



CONFIRMED MINUTES

AUDIT AND RISK COMMITTEE MEETING

20 NOVEMBER 2018

I certify that the minutes of the meeting of the Audit and Risk Committee held on Tuesday, 20 November 2018 were confirmed on Tuesday, 19 February 2019.



Presiding Person



**CONFIRMED MINUTES
AUDIT AND RISK COMMITTEE MEETING
20 NOVEMBER 2018**

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.

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AUDIT AND RISK COMMITTEE
COMMITTEE ROOM, 7000 GREAT EASTERN HIGHWAY, MUNDARING – 6.30 PM

1.0 OPENING PROCEDURES

The Presiding Person declared the meeting open at 6.30pm.

Acknowledgement of Country

Shire of Mundaring respectfully acknowledges Noongar elders past and present and their people (specifically the Whadjuk people who are from this area) who are the traditional custodians of this land.

1.1 Announcement of Visitors

Nil

1.2 Attendance/Apologies

Members	Cr Tony Brennan (Presiding Person)	West Ward
	Cr Darrell Jones (Deputy Presiding Person)	South Ward
	Cr John Daw	East Ward
	Cr Lynn Fisher	Central Ward
	Cr Stephen Fox	East Ward
	Mr Craig Wilkinson	
	Cr Doug Jeans	Central Ward
Staff	Jonathan Throssell	Chief Executive Officer
	Paul O'Connor	Director Corporate Services
	Stan Kocian	Manager Finance & Governance
	Mark Luzi	Director Statutory Services
	Andrea Douglas	Minute Secretary
Apologies	Danielle Courtin	Governance Co-ordinator
Absent	Nil	
Guests	Greg Godwin (Auditor) (arrived 7.15pm)	Moore Stephens (Item 8.4)
Members of the Public	Nil	
Members of the Press	Nil	

2.0 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

Nil

3.0 DECLARATION OF INTEREST

3.1 Declaration of Financial Interest and Proximity Interests

Elected Members must disclose the nature of their interest in matters to be discussed at the meeting (*Part 5 Division 6 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 Declaration of Interest Affecting Impartiality

An Elected Member or an employee who has an interest in a matter to be discussed at the meeting must disclose that interest (*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 Presiding Person and in accordance with the Shire's Meeting Procedures Local Law 2015. Questions must relate to a function of the Committee.

Nil

6.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

COMMITTEE DECISION RECOMMENDATION	ARC1.11.18		
Moved by	Cr Jones	Seconded by	Cr Daw

That the Minutes of the Audit and Risk Committee Meeting held 21 August 2018 be confirmed.

CARRIED 7/0

For: Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans

Against: Nil

7.0 PRESENTATIONS

7.1 Deputations

Nil

7.2 Petitions

Nil

7.3 Presentations

Nil

8.0 REPORTS OF EMPLOYEES

8.1 Compliance Policy

File Code	GV.OPP 1
Author	Angus Money, Manager Planning and Environment Services
Senior Employee	Mark Luzi, Director Statutory Services
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Compliance Policy ↓2. Compliance Information Sheet ↓3. Enforcement and Prosecution - Organisational Practice (confidential) (under separate cover)

SUMMARY

It is recommended Council adopts a Compliance Policy PS-10 that sets out the principles that guide the Shire's approach to compliance and enforcement of legislation.

BACKGROUND

The Shire has undertaken an independent review of its Community Safety Service procedures and practices.

Within that review, it was observed that the Shire had no Council policy to guide the Shire's broader compliance and enforcement activities, including prosecution considerations. The introduction of a policy across all Shire enforcement activities was therefore identified as an area for improvement.

At its August meeting, the Audit and Risk Committee considered a draft policy. The Committee resolved to defer consideration of the draft policy and request the CEO:

1. *Rework the draft policy to have a higher level strategic focus;*
2. *Develop an information sheet for public use to be prepared for noting by this committee; and*
3. *Present an Enforcement and Prosecution organisational practice for noting by this committee (ARC4.08.18).*

STATUTORY / LEGAL IMPLICATIONS

Importantly, there is no statutory obligation on the Shire to adopt a compliance policy. Further, a policy, if adopted, would not have any legal status. However, the enforcement of various laws is an important function of the Shire and 'good governance' involves putting in place a set of principles and considerations to make decisions.

Enforcement matters are often controversial and people dissatisfied with the process or outcome may look to allocate blame to the Shire. Legal advice confirms that the Shire should seek to avoid a policy which could work against (or be prejudicial to) the Shire's

enforcement role. For example, there could be unintended legal implications in relation to the adoption of a public compliance policy, which is then used by alleged offenders as a means to defend a charge or reduce a penalty. Similarly, unsatisfied complainants may also seek to lodge complaints directed at the Shire regarding the interpretation or application of the Shire's Compliance Policy.

It is therefore appropriate that the compliance policy be broad in nature but also inform the public in relation to the general approach to compliance taken by the Shire. The very existence of a policy (and associated information) may serve to deter offenders from formal prosecution actions and encourage more voluntary compliance.

POLICY IMPLICATIONS

A new Council policy is proposed in this report.

FINANCIAL IMPLICATIONS

Throughout the proposed policy, reference is made to ensuring the Shire's finite compliance resources are prioritised to best effect and in a manner which is commensurate with the seriousness of an alleged breach or offence.

The policy also makes it clear that in a prosecution situation the Shire will seek to recover fair and reasonable costs. The financial implications and risks can therefore be made very clear to alleged offenders, thereby assisting them in making decisions regarding how to respond to the allegation.

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately

Strategy 1.1.4 – Practice effective governance and financial risk management

SUSTAINABILITY IMPLICATIONS

The policy is intended to guide decisions regarding enforcement and prosecution of the Shire's various legislative instruments; many of which contribute to upholding various social, environmental and economic objectives.

RISK IMPLICATIONS

Risk: Reputation. An internal review highlighted the need for a compliance policy. Should Council not adopt a compliance policy it may have implications on the Shire's reputation regarding its commitment to good governance and transparency.		
Likelihood	Consequence	Rating
Likely	Moderate	High
Action / Strategy		

Adopt a Compliance Policy.		
Risk: Financial. Advice has been received that its important that the policy not be too detailed so as to compromise the Shire's ability to effectively and efficiently fulfil its enforcement and prosecution role.		
Likelihood	Consequence	Rating
Likely	Moderate	High
Action / Strategy		
Adopt a more strategic and 'principles driven' Compliance Policy.		

EXTERNAL CONSULTATION

Nil

COMMENT

In developing a compliance framework, three layers are proposed, including a Policy (with principles only) an Organisational Practice and an Information Sheet.

Attachment 1 contains the revised draft policy which proposes eight overarching principles to guide the Shire's approach to compliance investigations and actions. Adoption of the Policy will demonstrate that the compliance activities being undertaken by Shire employees are supported by the Council.

Attachment 2 (confidential under separate cover) Enforcement and Prosecution Organisational Practice, is intended to be adopted internally and will ensure consistency across service areas. It is not considered in the public interest for this to be publicly available, as it would compromise the Shire in fulfilling its enforcement role.

Attachment 3 contains an Information Sheet specific to residents seeking to resolve compliance issues, but also provides relevant information for those accused of breaching regulations administered by the Shire.

It is recommended Council adopts the Compliance Policy to inform the public in relation to the general approach taken by the Shire to compliance matters.

VOTING REQUIREMENT

Simple Majority

MOTION RECOMMENDATION

Moved by	Cr Fisher	Seconded by	Mr Wilkinson
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That Council:

1. Adopts Compliance Policy **PS-10** in Attachment 1;

That the Audit and Risk Committee notes the accompanying documents;

1. Enforcement and Prosecution-Organisational Practice in Attachment 2 (confidential); and
2. Compliance Information Sheet in Attachment 3.

6.45pm – Meeting Adjourned

COMMITTEE DECISION	ARC2.11.18
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Moved by	Cr Fisher	Seconded by	Cr Jones
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That the meeting be adjourned for five minutes.

CARRIED 7/0

For: Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans

Against: Nil

6.50pm – Meeting Resumed

The meeting resumed with all committee members and officers present.

**COMMITTEE DECISION
RECOMMENDATION**

ARC3.11.18

Moved by Cr Fisher Seconded by Mr Wilkinson

That Council:

1. Adopts Compliance Policy **PS-10** in Attachment 1;

That the Audit and Risk Committee notes the accompanying documents;

1. Enforcement and Prosecution-Organisational Practice in Attachment 2 (confidential); and
2. Compliance Information Sheet in Attachment 3.

CARRIED 7/0

For: Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans

Against: Nil

Shire of Mundaring

POLICY

COMPLIANCE

Policy Ref:	PS-10	File Ref: GV.OPP 1
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Adopted:	Date:
Amended:	Date:
Reviewed:	Date:
Procedure Ref:	Delegation Ref:
Statute Ref:	

Local Law Ref:

PURPOSE

To set out the principles that guide the Shire's approach to compliance and enforcement of legislation.

1. Scope

The Shire's approach to compliance and enforcement reflects its responsibilities under relevant Acts of Parliament, Regulations and local laws. The Shire has a duty to investigate compliance issues and a statutory obligation to enforce the requirements of various legislation.

This policy guides the investigation and resolution of:

- a) Offences for breaches of legislation which the Shire is responsible for administering; and/or
- b) Failure to comply with the terms or conditions of approvals and orders; and/or
- c) any appeals arising out of proceedings brought by the Shire.

This policy does not apply to complaints directed at the Shire or employees. These complaints will be handled in accordance with the Shire's 'Complaints Management' policy.

2. Principles

- a. The Shire will administer its statutory responsibilities under the applicable legislation, in a fair, unbiased and equitable manner in the interest of public health, safety and amenity.
- b. Each compliance investigation undertaken by the Shire will be assessed case by case and on its merits.
- c. The Shire will generally not investigate or respond to anonymous allegations.
- d. The Shire will endeavour to protect the private details of complainants as much as possible within the legislative framework.

- e. Allegations of a breach or offence will be prioritised for investigation based upon the seriousness of the alleged breach or offence and resources available.
- f. Decisions regarding enforcement will be commensurate with the seriousness of the alleged breach or offence and have regard to upholding the Public Interest.
- g. Prosecution will only be commenced where the Chief Executive Officer (or delegate) has considered the prospects of achieving a conviction and is satisfied that prosecution is warranted.
- h. The Shire may discontinue an investigation where it reasonably considers that the allegation is unsubstantiated, mischievous, vexatious, pertains to a civil matter or has previously been investigated and concluded.

3. Definitions

Public Interest means action and/or conduct which is to be for the good of society and for the well-being of its members. In the local government context, it specifically relates to the general function of the Shire to provide for the good governance of persons in its district (see section 3.3(1) of the *Local Government Act 1995*).

4. Relevant Policies/Documents

The following may be relevant in dealing with compliance and enforcement matters and include but are not limited to:

- Shire of Mundaring Customer Service Charter
- Shire of Mundaring Code of Conduct – Elected Members and Employees
- Freedom of Information Statement.

5. Relevant Legislation

The guiding legislation for compliance and enforcement matters includes, but is not limited to:

- *Building Act 2011 and Regulations*
- *Bush Fires Act 1954 and Regulations*
- *Control of Vehicles (Off-road areas) Act 1979 and Regulations*
- *Cat Act 2011 and Regulations*
- *Dog Act 1976 and Regulations*
- *Director of Public Prosecutions Act 1991 - Statement of Prosecution and Policy Guidelines*
- *Environmental Protection (Noise) Regulations 1997*
- *Food Act 2008*
- *Freedom of Information Act 1992*
- *Health (Miscellaneous Provisions) Act 1911 and Regulations*
- *Litter Act 1979 and Regulations*
- *Local Government Act 1995 and Regulations*
- *Planning and Development Act 2005 and Regulations*
- *Public Health Act 2016*
- *Shire of Mundaring Local Laws*



Compliance Information Sheet

Shire of Mundaring has a role in protecting the public health, safety and welfare of residents.

The Shire has a duty to investigate Compliance Requests and a statutory obligation to enforce the requirements of various legislation that covers planning, health, bushfire and animal welfare.

