scope

This policy applies to all official records created or received by Shire of Mundaring elected members, employees, contractors or an organisation performing outsourced services on behalf of the Shire, regardless of their physical format, storage location or date of creation.

2. Custodianship of Records

The Shire of Mundaring recognises its records are a government-owned asset and will ensure that they are managed as such. Ownership of and proprietary interest in records created or collected during the course of business (including those from outsourced bodies or contractors) is vested in the Shire.

3. Record Keeping Plan

The Shire's record keeping plan is prepared in accordance with the requirements of Part 3 of the *State Records Act 2000*. The plan establishes the matters about which information and records are to be created and the manner by which the ~~s~~Shire will keep these records.

4. Roles & Responsibilities

4.1 Elected ~~m~~Members must create and keep records of communications or transactions, which convey information relating to the Shire's business or functions. These records should be forwarded to the Shire's administration for capture into the official recordkeeping system.

Elected ~~members'~~ Members' personal records are exempt.

4.2 Chief Executive Officer is to ensure that a ~~corporate n-organisational~~ system for the capture and management of records is maintained ~~and that~~ is compliant with legislative requirements and best practice standards.

4.3 Directors and Managers are to ensure the record keeping policy and procedures are known and adhered to in their area of responsibility.

4.4 All Employees and Contractors who create and collect records relating to ~~Shire the~~ business activities ~~they perform~~ are to retain those records. They are to:

- (1) Identify significant and ephemeral records,
- (2) Ensure significant records are captured in the record keeping system (~~Meridio~~), and
- (3) All records are handled in a manner according to legislative requirements, this policy and procedures for record keeping.

5. Creation of Records

To meet all legislative, business, administrative, financial, evidential and historical requirements, elected members, employees and contractors will create full and accurate records, in the appropriate format, of the business decisions and transactions of the ~~Shire~~local government.

6. Capture & Control of Records

All records created and received in the course of business are to be captured at the point of creation, regardless of format, with required metadata, into appropriate record keeping and business systems that are managed in accordance with sound record keeping principles.

7. Security & Protection of Records

All records are to be categorised as to their level of sensitivity and adequately secured and protected from violation, unauthorised access or destruction, and kept in accordance with necessary retrieval, preservation and storage requirements.

8. Access to Records

Access to ~~the~~ Shire of Mundaring records by employees and contractors will be in accordance with designated access and security classifications. Access to ~~the~~ records by the general public will be in accordance with the *Freedom of Information Act 1992* and ~~the~~ *Local Government Act 1995*.

Access to ~~the~~ records by elected members will be via the Chief Executive Officer in accordance with the *Local Government Act 1995*.

9. Appraisal, Retention & Disposal of Records

All records kept by the Shire of Mundaring will (?) may be are retained and disposed of in accordance with the General Disposal Authority for Local Government Records, produced by the State Records Office of WA.

8.6 Repeal of Policy OR-07 - Access by Council and Committee Members to Information

File Code	OR.OPP 1
Author	Danielle Courtin, Governance Coordinator
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil

SUMMARY

Council is requested to consider the proposed repeal of Policy OR-07 (**ATTACHMENT 10**), as it deals with the operation of the administration, which is the responsibility of the Chief Executive Officer (CEO) and is documented in the Shire's Code of Conduct.

BACKGROUND

Policy OR-07 was first adopted in 2009 and deals with the process for providing Elected Members with access to the information they require for the performance of their functions.

STATUTORY / LEGAL IMPLICATIONS

Local Government Act 1995:

Section 2.7 – Role of Council: to govern the local government's affairs and to be responsible for the performance of the local government's functions, including overseeing finances and resources and determining policies.

Section 5.41 – Functions of the CEO: ... to manage the day to day operations of the local government and to ensure that advice and information is available to the council so that informed decisions can be made.

POLICY IMPLICATIONS

Policy OR-07 is proposed to be repealed.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan:
Priority 1 – Governance;
Objective 2 – Transparent, responsive and engaged processes for Shire decision making;

Strategy 2 – Values, policies and procedures deliver ethical, transparent and accountable local governance. Policies and procedures are responsive to community and business priorities where possible and encourage economic development, business growth and local job creation.

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Nil

EXTERNAL CONSULTATION

Nil

COMMENT

In accordance with section 5.41 of the *Local Government Act 1995*, some of the functions of the CEO are to –

...

(b) ensure that advice and information is available to the council so that informed decisions can be made;

...

(d) manage the day to day operations of the local government.

The process through which requests from Elected Members for access to information are dealt with is an administrative matter and is therefore the responsibility of the CEO.