How to make a Compliance Request?

You can lodge a Compliance Request and get in touch with us through a variety of methods as described at the back of this information sheet.

What does the Shire enforce?

There are a range of matters the Shire has a role in regulating. If you are unsure, please contact the Shire and outline your concern so it can be directed to the correct Service area. When submitting a Compliance Request please give as much detail as possible so the issue can be investigated efficiently. It is common that allegations may relate to various breaches of different legislation and therefore require different service areas.

Direct issues to Planning Services if it includes the following:

- unauthorised development;
- vegetation clearing;
- unauthorised use of land;
- non-compliance with planning approvals;
- light overspill; and
- untidy yards

Building Services oversee allegations regarding breaches of the *Building Act 2011* include:

- Fencing, overhanging trees, and signage;
- non-compliance with an approved building permit;
- Stormwater;
- building work affecting neighbouring land;
- unauthorised building;
- unauthorised /dangerous swimming pools (including pool fencing); and,
- dangerous structures.

Environmental Health matters relate to:

- Food safety;
- dust/sand drift;
- Noise;
- Wastewater;

- Public events;
- Housing standards;
- Vermin and Rodents; and,
- Discharge of materials into the environment.

Community Safety matters such as:

- Lost dogs and dog attacks;
- Escaped / stray livestock animals;
- Fire breaks and fuel loads; and,
- Littering and Dumping.

Infrastructure Services

- Roads / footpaths / crossovers;
- Drainage issues;
- Dangerous trees;
- Street trees; and,
- Unauthorised use of public land.

If you are unsure about whether an issue or incident breaches Shire requirements please contact the Administration Building on 9290 6666 to seek clarification. Please refer to the Shire's Compliance Policy (PS-9) for the full list of legislation relating to the Shire's compliance and enforcement role.

Who can make a Compliance Request?

Any member of the public can make a Compliance Request. All requests must be in writing by either completing a Compliance Request form or submitting a letter or via email (containing similar information) to shire@mundaring.wa.gov.au .

The Shire understands that some complaints received in relation to compliance issues are largely a result of neighbourhood disputes. Please note the Shire may discontinue an investigation where it reasonably considers that the allegation is unsubstantiated, mischievous, vexatious, pertains to a civil matter or has previously been investigated and concluded.

Wherever possible, the Shire's interactions with the public will endeavour to create more harmonious neighbour relations and not exacerbate existing disputes.

Note: All Compliance Requests remain highly confidential, however the Shire is subject to the *Freedom of Information Act 1992 (WA)* and evidence may be required to be given in court. For this reason, anonymous requests will only be acted upon if it is an urgent matter of high risk to public health or safety.

How do raise a Compliance Request?

Call	9290 6666
Visit	Administration Building 7000 Great Eastern Highway, Mundaring

Email	shire@mundaring.wa.gov.au
Internet	Visit our website: www.mundaring.wa.gov.au and complete the Compliance Request Form below Write to us: Chief Executive Officer
Mail	Shire of Mundaring 7000 Great Eastern Highway Mundaring WA 6073

When raising a Compliance Request please tell us:

- Your full name, address, phone number and/or email address
- The issue that you would like resolved (as much detail as possible)
- What you would like us to do to put it right.

Complainants may be contacted and asked to provide additional information to support their complaint.

What happens once I have lodged a compliance request?

The issues raised will be forwarded to the relevant Service Area/s and the Shire will provide an initial response that;

- 1) acknowledges the request has been received, and
- 2) includes the name of the officer that will be handling the investigation.

Depending on the complexity and the extent of information provided, a compliance request may take some time to investigate and resolve. Allegations of a breach or offence will be prioritised for investigation based upon the seriousness of the alleged breach or offence and resources available. At the conclusion of an investigation, authorised officers will determine the most appropriate action based on the circumstances.

The Shire endeavours to deal with compliance requests in a timely manner but investigations can be complex and may take a considerable amount of time to resolve. The Shire's standard practice is to notify the person making the request once the matter has been resolved. If you have made a compliance request, you can contact the officer dealing with your request for an update.

What if someone has lodged a compliance request against me or my property?

Depending on the seriousness of the offence and the risk to public health and safety the Shire has a number of options it can take.

The Shire will administer its statutory responsibilities under the applicable legislation, in a fair, unbiased and equitable manner in the interest of public health, safety and amenity. Each compliance investigation undertaken by the Shire will be assessed case by case and on its merits.

For those found guilty of an offence, the Shire will seek to recover its fair and reasonable costs in all matters where costs are recoverable, either by consent or by order of the Court. The Shire is unable to assist third parties in the recovery of legal costs.

What if I'm dissatisfied?

If, after we have fully investigated the matter, you are dissatisfied with the Shire's approach or outcome, you can raise a complaint about the process through the Shire's Complaints process or lodge a complaint with the Ombudsman.

You can contact the Ombudsman by any of these means:

In person	Level 2, Albert Facey House 469 Wellington Street Perth WA 6000
Call	9220 7555 Freecall (outside metropolitan area): 1800 117 000
Email	mail@ombudsman.wa.gov.au
Internet	www.ombudsman.wa.gov.au
Mail	PO Box Z5386 St Georges Terrace Perth WA 6831

Compliance Request



Please attach any documentation that supports your complaint.

YOUR CONTACT DETAILS		
Name:		
Residential address:	Postcode:	
Postal address:	Postcode:	
Telephone:	Mobile:	
Email:		
Preferred contact method: <input type="checkbox"/> Telephone <input type="checkbox"/> Mobile <input type="checkbox"/> Letter <input type="checkbox"/> Email		
COMPLIANCE REQUEST		
Have you raised this issue before?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	If yes, when?	
What happened (details of your compliance request – if insufficient space, attach extra pages):		

--

<p>What would you like to happen to resolve your concerns?</p>
--

ACKNOWLEDGEMENT	
All the information provided above is true and correct to the best of my knowledge.	
Your signature:	Date:

<p>Privacy notice</p> <p>We will only use the information collected on this form to resolve your complaint and access will only be provided to authorised employees of Shire of Mundaring.</p>

8.2 Complaints Management Review

File Code	GV.OPP 1
Author	Danielle Courtin, Governance Coordinator
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Attachment 1 - Old Policy AS-02 ↓2. Attachment 2 - New Policy AS-02 ↓3. Confidential Attachment 3 - Procedure Admin-41 (confidential) (under separate cover)4. Attachment 4 - Customer Service Charter ↓5. Attachment 5 - Customer Guide ↓

SUMMARY

A new Complaint Management Policy (AS-02) has been drafted, as well as a new Customer Service Charter, Complaints Management Procedure (Admin-41) and Customer Guide.

The Committee is requested to recommend that Council adopts the new Policy and notes the other documents which support the Policy.

BACKGROUND

The existing "Complaints Management System incorporating the Customer Service Charter" dates from September 2007 and was last reviewed in June 2013.

An extensive review has now been undertaken, resulting in a new Complaint Management Policy, complemented by a Customer Service Charter, Complaints Management Procedure and Customer Guide.

STATUTORY / LEGAL IMPLICATIONS

Nil

POLICY IMPLICATIONS

The Complaints Management review complements the review of the Shire's Code of Conduct Policy OR-12 and the new Compliance Policy PS-10.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.2 – Transparent, responsive and engaged processes for Shire decision making

Strategy 1.2.1 – Increase transparency and responsiveness of Shire administration processes

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Reputational: no clear guidance for employees on how to handle complaints from the public about the Shire could result in community dissatisfaction with the Shire and potential legal costs for disputes and/or unfounded complaints to be defended or actioned.		
Likelihood	Consequence	Rating
Possible	Moderate	Moderate
Action / Strategy		
Clear guidance through policy and procedure, together with a well publicised Customer Service Charter, will ensure that employees handle complaints fairly, efficiently, effectively and in accordance with the key principles of complaint handling as identified by the Ombudsman Western Australia.		

EXTERNAL CONSULTATION

Nil

COMMENT

The expert body on complaints and how to deal with them is the Ombudsman, as their core role is to deal with complaints from the public about the decision making of government agencies, local governments and universities.

Ombudsmen in WA and in other states, particularly NSW, have a vast amount of guidance and information on their websites, which has been researched extensively to develop the draft documents for Shire of Mundaring.

Following a review of the existing Policy AS-02 “Complaints Management System” staff concluded that the policy was not sufficiently detailed and not aligned with Ombudsman guidelines. The new draft Policy AS-02 “Complaint Management” is based on the Ombudsman WA “Complaint handling systems checklist”.

Council is requested to adopt Policy AS-02 “Complaint Management” and to note the accompanying Procedure Admin-41 “Complaints Management”, the Customer Service Charter and the Customer Guide. Charter and Guide will be available on the Shire website, while the Procedure is for internal use by staff.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION		ARC4.11.18	
Moved by	Cr Jones	Seconded by	Cr Fisher

That Council:

1. Rescinds Policy AS-02 “Complaints Management System” in Attachment 1; and
2. Adopts new Policy AS-02 “Complaint Management” in Attachment 2.

That the Audit and Risk Committee notes the accompanying documents:

- a. Procedure Admin-41 “Complaints Management” (Attachment 3);
- b. Customer Service Charter (Attachment 4); and
- c. Customer Guide (Attachment 5).

CARRIED 7/0

For: Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans

Against: Nil

Shire of Mundaring

POLICY

COMPLAINTS MANAGEMENT SYSTEM

Policy Ref:	AS-02		
Committee Rec:	SLT14.6.07	Date:	14 Jun 2007
Adopted:	C8.09.07	Date:	25 Sept 2007
Amended by:		Date:	
Reviewed:	Once per Electoral Cycle	Date:	24 August 2010
Procedure Ref:	Complaints Management Procedures	Delegation Ref:	CE-123
Statute Ref:			
Other Ref:	Based on the Australian Standard for Customer Satisfaction – Guidelines for complaints handling in organisations (ISO: 10002:2004,MOD)		

PURPOSE

This policy is designed to assist the Shire to record, respond to and manage complaints.

OBJECTIVES

The objectives of this policy are to:

1. Ensure commitment to efficient and reasonable resolution of complaints;
2. Ensure the privacy and fair treatment of all parties;
3. Provide a framework for the recording and analysis of complaints to assist with continuous improvement of policies and work practices; and
4. Develop an organisational culture that accepts complaints as an opportunity to improve service to the community.

POLICY

The Shire of Mundaring is committed to handling complaints in a way that is responsive, efficient, effective and fair.

The Chief Executive Officer is responsible for the operation of the system and the achievement of these objectives.

Shire of Mundaring

POLICY

COMPLAINT MANAGEMENT

Policy Ref:	AS-02		
Adopted:	C8.09.07	Date:	25 Sept 2007
Reviewed:	C3.08.10	Date:	24 August 2010
Reviewed:		Date:	October 2018
OP Ref:			
Procedure Ref:	Admin-41 Complaints Management	Delegation Ref:	n/a
Statute Ref:	n/a		
Other Ref:	AS/NZS 10002:2014 Guidelines for complaint management in organisations		

PURPOSE

To ensure that Shire of Mundaring employees handle complaints fairly, efficiently, effectively and in accordance with the key principles of complaint handling as identified by the Ombudsman Western Australia.

Our complaint management system is intended to :

- Enable us to respond to issues raised by people making complaints in a timely and cost effective way;
- Provide public confidence in our administrative process; and
- Provide information that can be used by us to deliver quality improvements in our services, employees and complaint handling.

SCOPE

This policy applies to all employees receiving or managing complaints from the public made to or about Shire of Mundaring, regarding Shire services, employees, contractors and the complaint handling process.

Employee grievances, code of conduct complaints, public interest disclosures and Freedom of Information requests are dealt with through separate mechanisms.

DEFINITION

For the purpose of this Policy -

A complaint is:

Any expression of dissatisfaction or concern made to the Shire of Mundaring by, or on behalf of, an individual, group or member of the public, that relates to the Shire's

services, or the performance, behaviour and conduct of employees, or the complaints handling process itself.

A complaint is not:

- A request for action, service or information;
- A request for a compliance investigation into another resident;
- A complaint against an elected member alleging misconduct;
- A Freedom of Information application;
- An expression of dissatisfaction with a decision; or
- The lodging of an appeal in accordance with procedures prescribed by legislation.

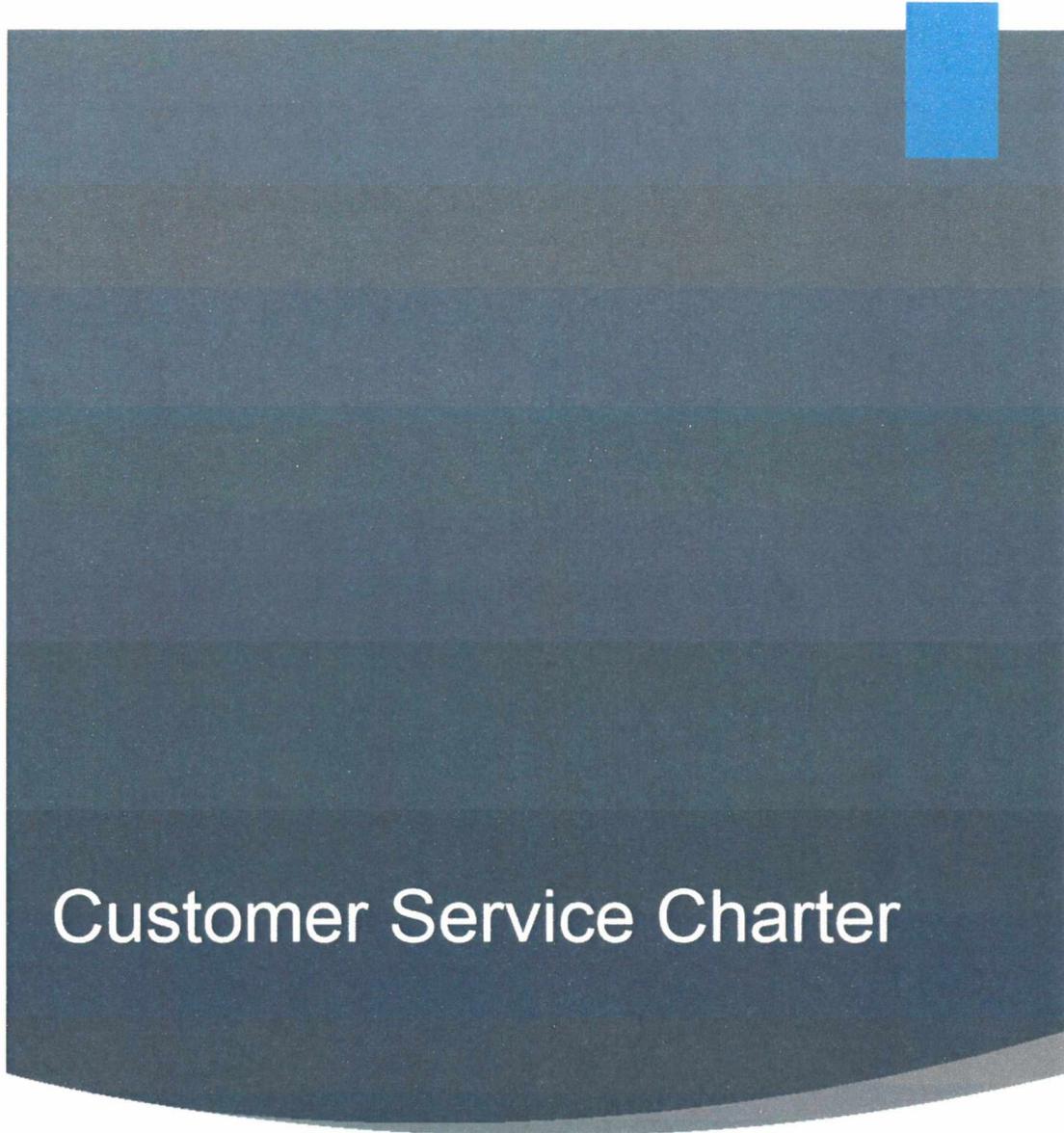
POLICY

Shire of Mundaring is committed to the ten principles of effective complaint handling as supported by the Ombudsman Western Australia:

1. **Customer focus** – the Shire is committed to effective complaint handling and values feedback through complaints.
2. **Visibility** – information about how and where to complain is well publicised to customers, employees and other interested parties.
3. **Accessibility** – the process for making a complaint and investigating it is easy for complainants to access and understand.
4. **Responsiveness** – complaints are acknowledged promptly, addressed according to urgency, and the complainant is kept informed throughout the process.
5. **Objectivity and fairness** – complaints are dealt with in an equitable, objective and unbiased manner. This will help ensure that the complaint handling process is fair and reasonable. Proactive and decisive action will be taken to manage any conduct that negatively and unreasonably affects Shire employees.
6. **Confidentiality** – personal information related to complaints is kept confidential.
7. **Remedy** – if a complaint is upheld, the Shire provides a remedy.
8. **Review** – there are opportunities for internal and external review and/or appeal about the Shire's response to the complaint, and complainants are informed about these avenues.
9. **Accountability** – accountabilities for complaint handling are clearly established, and complaints and responses to them are monitored and reported to management and other stakeholders where appropriate.
10. **Continuous improvement** – complaints are a source of improvement for the Shire.

APPLICATION

This Policy shall be applied in accordance with Shire of Mundaring's *Procedure Admin-41 Complaints Management*.



Customer Service Charter



This Customer Service Charter affirms Shire of Mundaring's commitment to provide you with quality services and identifies standards by which to measure our performance. It also provides our employees with clear standards to strive for in service excellence and to achieve the Shire's Vision and Values identified in the Shire's Strategic Community Plan – Mundaring 2026.

Community vision

A sense of space, a sense of place

What we value

A peaceful lifestyle with amenity

Living in a safe place

Being part of a resilient, supportive and inclusive community

Living sustainably

Respect for the heritage and history of the area

Engaged, responsible leadership

Service standards you can expect of Shire employees

In general

- We will respect our customers.
- We will provide prompt, friendly, courteous and efficient customer service and at all times remain professional.
- We will take ownership of your enquiry, follow up and keep you informed of progress to completion.
- We will be realistic about what we can do and in what timeframes.
- We will provide you with accurate and consistent information.
- We will show respect for your privacy in your dealings with us and the confidentiality of information discussed.
- We will strive to excel in providing excellent customer service through continuous improvement, customer surveys and identification of new technologies to assist in the customer experience.
- We will actively seek your feedback on our services to ensure they meet your needs.

Face to face

- Our frontline customer service employees will wear a name badge or tag for ease of identification and communication.
- We will provide you with information as to what is happening within Shire of Mundaring and provide relevant options and available services to you.
- We will listen to you and discuss your requirements fully.
- We will endeavour to satisfy your request at the time of your visit. When enquiries of a technical or specialised nature are made at any of our customer service centres, the appropriate officer will be called to assist if available, or contact will be made within 24 hours to arrange an appointment or to discuss the matter over the phone.

Over the telephone

- We will endeavour to answer your calls promptly.

- Phones will not go unanswered. If the person you are contacting is unavailable, the call will be forwarded to someone who can assist or we will pass on a message.
- Where messages are left on voicemail, they will be returned within one business day.
- We will advise you of any delays and offer suitable options or offer to return your call.
- We will provide an after-hours telephone service for urgent matters.
- We will introduce ourselves using first names and provide a direct contact number for further communications where necessary.
- We will take personal responsibility for, and ownership of, your enquiry to reduce transferred calls.
- Where possible, when customer calls are transferred internally, we will introduce your call to the recipient so as to reduce the need for you to explain the purpose of your call multiple times.
- We will return your telephone enquiry by the next business day.

In writing or by email

- We will write to you in clear, concise language that is easily understood.
- We will send out standard information to you within three working days of receiving the request via the Shire's record management system.
- We will respond to your letter or email of general correspondence relating to Shire business within three working days of receipt via the Shire's electronic information management system.
- If your enquiry requires in-depth research or follow-up that will take longer than three working days, we will acknowledge your correspondence, and where possible, provide an expected completion date and details of the employee responsible for the response.

Via the internet or social media

- We will maintain our website with relevant and up-to-date information that is easily understood and accessible.
- We will post interesting, engaging, relevant and up-to-date information on our social media platforms, encouraging interaction and feedback.
- We will respond to enquiries on our social media platforms in a professional manner and within three days.

- We will keep up to date with online services and community engagement tools and trends.
- We will continue to review our web-based and social media platforms to further engage and connect with our community and provide additional online self service facilities and tools.

Measuring and improving the quality of our service

We will measure and improve the quality of our service by:

- Conducting a biennial "Customer satisfaction monitor" survey.
- Obtaining feedback from the community using feedback forms and customer service surveys.
- Implementing quality training for our employees.
- Using key performance indicators in corporate and business planning.
- Using effective internal systems and corporate reporting to measure our performance.
- Recognising our employees for customer service delivery excellence.

Helping us to help you

You can help us to meet our commitments to you by:

- Being courteous, polite and respectful of our employees.
- Respecting the rights of, and providing courtesy towards, other customers.
- Being open and honest with us by providing accurate and complete details when contacting us.
- Letting us know when your situation changes; for example when your address or personal details change or when your cat or dog registration details change.
- Contacting us to make an appointment if you have a complex or technical enquiry or need to meet with a specific employee.
- Contacting the employee referred on any correspondence sent to you and quoting the reference number if applicable.
- Using appropriate channels for customer requests, complaints or compliments while using online social media channels for general dialogue.
- Working with us to help solve problems.
- Telling us where we fall short on our service in any aspect so that we may improve our services to you.

- Helping us recognise our employees by telling us when you have received excellent customer service.

Freedom of Information (FOI)

The Western Australian *Freedom of Information Act 1992* provides you the right to apply for access to documents held by state public sector agencies, including government departments, local government, statutory authorities and ministers.

We will assist you –

- To gain access to documents held by the Shire; and
- To ensure information is accurate, complete and not misleading.

If you are unsure whether you need to lodge an application, or for further information, please contact the FOI Coordinator by phone on 9290 6714 or email shire@mundaring.wa.gov.au.

Access and inclusion

We are committed to creating an accessible and inclusive community for people with disabilities and people from culturally and linguistically diverse backgrounds by providing facilities and services that enable inclusiveness.

If you require any document produced by the Shire, including this Customer Service Charter, in another format, such as larger print or braille, simply contact our Access Advisor on 9290 6718 or email shire@mundaring.wa.gov.au.

We can provide the services of an AUSLAN or language interpreter free of charge.

If you have trouble speaking or hearing, you can receive assistance to contact the Shire via the National Relay Service as follows:

- TTY/voice calls: 13 36 77
- Speak and Listen: 1300 555 727

Ombudsman Western Australia

We will make every effort to provide a satisfactory outcome to matters raised. However, if you are not satisfied with our customer service, you may wish to contact the Ombudsman Western Australia to request a review.

You can contact the Ombudsman by any of these means:

In person	Level 2, Albert Facey House 469 Wellington Street Perth WA 6000
Call	9220 7555 Freecall (outside metropolitan area): 1800 117 000
Email	mail@ombudsman.wa.gov.au
Internet	www.ombudsman.wa.gov.au
Mail	PO Box Z5386 St Georges Terrace Perth WA 6831

Contact us

If you would like to suggest ways in which we can improve our service, you can –

Call	9290 6666
Visit	Any of our customer service centres, libraries, leisure centres, visitors centre and complete a Customer Feedback Form
Email	shire@mundaring.wa.gov.au
Internet	Visit our website: www.mundaring.wa.gov.au and complete the online Customer Feedback Form
Mail	Write to us: Chief Executive Officer Shire of Mundaring 7000 Great Eastern Highway Mundaring WA 6073

Complaints Procedure

Customer Guide



Shire of Mundaring is committed to providing quality services that reflect the needs of our customers.

We value complaints and use information from them to help us improve our services.

If something goes wrong or you are dissatisfied with our services, please tell us. This document describes our complaints procedure and how to make a complaint. It also tells you about our service standards and what you can expect from us.

You can get in touch with us through a variety of methods as described in this document.