Clause 3.9 of the Shire's Code of Conduct deals with the subject in a satisfactory manner.

VOTING REQUIREMENT

Simple majority

COMMITTEE RECOMMENDATION		ARC4.11.16	
<i>Moved by:</i>	<i>Cr Brennan</i>	<i>Seconded by:</i>	<i>Cr Jeans</i>

That Council repeals Policy OR-07 – Access by Council and Committee Members to Information.

CARRIED 5/0

For: *Cr Bertola, Cr Brennan, Cr Jeans, Cr Perks, Ms Stewart*

Against: *Nil*

ATTACHMENT 10

REPORT 8.6

8 PAGES

Shire of Mundaring

POLICY

ACCESS BY COUNCIL AND COMMITTEE MEMBERS TO INFORMATION

Policy Ref: OR-07

Committee Rec:

Adopted by: C10.05.09

Amended:

Reviewed: Once per Electoral Cycle

Procedure Ref:

Statute Ref: *Local Government Act 1995 s. 5.92*

Freedom of Information Act 1992

Local Law Ref: N/A

Date:

Date: 26 May 2009

Date:

Date: 22 June 2010

Delegation Ref:

PURPOSE

To provide guidance relating to the right of access to Council and Committee members to any information held by the Shire of Mundaring that is relevant to the performance of their functions: and

To affirm the Shire of Mundaring's position concerning the use and distribution of confidential information.

Definitions

"Act" means – *Local Government Act 1995*

"CEO" means – Chief Executive Officer

"Confidential Information" means – Information as detailed in Attachment 1

Background

Section 5.92 of the Act gives a right of access to elected and committee members to any information held by the local government that is relevant to the performance of their functions (refer to Attachment 2).

The policy does not affect any right of access to information under the *Freedom of Information Act 1992*.

General Principles

In addressing the provisions of s. 5.92 of the Act, this policy reflects the following broad principles which may be applied in interpreting the policy:

- a) Requests for information by elected or committee members should be made directly to the CEO in the case of current matters and through the Shire President to the CEO in other cases.

- b) There should be ready access to information relevant to current matters and information covered by s. 5.94 of the Act (refer to Attachment 2).
- c) A request for information relevant to non-current matters should be complied with if it is reasonable and the CEO has no good reason for refusal.
- d) The CEO may impose conditions as to the use of information supplied or as to access to or custody of documents provided in response to a request.
- e) A member denied access to information that is not considered “confidential information” by a decision of the CEO or the Shire President, or who is dissatisfied with a condition imposed by the CEO as to use of any information or access to or custody of any document, may seek a Council determination on the issue.
- f) In ordinary circumstances, access to information should not be given to an elected or committee member who appears to have a financial interest in that matter or an impartiality interest, beyond the information that would ordinarily be made available to a person under s. 5.94 of the Act.

Policy

1. Request for Current Information

1.1 A request by any elected or committee member for access to information that is relevant to a matter currently before the Council or a committee or likely to come before the Council or a committee in the future (“current information”) should be directed in the first instance to the CEO.

2. Access to Current Information not classified as “Confidential”.

Elected Members

2.1 The CEO should provide to any elected member access to all current information.

2.2 Without limiting the generality of the foregoing, the access referred to in the preceding paragraph includes access by elected members to all written contracts entered into by the Shire and all documents relating to written contracts proposed to be entered into by the Shire.

Committee Members

2.3 The CEO should provide to any committee member access to all information that is relevant to a matter currently before that committee, but not including information referred to in 2.2 above unless:

- a) the member requesting is an elected member; or
- b) the CEO considers access to the information is appropriate.

2.4 As a general principle, the CEO should not refuse access under this policy to any information to which the public may have access under s5.94 of the Act.

2.5 Where access to information should be given under the preceding paragraphs, the CEO should provide a copy of any requested information or documentation if practicable to do so.

3. Access to Confidential Information

3.1 The CEO has full discretion whether or not to provide an elected or

committee member with a written copy of confidential information, notwithstanding an elected member's or committee member's right of access to inspect confidential information.

3.2 Where the CEO considers in certain circumstances that the distribution of particular written confidential information would be inappropriate then the CEO shall ensure that such confidential information shall be available for viewing by each member of the Council and at a place nominated by the CEO during office hours in the two days immediately prior to the commencement of the meeting at which the confidential information will be considered at the meeting itself.

3.3 The CEO may also make alternative arrangements with a particular member or members concerning the time and place at which confidential information may be viewed. In particular, written copies of legal advice obtained for and on behalf of the Shire shall not be provided to elected members or committee members as a matter of course. However, the CEO will ensure that all legal advice concerning a matter or matters to be considered at a meeting of the Council or committee shall be available for viewing by each elected member in the manner prescribed in the preceding paragraph.