What is a complaint?

We regard a complaint as any expression of dissatisfaction or concern about our action, our lack of action, the standard of service provided by us or on our behalf, the performance, behaviour and conduct of our employees or about our complaints handling process itself.

What can I complain about?

You can complain about things such as:

- Delays in responding to your enquiries or requests
- Our failure to provide a service or information
- Our standard of service
- Competence or conduct of our employees
- Errors of judgement or misinterpretation of information
- Decisions considered as unfair, unreasonable or lacking in merit
- Our failure to follow proper procedure
- Poor administrative processes etc.

Your complaint may involve more than one Shire service or be about someone working on our behalf.

Who can complain?

Any member of the public can make a complaint to us, including the representative of someone who is dissatisfied with our service. Please also read the section on "Getting help to make your complaint".

How do I complain?

You can complain in any of the following ways:

Call	9290 6666
Visit	Any of our customer service centres, libraries, leisure centres, visitors centre and complete a Customer Feedback Form
Email	shire@mundaring.wa.gov.au
Internet	Visit our website: www.mundaring.wa.gov.au and complete the online Customer Feedback Form
Mail	Write to us: Chief Executive Officer Shire of Mundaring 7000 Great Eastern Highway Mundaring WA 6073

When making a complaint, please tell us:

- Your full name, address, phone number and/or email address
- What has gone wrong, in as much detail as possible
- What you would like us to do about the matter.

To assist you, an optional Complaint Form is included with this Guide.

What happens once I have lodged a complaint?

If the complaint can be resolved immediately and we receive a clear indication that you are satisfied and do not wish to take the matter any further, the complaint will be closed.

If we can't resolve your complaint immediately, we will:

- acknowledge receipt of your complaint within three working days;
- where appropriate, discuss your complaint with you and keep you informed of progress along the way;
- aim to give a full response to your complaint in 20 working days or less.

If our investigation of your complaint takes longer than 20 working days, we will tell you. We will agree a revised timeline with you and keep you updated on progress.

What if I'm still dissatisfied?

If, after we have fully investigated your complaint, you are dissatisfied with our decision or the way we dealt with your complaint, you can ask the Ombudsman Western Australia to further investigate.

You can contact the Ombudsman by any of these means:

In person	Level 2, Albert Facey House 469 Wellington Street Perth WA 6000
Call	9220 7555 Freecall (outside metropolitan area): 1800 117 000
Email	mail@ombudsman.wa.gov.au
Internet	www.ombudsman.wa.gov.au
Mail	PO Box Z5386 St Georges Terrace Perth WA 6831

Getting help to make your complaint

We understand that you may be unable or reluctant to make a complaint yourself. We accept complaints from the representative of a person who is dissatisfied with our service. We can take complaints from a friend, a relative or an advocate, as long as you have given them your written consent to complain on your behalf.

Equal opportunity

Shire of Mundaring is committed to ensuring that no one is discriminated against on grounds of age, disability, gender, pregnancy and maternity, race, religion or belief,

sexual orientation or for any other reason. If you think you have been treated less favourably, please make this clear in your complaint.

We are committed to making our service easy to use for all members of the community. In line with our statutory duties, we will always ensure that reasonable adjustments are made to help customers access and use our services.

If you have trouble putting your complaint in writing or want this information in another language or format, such as large font or braille, contact our Access Advisor on 9290 6718.

COMPLAINT FORM



A complaint should only be lodged if you have been unable to resolve your issue or concern informally. Complainants may be contacted and asked to provide additional information to support their complaint.

Please attach any documentation that supports your complaint.

YOUR CONTACT DETAILS	
Name:	
Residential address:	Postcode:
Postal address:	Postcode:
Telephone:	Mobile:
Email:	
Preferred contact method: <input type="checkbox"/> Telephone <input type="checkbox"/> Mobile <input type="checkbox"/> Letter <input type="checkbox"/> Email	
COMPLAINT DETAILS	
Have you lodged a complaint about this issue before?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If yes, when?
Have you lodged your complaint with another agency?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If yes, to whom?
When did it happen?	
Where did it happen?	
Who was involved?	
What happened (details of your complaint – if insufficient space, attach extra pages):	

What would you like to happen to resolve your complaint?

ACKNOWLEDGEMENT

All the information provided above is true and correct to the best of my knowledge.

Your signature:

Date:

Privacy notice

We will only use the information collected on this form to resolve your complaint and access will only be provided to authorised employees of Shire of Mundaring.

8.3 Review - Code of Conduct – Elected Members, External Committee Members and Employees OR-12

File Code	GV.MTG 6/1
Author	Paul O'Connor, Director Corporate Services
Senior Employee	Jonathan Throssell, Chief Executive Officer
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. AMENDED Draft OR-12 Code of Conduct - Elected Member, External Committee Members and Employees ↓2. Code of Conduct - Table of Changes ↓3. OR-12 Code of Conduct - Elected Members and Employees ↓

SUMMARY

The reviewed policy OR-12 - Code of Conduct – Elected Members, External Committee Members and Employees is presented to the Committee for consideration and recommendation to Council to adopt the revised Code of Conduct (Attachment 1).

BACKGROUND

Section 5.103 of the *Local Government Act 1995* requires every local government to prepare or adopt a code of conduct to be observed by elected members, committee members and employees.

The *Local Government (Rules of Conduct) Regulations 2007* also sets out the conduct rules that apply to elected members while performing their statutory role. The Act provides a disciplinary framework for breach of the *Local Government (Rules of Conduct) Regulations 2007* by elected members, which can range from training to suspension, whereas internal processes are established for breaches of the code of conduct by employees.

Council last reviewed the Shire's Code of Conduct in May 2013 (C28.05.13).

On 1 July 2015 changes were made to then *Corruption and Crime Commission Act 2003* (now titled *Corruption, Crime and Misconduct Act 2003*) which implemented a revised investigatory framework for minor and serious misconduct breaches by public officers (including local government employees and elected members).

More substantially, in March 2016 the *City of Perth Act 2016* received Royal Assent which amended the gift and contributions to travel provisions within the *Local Government Act 1995*. A range of other associated amendments were also made to the *Local Government (Administration) Regulations 1996* and the *Local Government (Rules of Conduct) Regulations 2007* around the transitional arrangements for the acceptance of gifts and contributions to travel from 1 July 2015.

In view of these changes, certain aspects of the Shire's Code of Conduct require amendment as well as some other improvements identified since the Code's adoption in 2013.

Changes that are required to be implemented to reflect the above legislative changes since 2013 include:

- a) reflecting the separation of the Public Sector Commission and the Corruption and Crime Commission as a result of changes to the *Corruption, Crime and Misconduct Act 2003*; and
- b) changes to gift disclosure provisions under the *Local Government Act 1995* and its subsidiary legislation.

A Code of Conduct has a variety of functions in addition to guiding and promoting legislative compliance. It can promote good governance, guide behaviour to avoid reputational damage to the Shire, and assist in promoting a safe work place.

Proceeding with an updated Code of Conduct will reduce the risk of individuals being non-compliant with legislation due to inconsistencies between the Code and legislation.

STATUTORY / LEGAL IMPLICATIONS

Local Government Act 1995 s. 5.103
Local Government (Administration) Regulations 1996 Part 9
Local Government (Rules of Conduct) Regulations 2007
Local Governments (Elections) Regulations 1997
Corruption, Crime and Misconduct Act 2003
Public Interest Disclosure Act 2003
Occupational Safety and Health Act 1984

POLICY IMPLICATIONS

The Code needs to be read in conjunction with the Shire's Governance Framework, which sets out how good governance is practised in the Shire.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately

Strategy 1.1.4 – Practice effective governance and financial risk management

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Compliance		
All local governments are required to adopt a code of conduct to be observed by elected members, external committee members and employees, and failure to do so would put the shire in breach of its legislative obligations.		
Likelihood	Consequence	Rating
Possible	Minor	Moderate
Action / Strategy		
Establishing a conduct framework that guides behaviours and ethical and accountable decision making lessens the likelihood of misconduct, fraudulent and corrupt behaviour, as conduct expectations are clearly articulated and documented.		

EXTERNAL CONSULTATION

Nil

COMMENT

An internal review has been undertaken of Council Policy OR-12 – Code of Conduct – Elected Members and Employees. The review considered information and advice from a variety of sources and is based on the City of Perth’s full review of its Code of Conduct in June 2017 which included:

- a) advice from the City’s external solicitors (McLeods);
- b) the Public Sector Commission’s report ‘Developing a code of conduct: Guide for local government’;
- c) other reports and information from the Public Sector Commission;
- d) The New South Wales Model Code; and
- e) Codes of Conduct from other leading WA local governments.

New Legislative Requirements:

1. Corruption, Crime and Misconduct Act 2003

On 1 July 2015, changes were made to the then *Corruption and Crime Commission Act 2003* (now titled the *Corruption, Crime and Misconduct Act 2003*), which implemented a revised investigatory framework for minor and serious misconduct breaches by Public Officers (including Local Government Employees and Elected Members). Minor misconduct is now investigated by the Public Sector Commission, with the Corruption and Crime Commission maintaining the investigatory process for serious misconduct by Public Officers. Both minor misconduct and serious misconduct are defined in the *Corruption, Crime and Misconduct Act 2003*.

2. City of Perth Act 2016

In October 2015, the Corruption and Crime Commission submitted a report to Parliament on an investigation into the acceptance and disclosure of gifts and travel contributions by the Lord Mayor of the City of Perth, and subsequent investigations were conducted by the then Department of Local Government and Communities. This resulted in the *City of Perth Act 2016*, which contains a range of amendments to the gift and contributions to travel provisions within the *Local Government Act 1995*.

3. Local Government Act 1995

As of 4 March 2016, the *Local Government Act 1995* now requires relevant persons (ie Elected Members and Designated Employees) who accept a gift worth more than \$200 to disclose the gift, in writing, to the Chief Executive Officer within ten (10) days of receipt. This replaces the disclosure requirements contained in an Elected Member or Designated Employee's Annual Return. All contributions to travel over \$200 must also be disclosed, as do multiple gifts or contributions from the same donor where the total aggregate value is over \$200 within a year (12 month period).

A new section within the Act requires the Chief Executive Officer to keep a register of gifts and contributions to travel over \$200, and the register is to be made available for public inspection and published on the Shire's website (Section 5.89A of the Act).

The changes proposed reflect legislative changes and other minor operational improvements. A summary of the main changes to the Code of Conduct is shown in Attachment 2.

Following the careful consideration of the advice and information received and consultation within the organisation, a proposed Code of Conduct has been developed for adoption by Council.

Attachment 1 is the proposed final version, Attachment 2 is the summary of changes and Attachment 3 is the current policy. As the policy is a complete rewrite, a tracked changes version is not provided.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION	ARC5.11.18
Moved by Mr Wilkinson	Seconded by Cr Fox

That Council adopts the revised policy OR-12 Code of Conduct – Elected Members, External Committee Members and Employees as reviewed in November 2018 (Attachment 1)

CARRIED 7/0

For: Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans

Against: Nil

Shire of Mundaring

POLICY

CODE OF CONDUCT ELECTED MEMBERS, EXTERNAL COMMITTEE MEMBERS AND EMPLOYEES
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Policy Ref:	OR-12
Adopted:	C13.11.12 Date: November 2012
Amended:	C28.05.13 Date: May 2013
Reviewed:	Date: November 2018
Policy Ref:	AS-02 Complaints Management System
OP Ref:	OP-03 Complaints Management System – Elected Members OP-05 Complaints Management System OP-24 Grievance Management OP-40 Use of Social Media OP-55 Gifts
Procedure Ref:	Admin-01 Communications between Elected Members and Employees Admin-02 Complaints Handling – Elected Members Admin-05 Guidelines for Mediation and Conciliation Admin-20 Gifts HR-09 Grievance Management
Statute Ref:	<i>Local Government Act 1995 s. 5.103 Local Government (Administration) Regulations 1996 Part 9 Local Government (Rules of Conduct) Regulations 2007 Local Governments (Elections) Regulations 1997 Corruption, Crime and Misconduct Act 2003 Public Interest Disclosure Act 2003 Occupational Safety and Health Act 1984</i>
Delegation Ref:	n/a
Local Law Ref:	<i>Shire of Mundaring Meeting Procedures Local Law 2015</i>

PURPOSE

To set out the standards of ethical and professional behaviour expected of Shire of Mundaring Elected Members, External Committee Members and Employees.

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PART 1 - INTRODUCTION

1.1 Application

This Code of Conduct applies to:

- Elected Members
- External Committee Members who are not Elected Members or Employees
- Employees.

1.2 Definitions

In this Code of Conduct:

CEO	means the Chief Executive Officer of Shire of Mundaring
Shire	means Shire of Mundaring
Clear intention	in relation to a " dealing in land " occurs when an individual concerned either: a) accepts an offer; or b) makes an offer; or c) enters into any contract for a dealing in land.
Closely associated person	has the meaning given in section 5.62 of the <i>Local Government Act 1995</i>
Committee	means a committee established by Council
Council	means the council of Shire of Mundaring
Dealing in land	means, for the purpose of clause 6.1, a dealing of a person that involves: a) acquiring or selling real property; b) acquiring or selling a lease or other interest in real property; or c) a proposal to develop land or a building that is within the Shire, other than a dealing relating to the person's principal place of residence
Designated employee	has the meaning given in section 5.74 of the <i>Local Government Act 1995</i>
Elected Member	means a councillor of Shire of Mundaring
Employee	means an employee of Shire of Mundaring and includes temporary agency staff
External Committee Member	means a member of a committee other than an elected member
Secondary Employment	means any work, employment or engagement in a business unconnected to an employee's role at Shire of Mundaring

1.3 Rules of Conduct

This Code must be read together with the Rules of Conduct made under the *Local Government (Rules of Conduct) Regulations 2007*, which apply to all elected members in Western Australia. The Rules of Conduct have their own enforcement regime. A breach by an Elected Member of a Rule of Conduct may be reported to the Shire's Complaints Officer (the CEO) and will be dealt with under Part 5, Division 9 of the *Local Government Act 1995*.

However, it is important to note that a breach or suspected breach of this Code of Conduct by an Elected Member can be the subject of a complaint to the Local Government Standards Panel.

1.4 Legislative Obligations

This Code is not a complete statement of the obligations that Elected Members, External Committee Members and Employees must observe. Legislative obligations such as those included in the *Local Government Act 1995* and its subsidiary legislation must be complied with.

PART 2 - VALUES AND ETHICAL PRINCIPLES

2.1 Values

Elected Members, External Committee Members and Employees of the Shire must conduct themselves in a manner that reflects the Shire's corporate values:

Respect

Care of yourself and others, whilst supporting diversity of skills, backgrounds and perspectives.

Integrity

Being who you say you are, telling the truth and being consistent and reliable.

Team Spirit

Helping others, sharing knowledge, celebrating milestones, and working towards a common goal.

Excellence in Customer Service

Total commitment to informing, educating, consulting and responding to customer needs in a respectful and professional way.

Innovation

A willingness to seek ideas, share knowledge and remain flexible to new ways of doing things. It also means taking risks, making mistakes and making time to reflect to allow new solutions to surface.

Continuous Improvement

A continual openness to learning, sharing, reflecting, challenging and improving the way things are done.

2.2 Rules of Conduct Guiding Principles

The following principles in the *Local Government (Rules of Conduct) Regulations 2007* should be used to guide Elected Members, External Committee Members and Employees in their conduct:

- a) act with reasonable care and diligence;
- b) act with honesty and integrity;
- c) act lawfully;
- d) avoid damage to the reputation of the local government;
- e) be open and accountable to the public;
- f) base decisions on relevant and factually correct information;
- g) treat others with respect and fairness; and
- h) not be impaired by mind affecting substances.

In carrying out their respective functions, Elected Members, External Committee Members and Employees of the Shire will use their best endeavours to meet the needs of current and future generations through the integration of environmental protection, social advancement and economic prosperity.

PART 3 - CONDUCT OF ELECTED MEMBERS, EXTERNAL COMMITTEE MEMBERS AND EMPLOYEES

3.1 Objectives

High standards of professional conduct are required of Elected Members, External Committee Members and Employees, to ensure that a positive image of the Shire is conveyed when the Shire interacts with its stakeholders and the general public. The conduct displayed should encourage fair, equitable and lawful management and operation of the Shire.

3.2 Personal behaviour

Elected Members, External Committee Members and Employees must:

- a) act with reasonable care and diligence;
- b) act with honesty and integrity;
- c) act lawfully and in accordance with the terms of this Code;
- d) act in the interests of the Shire and the community, uninfluenced by fear or favour;
- e) avoid damage to the reputation of the Shire;
- f) be open and accountable to the public;
- g) base decisions on relevant and factually correct information;
- h) treat others with respect and fairness;
- i) not be impaired by mind affecting substances;
- j) make no allegations which are improper or derogatory and refrain from any form of conduct, in the performance of their official or professional duties, which may cause, or is likely to cause any reasonable person unwarranted offence or embarrassment; and
- k) always act in accordance with their obligation of fidelity to the Shire and not publicly reflect adversely upon any decision of Council or the Executive Leadership Team.

Regulation 10(3) of the *Local Government (Rules of Conduct) Regulations 2007* prohibits an Elected Member from:

- a) making a statement that a local government employee is incompetent or dishonest; or
- b) using offensive or objectionable expressions in reference to a local government employee.

An elected member's primary obligation is to represent and promote the interests of the community as a whole. The interests of special interest groups or individuals should be considered only in the context of contributing to the good governance of the Shire.

Elected members must attend meetings of Council and committees to which they are appointed, and fulfil their statutory responsibility to participate in the meeting and cast their vote, noting that failure to fulfil these duties may be an offence against the *Local Government Act 1995* and *Shire of Mundaring Meeting Procedures Local Law*.

An elected member who is unable to attend a meeting of Council or a committee to which they are appointed or is unable to be in attendance for the full duration of the meeting must:

- a) for reasons of illness, tender an apology in writing to the Presiding Member or the Chief Executive Officer;
- b) for extended absences of two or more consecutive ordinary Council meetings, ensure that they have previously been granted by Council resolution a leave of absence; or
- c) when required to leave a meeting for a convenience break, emergency or unavoidable circumstance, ensure they have first sought acknowledgement from the Presiding Member.

An elected member who is unable to attend a meeting of a committee to which they are appointed must ensure that they inform the deputy delegate in reasonable time to facilitate attendance.

3.3 Honesty and Integrity

Elected Members, External Committee Members and Employees must:

- a) observe the highest standards of honesty and integrity, and avoid conduct which might suggest any departure from these standards;
- b) be frank, honest and fair in performing their functions and in their official dealings with each other;
- c) bring to the notice of the Shire President any dishonesty or possible dishonesty on the part of the CEO; and
- d) bring to the notice of the CEO any dishonesty or possible dishonesty on the part of any Elected Member, External Committee Member or Employee (other than the CEO).

A notice under paragraph 3.3(c) or 3.3(d) must be given strict confidentiality and the Shire will give appropriate support to all parties during any investigation.

3.4 Performance of Duties

3.4.1 Employees

While on duty, Employees must give their whole time and attention to Shire business. They must ensure that their work is of a high standard, carried out efficiently and effectively in accordance with the Shire's policies, procedures and strategic direction.

In addition, Employees must:

- a) act within the limits of their delegation and/or authority; and
- b) ensure recommendation to Council or Committees are made with due diligence and care taken in the collation and inclusion of relevant information.

3.4.2 Elected Members and External Committee Members

Elected Members and External Committee Members must at all times exercise reasonable care and diligence in the performance of their duties, be consistent in their decision making and treat all matters on their relevant individual merits. They must ensure they are well informed on matters before Council or the Committee by reading all agendas and reports provided.

3.5 Quasi-Judicial Role and Principles

3.5.1 Role

'Quasi-judicial' functions are those which involve the making of a decision by the Council or an Employee in the exercise of a discretionary power. The Shire performs quasi-judicial functions when deciding to approve or not approve applications for planning approval, and for other approvals, licences, consents and permits. Elected Members, Committee Members and Employees must therefore act in a judicial manner (eg. judge-like) when performing quasi-judicial functions.

3.5.2 Principles

- a) The community expects Elected Members, External Committee Members and Employees to act in a quasi-judicial manner when exercising discretionary power.
- b) To act in a quasi-judicial manner, Elected Members, External Committee Members and Employees must apply the principles of natural justice and without bias or conflict of interest, make decisions in a judicial manner based on:
 - i. the law and Council policies as they exist; and
 - ii. the facts and merits of the case.
- c) Applicants submitting approval documents may attempt to persuade individual Elected Members, External Committee Members or Employees in favour of their proposals. Elected Members, External Committee Members and Employees must remain objective and deal with applicants or affected persons impartially.

- d) Decisions must be made on sound legislative rationale and not based on small public interest groups that do not represent the wider community.
- e) All Elected Members are to have equal access to relevant information and the opportunity to participate effectively throughout the decision making process.

3.5.3 Non-compliance

Non-compliance with quasi-judicial principles could result in Council decisions being invalidated. An Elected Member, acting when biased and without disclosing an interest affecting impartiality, may breach regulation 11 of the *Local Government (Rules of Conduct) Regulations 2007*.

3.5.4 Procedures for Elected Members

When acting in a quasi-judicial role:

- a) Elected Members must not actively gather information independent of the official process by canvassing, liaising or initiating site visits with an applicant or affected person;
- b) if contacted by an applicant or an affected person, Elected Members will:
 - i. listen and endeavour to understand the reason for the applicant or affected person making contact;
 - ii. advise the applicant or affected person of the principles that apply where an Elected Member undertakes the role of quasi-judicial decision maker [refer to clauses 3.5.1 and 3.5.2 above];
 - iii. encourage the applicant or affected person to make their views known through the relevant formal Shire and statutory processes, such as through question time, deputations and public submission periods, in writing or direct to the Shire's administration; and
 - iv. ensure that they do not commit their vote, or give an impression that they have committed their vote, on the matter. Elected Members may offer support or otherwise, but are obliged to consider all relevant facts and have regard to the debate at the meeting, prior to making their decision;
- c) Elected Members must contact the CEO if they believe a site visit would be beneficial or if they have been requested by an applicant or an affected person to visit a site. Where appropriate and if circumstances permit, a site visit shall be arranged to facilitate the opportunity for all Elected Members to attend as well as at least one Employee. Elected Members visiting sites must ensure they comply with clause 3.5.2;
- d) where an applicant or affected person provides information to an Elected Member which is substantive to the decision making process, the Elected Member must communicate that information to all other Elected Members and the CEO prior to the meeting where a decision is proposed on the matter; and

- e) if an Elected Member believes that additional information is required to make an informed decision, such information must be sought in a written request to the CEO or obtained by resolution of Council. Where requested, the CEO will consider requests for additional information in light of its relevancy to the decision and determine whether or not the information should be provided.

3.6 Compliance with Local Laws and Policies

Elected Members, External Committee Members and Employees must comply with the adopted local laws and policies of the Shire.

3.7 Record Keeping Responsibilities

Elected Members, External Committee Members and Employees must at all times be responsible for the creation and maintenance of full and accurate records to evidence the performance of their functions.

Employees must maintain accurate and trustworthy records and ensure information is recorded accurately and in accordance with the Shire's recordkeeping plan, procedures and legislative requirements.

3.8 Access to and Use of Information

Elected Members must be provided with access to information held by the Shire, subject to:

- a) a request for access to the information being made to the CEO in writing, detailing the information sought and purpose for which the information is required;
- b) the CEO being of the view the information sought is relevant to the performance of the Elected Member's statutory functions as prescribed by section 5.92 of the *Local Government Act 1995*; and
- c) the information being used by the Elected Member solely for the purpose for which it was provided.

PART 4 - PERSONAL BENEFIT

4.1 Disclosure of Confidential Information

An Elected Member, External Committee Member or Employee must not disclose to another person, unless it is required for the performance of their duties at the Shire, written or oral information that is provided to them, or obtained by them, in confidence or, in the case of a document, is marked by the CEO to be confidential.