4. Referral of Requests to Shire President and Council

4.1 a) Any elected or committee member whose request for current information is refused by the CEO may refer the request to the Shire President who should receive it as a request under this clause.

b) Any elected or committee member who seeks access to any information that is in the possession of the Shire but that is not current information, should refer the request to the Shire President in the first instance, together with a brief written explanation of the reasons for seeking the information.

c) The Shire President has responsibility for any necessary liaison with the CEO in regard to a request under (a) or (b) above.

4.2 If the Shire President considers that a request by an elected or committee member for access to information referred to the Shire President under the preceding clause is reasonable, the Shire President should pass on that request to the CEO together with the member's written reason in the case of a request for non-current information.

4.3 The CEO should comply with a request received pursuant to clause of this policy unless:

a) in the opinion of the CEO, compliance with the request would divert a substantial and unreasonable portion of the Shire's resources away from its other functions;

b) in the opinion of the CEO there is any other reason for refusing compliance; or

c) the information is deemed as "classified" or "personal" information.

4.4 Where there is refusal by the CEO under clause 4.3, the CEO is to give that response to the Shire President with a written explanation of the reasons for refusal.

4.5 Where any request for information referred by the Shire President to the CEO under the preceding clauses of this Part 4 of this policy is refused by the CEO, and if the elected or committee member requesting the information (including the Shire President) is not satisfied with the CEO's reasons for refusal, and if the Shire President considers it appropriate to do so, the Shire President should cause the issue to be brought before the Council at the next ordinary meeting for the Council or at a Special Meeting of the Council called for the purpose in accordance with the Act and the Standing Orders Local Law.

To enable the Council to review the decision made by the CEO, the Shire President should provide to the Council the member's written reasons for requesting the information (in the case of no current information) and the CEO's written reasons for refusal.

4.6 If an elected member who has sought access to information through the Shire President is not satisfied either:

- a) with a refusal by the Shire President to refer the matter to the CEO; or
- b) with reasons for refusal given by the CEO to the Shire President and a refusal by the Shire President to refer the matter to the Council,

the elected member may give notice of the matter to be brought forward as an item of business at the next ordinary meeting of the Council, or by bringing the matter forward in accordance with the provisions of the Act and the Standing Orders Local Law at a Special Meeting of the Council. In that case, the elected member's written reasons for seeking the information, the CEO's written reasons for refusal (if applicable), and any written explanation given by the Shire President for any decision made by the Shire President, should be provided to the Council.

The provisions in this clause do not apply to a committee member who is not an elected member.

4.7 In forming an opinion upon or determining any question relating to access to information under this Part 4, the Shire President, the CEO and the Council respectively are to apply the principle that an elected or committee member should not be denied access to any information held by the Shire if it is clear that the information is relevant to the performance by the Member of any of the member's functions under the Act or under any other written law.

5. Copies to Other Members

5.1 Where a copy of information is given to an elected member who requires it under this Part 2 of this policy, all other elected members are to be advised and offered to be provided with a copy of the same information.

5.2 Where a copy of information is otherwise given to an elected member under this policy, all other elected members are to be advised and offered to be provided with a copy of the same information.

6. Conditions Imposed on Access to Information

Where it appears to the CEO, in dealing with a request by an elected or committee member for access to any information held by the Shire, that:

- a) there is doubt as to whether access to the information is relevant to the performance by the member of any of the member's functions under the Act or under any other written law; or
- b) the information is of a confidential nature; or
- c) the information for some other reason (e.g. possibility of defamation) should be subjected to special custodial arrangements,

BUT the CEO nevertheless considers that access to the information should be given, the CEO in those circumstances may impose conditions on the access including (but without limiting the generality of the foregoing):

- Conditions in relation to the use of the information;
- Conditions in relation to custody of any document; and
- Conditions in relation to the time during which the member may retain any document in the member's possession or otherwise stipulating when the document must be returned.

AND THE CEO MAY in any of the circumstances referred to above refuse to allow any document to be copied, or to be removed from the place where access is given.

7. Decision by Council

7.1 If an elected or committee member is dissatisfied with a condition imposed by the CEO on access to any information, or as to the custody of any document pursuant to the preceding provisions of this policy, the member may request the CEO to refer the matter to the Council for determination, and in that case the CEO shall ensure that the matter is brought forward as an item of business behind closed doors at the next ordinary meeting of Council.