Regulation 6 of the *Local Government (Rules of Conduct) Regulations 2007* also prohibits an Elected Member from disclosing confidential information, or information acquired at a closed meeting.

4.2 Improper Use of Information

An Elected Member, External Committee Member or Employees must not make improper use of any information acquired in the performance by the person of any of his or her functions under the *Local Government Act 1995* or any other written law. Elected Members, External Committee Members and Employees shall use discretion with information and avoid improperly causing harm or detriment to any person, organisation or the Shire.

Due discretion must be exercised by all those who have access to confidential or sensitive information. This applies not only to the proper disclosure of that information, but also to the appropriate measures to be taken to ensure that the security of the information is not compromised.

Elected Members, External Committee Members and Employees must not use information, whether assigned confidential status or not, to gain improper advantage for themselves or for any other person or body, or in ways which are inconsistent with their obligation to act impartially.

Section 5.93 of the *Local Government Act 1995* prohibits an Elected Member, External Committee Member or Employee from making 'improper use of any information acquired in the performance by the person of any of his or her functions under this Act or any other written law:

- (a) to gain directly or indirectly an advantage for the person or any other persons;
- or
- (b) to cause detriment to the local government or any other person.

The penalty, on conviction, is a fine of \$10,000 or imprisonment for two years.

4.3 Improper Use of Position

An Elected Member, External Committee Member or Employee must not make improper use of his or her office or position:

- (a) to gain directly or indirectly an advantage for him or her, or for any other person;
- or
- (b) to cause detriment to the Shire or any other person.

Regulation 7 of the *Local Government (Rules of Conduct) Regulations 2007* prohibits, in similar terms, the improper use by an Elected Member of his or her office.

4.4 Improper or Undue Influence

An Elected Member, External Committee Member or Employee must not take advantage of their office or position to improperly influence other members or employees in the performance of their duties or functions. They must not act to gain undue or improper (direct or indirect) advantage or gain, pecuniary or otherwise, for themselves or for any other person or body.

Similarly, an Elected Member, External Committee Member or Employee must not take advantage of their office or position to improperly disadvantage or cause detriment to the Shire or any other person.

Regulation 10(1) and (2) of the *Local Government (Rules of Conduct) Regulations 2007* prohibit an Elected Member from:

- (a) directing or attempting to direct a local government employee; or
- (b) attempting to influence, by means of a threat or the promise of a reward, the conduct of a local government employee.

PART 5 - CORPORATE OBLIGATIONS

5.1 External Communications and Public Relations

External communications and public relations by Elected Members, External Committee Members and Employees must:

- (a) respect the decision making processes of the Shire;
- (b) be accurate, polite and professional;
- (c) refrain from publicly criticising either an Elected Member, an External Committee Member or an Employee in a way that casts aspersions on their competence or credibility;
- (d) maintain the confidentiality of information that has been assigned that status, until the status is removed by either a decision of Council or advice from the CEO;
- (e) ensure that information relating to quasi-judicial decisions (for example approvals, licences, permits) is communicated only in an official capacity by an authorised Employee;
- (f) ensure that information concerning adopted policies, procedures and decisions of the Shire is conveyed accurately; and
- (g) be undertaken in a manner that promotes understanding, participation, accountability and responsibility.

5.2 Public Statements

With the exception of the President and CEO, Elected Members, External Committee Members and Employees must not make a public statement that purports to be made, or could reasonably be seen as being made, on behalf of the Shire.

Employees expressly authorised by the CEO may communicate with the media on behalf of the CEO on specific issues.

5.3 Relationships between Elected Members and Employees

An effective Elected Member will work as part of the Shire's team with the CEO and other Elected Members and Employees. That teamwork will occur only if Elected Members and Employees have mutual respect for, and co-operate with, each other to achieve the Shire's corporate goals and implement the Shire's strategies. To achieve that position all parties need to understand each other's roles as specified in the Act and any relevant agreements.

To achieve this effectiveness in teamwork, all Elected Members must:

- a) accept that their role is one of leadership, and not a management or administrative role;
- b) refrain from criticising an Employee in a way that casts aspersions on their professional competence or credibility, except where that criticism is directed to the CEO in a confidential manner;

- c) ensure that no restriction or undue influence is placed on the ability of an Employee to give professional advice to the Council;
- d) undertake their day-to-day communications with the Shire directly through the CEO or relevant Director, unless the CEO has established a protocol for communications on particular matters to occur directly with specified Employees;
- f) not undertake a task that contributes to the administration of the local government, unless the task is undertaken in relation to a meeting or the express authority of the Council or the CEO has been obtained prior to undertaking the task; and
- g) when entering a Shire business location, elected members seek approval from the Chief Executive Officer or the relevant Director, through their Personal Assistant, before engaging in discussion with employees.

At the same time, Employees recognise that an Elected Member's views and opinions often reflect valid community viewpoints that should be considered in conjunction with professional opinion. Employees must therefore make every effort to assist Elected Members in the performance of their role, and to achieve the satisfactory resolution of issues that may arise in the performance of their role.

All Elected Members, External Committee Members and Employees must acknowledge that the Shire of Mundaring is a safe workplace where everyone has a duty of care to ensure that bullying and other hazards to wellbeing do not occur. This duty of care should inform the behaviour and relations between all Elected Members, Members and Employees.

Regulations 9 and 10 of the *Local Government (Rules of Conduct) Regulations 2007* prohibit an Elected Member from:

- (a) undertaking a task that contributes to the administration of the local government, unless authorised by the Council or by the CEO to undertake that task;
- (b) directing or attempting to direct a local government employee;
- (c) attempting to influence, by means of a threat or the promise of a reward, the conduct of a local government employee;
- (d) making a statement that a local government employee is incompetent or dishonest; or
- (e) using offensive or objectionable expressions in reference to a local government employee.

5.4 Appointments to External Organisations

An Elected Member, External Committee Member or Employee representing the Shire on an external organisation is to ensure that they:

- (a) clearly understand the basis of their appointment;
- (b) provide regular reports on the activities of the organisation in accordance with the confidentiality requirements of that organisation;
- (c) represent the Shire's interests on all matters relating to that organisation, while maintaining the confidentiality requirements of the Shire; and
- (d) communicate the resolved position of Council to the external organisation as determined from:
 - i. resolutions of Council dealing generally or specifically with the matter involving the external organisation; and
 - ii. relevant statements of the Council's positions contained in adopted Council policies or the Shire's Strategic Community Plan.

5.5 Defamation

Comments by an Elected Member or Employee at a meeting of the Council or Committee may be covered by qualified privilege against defamation. Qualified privilege does not apply where a comment is made maliciously, or without due regard for whether it represents the truth.

An Elected Member or Employee is able to rely on the defence of qualified privilege only while exercising the proper discharge of their duties, and doing so in the public interest.

An Elected Member, External Committee Member or Employee may also be protected by the provisions of section 9.56(2) of the *Local Government Act 1995* in relation to all tort actions (including defamation). The provision applies to anything a person has, in good faith, done in the performance or purported performance of a function under the *Local Government Act 1995* or any other written law.

5.6 Standards of Attire

The appearance and dress of Elected Members, External Committee Members and Employees, whilst conducting Shire business, should be in accordance with the standards appropriate to their duties and the people with whom they are dealing.

Elected Members, External Committee Members and Employees are required to behave in a way that upholds the good reputation of the Shire, and as such, they are required to dress professionally, reflecting pride in the Shire and respect for those that they deal with, particularly the public.

In some circumstances, Elected Members, External Committee Members and Employees may be required to adopt a particular dress standard, which may include wearing a uniform, safety clothing or formal attire. Where such standards are required, they must be complied with.

When attending a Council meeting, elected members and employees are required to wear appropriate business attire.

5.7 Conflict Resolution

In the case of a serious conflict between or among Elected Members or Employees:

- a) the parties concerned should endeavour to fairly and quickly resolve the conflict directly with each other; and
- b) if after genuine efforts, the matter cannot be resolved, it must be referred, in the case of:
 - i. an Employee - to their immediate supervisor;
 - ii. an Elected Member - to the Shire President; or
 - iii. if an Elected Member is in conflict with the Shire President - to the Chief Executive Officer.

5.8 Personal Communications and Social Media

- a) Personal communications and statements made privately in conversation, written, recorded, emailed or posted in personal social media, have the potential to be made public, whether they were intended to be made public or not.

Therefore, on the basis, that personal or private communications may be shared or become public at some point in the future, Elected Members, External Committee Members and Employees must ensure that their personal and private communications do not breach the requirements of this Code of Conduct and for Elected Members, the *Local Government (Rules of Conduct) Regulations 2007*.

- b) Employees must not, unless specifically authorised to do so, disclose information, make comments or engage in communication activities about or on behalf of the Shire, its elected members, employees or contractors, which breach this Code of Conduct.
- c) Elected Member comments which become public and breach the *Local Government (Rules of Conduct) Regulations 2017* may constitute a serious breach of the *Local Government Act 1995* and may be referred for investigation.
- d) Employee comments which become public and breach this Code of Conduct or any other operational practice or procedure, may constitute a disciplinary matter and may also be determined as misconduct and be reported under the *Corruption, Crime and Misconduct Act 2003*

5.9 Use of Shire Resources

Elected Members, External Committee Members and Employees must:

- a) be scrupulously honest in their use of Shire resources (including facilities, funds, employee time, materials and equipment) and must not misuse them or permit their misuse (or the appearance of misuse) by any person or body;
- b) use Shire resources entrusted to them effectively, economically and lawfully in the course of their duties and not otherwise;
- c) not use Shire resources (including the services of Shire employees during normal working hours) for private purposes (other than when supplied as part of a contract of employment), unless expressly authorised by the Chief Executive Officer to do so;
- d) not make unauthorised use of information and other intellectual property, produced or registered by employees or external contractors for the Shire. The title to intellectual property created in the course of performing a function for or on behalf of the Shire must be assigned to the Shire upon its creation; and
- e) promote the concept of pride in public property, fostering an awareness of the community's ownership of the Shire's natural and built environment.

Regulation 8 of the *Local Government (Rules of Conduct) Regulations 2007* prohibits an Elected Member from using the resources of a local government for electoral purposes, or for any other purpose, unless authorised under the *Local Government Act 1995* or by the Council or the CEO.

5.10 Reimbursement of Expenses

Elected Members, External Committee Members and Employees may claim for reimbursement of expenses only in accordance with the Shire's policies, the *Local Government Act 1995* and relevant industrial awards or agreements.

PART 6 - CONFLICT AND DISCLOSURE OF INTERESTS

6.1 Conflict of Interests

Elected Members are bound by the provisions of the *Local Government (Rules of Conduct) Regulations 2007* and the *Local Government Act 1995* in relation to conflicts of interests and must comply with those provisions. Employees are bound by the provisions of the *Local Government Act 1995* and the provisions of this Code in relation to conflicts of interest and must comply with those provisions.

All Elected Members, External Committee Members and Employees must ensure that there is no actual, potential or perceived conflict of interest between their personal interests or those of closely associated persons and the impartial fulfilment of their public or professional duties and functions.

In applying this principle, Elected Members, External Committee Members, and Employees must:

- (a) familiarise themselves with the different types of interests that are regulated by legislation and this Code and the disclosure requirements that apply to them;
- (b) understand in what circumstances gifts, benefits and hospitality may be accepted or rejected in accordance with legislation, this Code and the Shire's policies and procedures;
- (c) exercise diligence in identifying and making timely disclosure of any interests requiring disclosure as they perform their duties;
- (d) not engage in private work with or for any person or body with an interest in a proposed or current contract with the Shire, without first making written disclosure to the CEO. Elected Members, External Committee Members and Employees undertaking private works shall under no circumstances use Shire equipment, premises, time, resources or consumables to conduct or undertake activities associated with private works;
- (e) lodge written notice with the CEO describing an intention to undertake a dealing in land which either occurs within the district or which may otherwise be in conflict with the Shire's functions. The notice must be received within 10 days of the individual concerned forming a clear intention to undertake a dealing in land. It is intended that the Elected Member, External Committee Member, or Employee will be removed by the Shire from any Shire process related to that dealing and should act accordingly;
- (f) if they exercise a discretionary function, make written disclosure to the CEO before dealing with any matter where they have an interest that could affect, or could reasonably be perceived to affect, their impartiality. This includes interests arising from kinship, friendship, or membership of an association, and will disqualify themselves from dealing with the matter unless the CEO has authorised their continued involvement and there is no other prohibition under law or the Code, which precludes their involvement. Where the CEO has authorised an Employee who has an actual or perceived conflict of interest in the matter to continue acting in some capacity, that Employee must follow all conditions and limitations that the CEO has placed on their involvement; and

- (g) if disclosure is required under any law or this Code, complete a disclosure form in writing and submit it to the CEO, or where the disclosure is by the CEO to the Shire President.

In addition, an Employee must:

- (h) refrain from partisan political activities associated with Shire of Mundaring local government elections, which could cast doubt on their neutrality and impartiality in carrying out their public duties and functions. This does not include non-partisan activity such as work associated with the administration of a local government election; and
- (i) seek approval from the CEO prior to undertaking any Secondary Employment. An Employee must not undertake secondary employment without CEO approval. If an Employee is already undertaking secondary employment they must ensure a request for approval is lodged immediately.

6.2 Financial Interests

Elected Members must comply with the laws governing financial interests, including the disclosure of financial interests, as set out in the *Local Government Act 1995*. Elected Members must also comply with the laws governing the disclosure of impartiality interests, as set out in the *Local Government (Rules of Conduct) Regulations 2007*.

External Committee Members and Employees must comply with the laws governing financial interests, including the disclosure of financial interests, set out in the *Local Government Act 1995*. External Committee Members and Employees must also comply with the rules governing the disclosure of impartiality interests, as set out in this Code, which are consistent with Part 6 of the *Local Government (Administration) Regulations 1996*.

The onus is on Elected Members, External Committee Members and Employees to identify possible financial interests and other interests (such as proximity interests and non-financial interests), to determine whether an interest exists, what disclosure is required by this Code or applicable laws and whether any statutory exemption applies.

6.3 Proximity Interests

Sections 5.59 to 5.90 of the *Local Government Act 1995* establish the requirements for disclosure by Elected Members, External Committee Members or Employees of financial interests, non-financial interests, indirect financial interests and proximity

Section 5.60B of the *Local Government Act 1995* states a person has a proximity interest if the matter concerns:

- (a) a proposed change to a planning scheme affecting land that adjoins the person's land; or
- (b) a proposed change to the zoning or use of land that adjoins the person's land; or
- (c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land.

Land is considered to adjoin the person's land if it:

- (a) has a common boundary with the person's land; or
- (b) any part of the land is directly across a thoroughfare from the person's land.

The term land includes any land owned by the person or in which the person has any estate or interest.

A proximity interest is defined by section 5.60B of the *Local Government Act 1995*. Elected Members, External Committee Members and Employees, are bound by the disclosure requirements of the Act.

6.4 Impartiality interests

Elected Members are bound by the impartiality provisions of the *Local Government (Rules of Conduct) Regulations 2007*. This Code is intended to accurately reflect those provisions and Elected Members must also comply with the impartiality interest provisions contained within the Code.

External Committee Members and Employees must comply with the impartiality interest provisions set out in this Code.

6.4.1 Meaning of Impartiality Interest

For the purposes of this Code, an impartiality interest means:

"an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association" (see regulation 34(C)(1) of the *Local Government (Administration) Regulations 1996* and regulation 11(1) of the *Local Government (Rules of Conduct) Regulations 2007*).

An 'impartiality interest' does not include a 'financial interest' that is subject to the requirements of the *Local Government Act 1995*.

6.4.2 Requirement to Disclose

An Elected Member, External Committee Member or Employee who has an impartiality interest in any matter to be discussed at a Council or Committee meeting attended by that person must disclose the nature of the impartiality interest:

- a) in a written notice given to the CEO before the meeting; or
- b) at the meeting immediately before the matter is discussed.

In addition, an External Committee Member or Employee who has given, or will give, advice in respect of any matter to be discussed at a Council or Committee meeting not attended by the External Committee Member or Employee must disclose the nature of any impartiality interest he or she has in the matter:

- a) in a written notice given to the CEO before the meeting; or
- b) at the time the advice is given.

An Elected Member, External Committee Member or Employee is excused from the requirement to disclose an impartiality interest if the failure to disclose occurs because the person:

- a) did not know he or she had an impartiality interest in the matter; or
- b) did not know the matter in which he or she had an impartiality interest would be discussed at the meeting and the person discloses the nature of the impartiality interest as soon as possible after becoming aware of the discussion of that matter.

The disclosure of an impartiality interest does not necessarily affect the ability of the Elected Member or External Committee Member to discuss or vote on the matter.

Where a verbal disclosure is made at a meeting without a prior written disclosure being made, a written disclosure form must be completed in relation to the impartiality interest disclosed. The completed disclosure form must be submitted as soon as practicable following the meeting.

6.4.3 Notice and Recording

Where an impartiality interest is disclosed in a written notice given to the CEO before a meeting, then:

- a) before the meeting the CEO is to ensure that the notice is given to the person who is to preside at the meeting; and
- b) at the meeting, the person presiding is to bring the notice and its contents to the attention of the persons present immediately before the matter to which the disclosure relates is discussed.

Where an impartiality interest is disclosed or brought to the attention of the persons present at a meeting, the nature of the impartiality interest must be recorded in the minutes of the meeting.

Regulation 11 of the *Local Government (Rules of Conduct) Regulations 2007* contains detailed provisions relating to the disclosure by Elected Members of impartiality interests.

An Elected Member who does not comply with an impartiality interest provision would be in breach of this regulation.

Employees and External Committee Members who do not comply with an impartiality interest provision would be in breach of this Code of Conduct.

6.5 Disclosure of Information in Returns

Elected Members and Designated Employees must provide primary and annual returns in accordance with the requirements of Division 6 of Part 5 of the *Local Government Act 1995*.

PART 7 – GIFTS

7.1 Definitions

In essence, a 'gift' is:

- any disposition of property, or the conferral of any other financial benefit
- made by one person in favour of another
- without 'fully adequate' consideration passing from the recipient to the donor.

7.2 Application

This Part of the Code of Conduct applies to all gifts that are offered from a person who:

- (a) is undertaking or seeking to undertake an activity involving Shire discretion; or
- (b) it is reasonable to believe is intending to undertake an activity involving Shire discretion.

Gifts offered to Elected Members, External Committee Members or Employees under the circumstances described above must be refused.

Gifts and contributions to travel offered to Elected Members, External Committee Members or Employees in all other circumstances are to be declared where the provisions of sections 5.82 and 5.83 of the *Local Government Act 1995* apply.

The acceptance of any gift or benefit by Elected Members, External Committee Members or Employees has the potential to secure the influence or favour of an Elected Member, External Committee Member or Employee in the performance of their duties and thus give rise to an actual, potential or perceived conflict of interest. At the extreme, it could amount to a bribe, which is a criminal offence.

It is therefore unacceptable for an Elected Member, External Committee Member or Employee:

- under any circumstance, to accept money from any party other than a wage, salary or allowance received from the Shire for the performance of their work duties
- to solicit or accept any gift or benefit, the receipt or expectation of which does or might in any way influence, or appear to tend to influence, the Elected Member, External Committee Member or Employee in their official capacity
- to offer a gift or benefit to another Elected Member, External Committee Member or Employee.

To avoid a conflict of interest, the appearance of a conflict of interest or the need for an Elected Member, External Committee Member or Employee to examine the ethics

of acceptance or not of accepting gifts, Elected Members, External Committee Members and Employees must not accept gifts from vendors, suppliers, customers, potential Elected Members, External Committee Members and Employees and potential vendors or suppliers.

The Shire's Code of Conduct requires that all Elected Members, External Committee Members and Employees demonstrate our organisation's commitment to impartially treating all people and organisations with which we come into contact or conduct business and demonstrating the highest standards of ethics and conduct.

Elected Members, External Committee Members and Employees must practice and demonstrate equal treatment, unbiased professionalism, and non-discriminatory actions in relation to all vendors, suppliers, customers, Elected Members, External Committee Members or Employees, potential Elected Members, External Committee Members or Employees and potential vendors or suppliers.

To demonstrate our commitment to these standards and behaviour, all Elected Members, External Committee Members and Employees must abide by the following no-gift policy requirements:

- With the exception of those circumstances outlined below, no gifts of any kind that are offered by vendors, suppliers, customers, potential Elected Members, External Committee Members and Employees and potential vendors or suppliers, no matter the value, will be accepted by any Elected Member, External Committee Member or Employee, at any time, on or off the Shire premises.
- No vendor or potential vendor or supplier-provided food, beverages, meals, or entertainment such as sporting events is to be accepted.
- No business courtesy offered such as a product discount or any other benefit if the benefit is not extended to the general public, is to be accepted.

This Part of the Code of Conduct does not apply to genuinely personal gifts and benefits from friends and family which have no connection to an Elected Member, External Committee Member or Employee's role at the Shire. However, the disclosure requirements of sections 5.82 and 5.83 of the *Local Government Act 1995* do need to be considered in these circumstances.

No matter how well-meaning or well-intentioned a gift, the potential exists for impropriety or the appearance of impropriety to be present because of the existence and acceptance of the gift. Under no circumstances are Elected Members, External Committee Members or Employees to solicit gifts or benefits.

All Elected Members, External Committee Members and Employees have a duty to strictly adhere to this Code of Conduct. If you become aware of a breach of this policy, you have a duty to report it to the CEO. Non-compliance may constitute misconduct and may result in disciplinary action. This applies regardless of your role or position on the corporate structure.

If it is not possible or practical to refuse the gift, it may be accepted on behalf of the Shire. Such offers must be declared on the Shire's Gift Declaration Form and transferred to the Shire.

7.3 Procedure for Elected Members, External Committee Members and Employees

Elected Members, External Committee Members and Employees are required to professionally inform vendors, potential vendors and others of this no-gift policy, and the reasons the Shire has adopted the policy. Elected Members, External Committee Members and Employees will request that vendors respect the Shire policy and not purchase or deliver any gift for our Elected Members, External Committee Members and Employees, a department, an office or the Shire, at any time, for any reason.

All offers of gifts and benefits must be politely declined and reported on the Gift Declaration Form as declined, unless they are on the exceptions list below.

7.4 Exceptions

Exempted from this Code of Conduct are gifts such as t-shirts, pens, trade show bags and all other trinkets that Elected Members, External Committee Members or Employees obtain as attendees at events such as conferences, training events, seminars, and trade shows that are offered equally to all attending the event.

Ceremonial gifts are official gifts that are offered by an organisation to representatives of the Shire when conducting official business with delegates from another organisation. Although these gifts may sometimes be offered to express gratitude, the gratitude usually extends to the work of several people in the Shire, and therefore the gift is considered to be for the Shire, not a particular individual.

7.5 Prizes

Prizes won at event competitions are exempt as the benefit is considered a prize from a game of chance, rather than a gift. As the beneficiary is not able to be known until drawn, and the transfer of property is by chance, rather than transferred by a decision of the donor to the recipient, a gift is not bestowed. Prizes from games of chance (ie. raffles, lucky door prizes, business card draw etc.) need not be disclosed as gifts.

7.6 Guidance for particular types of gifts/benefits

7.6.1 Hospitality, functions and events

Other than token hospitality given as a matter of course to all function and event attendees (usually during a meeting or training course), offers of hospitality must be declined. Invitations to events such as sports matches and the theatre, as well as meals paid for by companies must be declined.

7.6.2 Reward points

Reward points and gifts/benefits earned through purchases, travel etc. paid by Shire of Mundaring must not be used for the personal benefit of Elected Members, External Committee Members or Employees.

7.6.3 Sponsored travel

Sponsorship offered by a non-commercial association or professional body, such as Federal or State Government departments or agencies, LG Professionals or WALGA can be accepted as long as it is not linked to a private organisation or product sponsorship.