7.2 If an issue is referred to the Council under the preceding provision of this policy, the Council should determine the issue by Simple Majority resolution and may apply conditions to any decision giving access to information. The member making the request for information and the CEO, as appropriate, shall act without delay upon any decision made by the Council.

ATTACHMENT 1

Statement

1. The Shire of Mundaring supports and endorses the principle enshrined in the Act that a person who is an elected member can and shall be entitled to have access to inspect any information held by the Shire, confidential or otherwise, that is relevant to the performance by the elected or committee member of his or her functions under the Act or under any other written law.
2. Documents issued under confidential cover to members of the Council or committee, remain confidential until such time as the CEO determines, or the Council resolves, to release the documents for public information.
3. The CEO, in assigning a "confidential" status designation to a document, shall do so judiciously in circumstances deemed to be in the public interest and/or the best

interests of the Shire of Mundaring.

4. The designation of "confidential" information may be assigned to documents concerning matters such as:

- (a) Industrial/personnel matters
- (b) Legal matters
- (c) Internal working documents/discussion papers
- (d) Matters particularly referred to in the Act including:
 - (i) Matters affecting an employee or employees;
 - (ii) The personal affairs of any person;
 - (iii) Contracts which relate to matters to be discussed at a Council or committee meeting;
 - (iv) Legal advice obtained concerning a matter to be discussed at a Council or committee meeting;
 - (v) A matter that if disclosed would reveal a trade secret; information that has a commercial value to a person, or information about the business, professional, commercial or financial affairs of a person;
 - (vi) A matter that if disclosed could be reasonably expected to impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; endanger the security of Shire property; or prejudice the maintenance or enforcement of a lawful measure for protecting public safety;
 - (vii) Information which is the subject of a direction given under s. 23 (1)(a) of the *Parliamentary Commissioner Act 1971*; and
 - (viii) Other matters which may be prescribed.

ATTACHMENT 2

Local Government Act 1995

Section 5.92 provides as follows:

- 1) A person who is a council member or a committee member can have access to any information held by the local government that is relevant to the performance by the person of any of his or her functions under this Act or under any other written law.
- 2) Without limiting sub-section (1), a council member can have access to:-
 - a) all written contracts entered into by the local government; and
 - b) all documents relating to written contracts proposed to be entered into by the local government.

Section 5.94 provides as follows:

A person can attend the office of a local government during office hours and, unless it would be contrary to section 5.95, inspect, free of charge, in the form or medium in

which it is held by the local government and whether or not it is current at the time of inspection —

- (a) any code of conduct;
 - (aa) any regulations prescribing rules of conduct of council members referred to in section 5.104;
 - (ab) any register of complaints referred to in section 5.121;
- (b) any register of financial interests;
- (c) any annual report;
- (d) any annual budget;
- (e) any schedule of fees and charges;
- (f) any plan for the future of the district made in accordance with section 5.56;
- (g) any proposed local law of which the local government has given Statewide public notice under section 3.12(3);
- (h) any local law made by the local government in accordance with section 3.12;
- (i) any regulations made by the Governor under section 9.60 that operate as if they were local laws of the local government;
- (j) any text that —
 - (i) is adopted (whether directly or indirectly) by a local law of the local government or by a regulation that is to operate as if it were a local law of the local government; or
 - (ii) would be adopted by a proposed local law of which the local government has given Statewide public notice under section 3.12(3);
- (k) any subsidiary legislation made or adopted by the local government under any written law other than under this Act;
- (l) any written law having a provision in respect of which the local government has a power or duty to enforce;
- (m) any rates record;
- (n) any confirmed minutes of council or committee meetings;
- (o) any minutes of electors' meetings;
- (p) any notice papers and agenda relating to any council or committee meeting and reports and other documents that have been —
 - (i) tabled at a council or committee meeting; or
 - (ii) produced by the local government or a committee for presentation at a council or committee meeting and which have been presented at the meeting;
- (q) any report of a review of a local law prepared under section 3.16(3);
- (r) any business plan prepared under section 3.59;
- (s) any register of owners and occupiers under section 4.32(6) and electoral rolls;
- (t) any contract under section 5.39 and variation of such contract;

- (u) such other information relating to the local government —
 - (i) required by a provision of this Act to be available for public inspection; or
 - (ii) as may be prescribed.

9.0 ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

10.0 URGENT BUSINESS (LATE REPORTS)

Nil

11.0 CONFIDENTIAL REPORTS

Nil

12.0 CLOSING PROCEDURES

12.1 Date, Time and Place of the Next Meeting

The next meeting will be held on Tuesday, 21 February 2017 at 5.30pm in the Committee Room.

12.2 Closure of the Meeting

The Presiding Person declared the meeting closed at 6.59pm.