The purpose of the travel and/or conference attendance must have a benefit to the Shire and/or the community. It would however be within the disclosable 'gift' requirement of both section 5.82 of the *Local Government Act 1995* and regulation 34B of the *Local Government (Administration) Regulations 1996* – unless it is worth less than \$200 (cumulatively over 12 months) or unless 'fully adequate consideration' is provided by the employee to the sponsor organisation.

Offers of free conference registration (particularly where the Elected Member, External Committee Member or Employee is a speaker) may be acceptable, but the Shire must generally pay for all travel and accommodation requirements.

7.6.4 Gifts/benefits offered to Elected Members, External Committee Members or Employees who are office bearers of an external organisation

These gifts/benefits must be treated in accordance with the other organisation's policies. However, all such gifts/benefits must be declared on the Shire's Gift Declaration Form, as they have a real potential to influence decisions made by the Elected Member, External Committee Member or Employee.

7.6.5 Gifts/benefits offered to Elected Members, External Committee Members or Employees as conference presenters by an external organisation

These gifts/benefits must be declined and must be declared on the Shire's Gift Declaration Form, as they have the real potential to influence decisions made by the Elected Member, External Committee Member or Employee.

7.6.6 Trade samples from an external organisation

Suppliers of equipment will from time to time offer samples of various equipment to enable evaluation of such equipment, which is useful before decisions are made on actual purchase. Trade samples offered to the Shire can be accepted. Trade samples that are offered directly to Elected Members, External Committee Members or Employees are to be declined.

7.6.7 Family members

Elected Members, External Committee Members and Employees must take reasonable steps to ensure that immediate family members do not receive gifts or benefits that may be perceived as attempts to influence your behaviour or decision making. Such offers must be declared on the Shire's Gift Declaration Form.

7.7 Disclosure of Election Campaign Contributions

All electoral candidates must comply with the *Local Government Act 1995* and the *Local Government (Elections) Regulations 1997* in disclosing electoral donations or 'gifts'. A candidate must disclose to the CEO information about any electoral or related gift with a value of \$200 or more that is promised or received within 6 months before the relevant election day.

Requirements relating to the disclosure of electoral gifts are set out in the *Local Government (Elections) Regulations 1997*, particularly Part 5A.

PART 8 - TRAVEL CONTRIBUTIONS

8.1 General

Elected Members and Employees must disclose, within 10 days of receipt, any financial or other contribution made towards any travel undertaken unless that contribution is exempt from disclosure under section 5.83(2) of the *Local Government Act 1995*.

'travel' includes 'accommodation incidental to a journey' (as defined in section 5.83(4) of the *Local Government Act 1995*).

'travel contribution', in relation to a person, means a financial or other contribution that has been made to any travel undertaken by the person.

A contribution to travel will be something that facilitates such a journey(s) and may include the following:

- Airline ticket price
- Visa fees
- Travel insurances
- Accommodation
- Taxi costs.

Travel contribution does not need to be disclosed in the following cases:

- the contribution was made from Commonwealth, State or local government funds
- the contribution was made by a 'relative' of the person (as defined in section 5.74(1) of the *Local Government Act 1995*)
- the contribution was made in the ordinary course of an occupation of the person which is not related to his or her duties as an Elected Member or Employee
- the contribution was made by a political party of which the person was a member and the travel was undertaken for the purpose of political activity of the party, or to enable the person to represent the party. A political party is defined as a body or organisation, whether incorporated or unincorporated, having as one of its objects or activities the promotion of the election to the Parliament of the Commonwealth or of the State of a candidate or candidates endorsed by it or by a body or organisation of which it forms part.
- the value of the contribution does not exceed the prescribed amount (\$200) or where there are multiple contributions from the same donor in a year, the aggregate value does not exceed \$200. The amount of a contribution (other than a financial contribution) is to be treated as being an amount equal to the value of the contribution at the time the contribution was made.

The disclosure must be made in writing to the CEO and include:

- a) a description of the contribution;
- b) the name and address of the person who made the contribution;
- c) the date on which the contribution was received;
- d) the estimated value of the contribution at the time it was made;
- e) the nature of the relationship between the relevant person and the person who made the contribution;
- f) a description of the travel; and
- g) the date of travel.

8.2 Third Party Travel Contributions

Any travel contribution from a third party related to the Shire of Mundaring or an individual's role (as an Employee, External Committee Member or Committee Member) must be approved by Council prior to acceptance. The recipient must ensure the travel contributions register is updated with the details of their travel.

PART 9 - BULLYING AND INAPPROPRIATE BEHAVIOUR

9.1 Bullying

Bullying is repeated unreasonable, inappropriate or aggressive behaviour that is directed towards an individual or group and creates a risk to health or safety. The Shire is committed to providing a safe work environment that is free from bullying and encourages the reporting of any evidence of bullying.

Bullying behaviour breaches this Code and is also prohibited by the *Occupational Safety and Health Act 1984* (in relation to conduct within a workplace or during the course of employment) and other legislation. Bullying includes both direct and indirect actions and both are in breach of this Code. An Elected Member, External Committee Member or Employee must not engage in bullying.

It is important to note that bullying does not include reasonable management of an Employee (such as allocating tasks or providing performance feedback) when undertaken in a reasonable manner.

Direct bullying refers to obvious public acts. Examples include:

- Physical or sexual assault
- Name calling or other abusive, offensive, frightening, or degrading language
- Beginning or spreading rumours
- Teasing someone in an offensive manner or subjecting them to regular practical jokes.

Indirect bullying refers to subtle behaviour that undermines, treats less favourably or disempowers others. Examples include:

- Ignoring or excluding a person
- Denying access to information or resources
- Preventing a person from expressing their opinion or ridiculing their contribution
- Setting tasks that are beyond or below a person's skill level.

9.2 Single Instances

To be considered bullying, repeated behaviour is required. However, while behaviour may not be considered bullying where it violates legislation, Shire policies or procedures, or other provisions in this Code it will still be considered a breach of the Code and will be treated accordingly.

9.3 Discrimination

Discrimination is dealt with by the *Equal Opportunity Act 1984* (and other legislation) and means treating someone less favourably than another, in circumstances that are the same (or are not materially different), on the basis of a ground such as race, sex, impairment, age, religious or political conviction, family status, pregnancy or gender history.

An Elected Member, External Committee Member or Employee must not discriminate against or harass any person.

PART 10 - BREACHES AND MISCONDUCT

10.1 Reporting Breaches

A person may internally report a breach, or suspected breach, of this Code:

- a) by an Elected Member, External Committee Member or an Employee (other than the CEO) – to the CEO; or
- b) by the CEO – to the Shire President.

Each report of a breach is to be dealt with quickly and fairly in accordance with the principles of procedural fairness.

As indicated at clause 1.3, the *Local Government (Rules of Conduct) Regulations 2007* have their own enforcement regime. A breach by an Elected Member of a Rule of Conduct may be reported to the CEO. If so, it will be dealt with under Part 5, Division 9 of the *Local Government Act 1995*.

It is important to note that an alleged breach, or suspected breach, of this Code of Conduct by an Elected Member can be the subject of a complaint to the Standards Panel.

10.2 Internal Referral to Mediation

The CEO, may, in appropriate cases, refer an alleged breach of this Code relating to values or conduct (other than an alleged breach of any law) by an Elected Member to an independent mediator who will attempt to resolve the matter via a mediation process. For example, this may occur where mediation may assist in resolving an alleged case of rudeness.

If a matter is referred for mediation, each party is to engage in the process in good faith.

10.3 Internally Reporting Misconduct – Public Interest Disclosure

When an Elected Member, External Committee Member or Employee believes or suspects that misconduct may occur, is occurring, or has occurred, he or she should report the matter to the CEO.

Alternatively, if the matter falls within the ambit of the *Public Interest Disclosure Act 2003*, the internal or external process for making a public interest disclosure may be followed.

The *Public Interest Disclosure Act 2003* facilitates the reporting of public interest information and provides protection for those who report this information under the Act.

The Shire:

- a) does not tolerate corrupt or other improper conduct, including mismanagement of public resources, in the exercise of the public functions of the Shire, by its Elected Members, External Committee Members, or Employees;
- b) is committed to the aims and objectives of the *Public Interest Disclosure Act 2003*;
- c) strongly supports disclosures being made by an Elected Member, External Committee Member or Employee as to corrupt or other improper conduct;
- d) will take all reasonable steps to provide protection for an Elected Member, External Committee Member or Employee who makes a public interest disclosure from any detrimental action in reprisal for the making of a the disclosure; and
- e) does not tolerate any of its Elected Members, External Committee Members or Employees engaging in acts of victimisation or reprisal against a person who makes a public interest disclosure.

Elected Members, External Committee Members and Employees are encouraged to contact one of the Shire's nominated Public Interest Disclosure Officers to seek guidance on reporting misconduct, their disclosure, and to lodge completed Public Interest Disclosure forms.

A person who makes an appropriate disclosure of public interest information to the Shire's nominated Public Interest Disclosure Officer under section 5 of the *Public Interest Disclosure Act 2003*:

- a) incurs no civil or criminal liability for doing so; and
- b) is not, for doing so, liable:
 - i. to any disciplinary action under a written law;
 - ii. to be dismissed
 - iii. to have his or her services dispensed with or otherwise terminated; or
 - iv. for any breach of duty of secrecy or confidentiality or any other restriction on disclosure (whether or not imposed by a written law) applicable to the person (section 13).

10.4 Externally Reporting Misconduct

The CEO, being the Complaints Officer, can report the alleged misconduct of Elected Members to the Local Government Standards Panel. The Standards Panel has the authority to make binding decisions to resolve allegations of minor misconduct submitted by a local government. It deals with complaints about Elected Members who it is alleged have committed a breach of one or more of the provisions of the Rules of Conduct Regulations. The Standards Panel also has the jurisdiction to deal with misconduct allegations that relate to conduct at meetings under the provisions of a local government's Meeting Procedures Local Law. The standards panel has no jurisdiction to deal with complaints made against local government employees.

All persons have the option to report a matter of misconduct directly to the Corruption and Crime Commission (CCC) or the Public Sector Commissioner (PSC) under the *Corruption and Crime, and Misconduct Act 2003*:

Section 25:

Any person may report to the CCC any matter, which that person suspects, on reasonable grounds, concerns or may concern serious misconduct that:

- i. has or may have occurred; or
- ii. is or may be occurring; or
- iii. is or may be about to occur; or
- iv. is likely to occur.

Section 45E:

Any person may report to the PSC any matter, which that person suspects, on reasonable grounds, concerns or may concern minor misconduct that:

- i. has or may have occurred; or
- ii. is or may be occurring; or
- iii. is or may be about to occur; or
- iv. is likely to occur.

Please refer to the *Corruption and Crime, and Misconduct Act 2003* section 4 for detailed definitions of misconduct, serious misconduct and minor misconduct.

Referrals to the PSC can only be about Employees, while referrals to the CCC can be about Elected Members and Employees.

10.5 CEO Obligation to Report Misconduct

The CEO has a statutory obligation to report to the CCC:

- a) any allegation of serious misconduct; or
- b) any situation that otherwise comes to his or her attention involving serious misconduct, where the CEO considers on reasonable grounds that serious misconduct may have occurred.

The CEO has a statutory obligation to report to the PSC:

- a) any allegation of minor misconduct; or
- b) any situation that otherwise comes to his or her attention involving minor misconduct of employees, but not minor misconduct by an Elected Member.

ATTACHMENT

Code of Conduct - proposed changes:

1. INTRODUCTION (Expanded)

Clause or part	Changes	Reason for change
Policy Purpose	Code extended to External Committee Members	The primary purpose of this Code of Conduct is to set out the standards of ethical and professional behaviour expected from all persons acting for the Shire in an official capacity.
Clause 1.1 – Application	New	Clearly defines to whom the Code applies.
Clause 1.2 – Definitions	New	Definitions provide clarity for the document.
Clause 1.3 - Rules of Conduct	New	The inclusion of the clause " <i>However, it is important to note that a breach, or suspected breach, of this Code of Conduct by an Elected Member can be the subject of a complaint to the Standards Panel</i> " is based on legal advice from McLeods regarding the current practices of the Standards Panel. The Standards Panel may not limit themselves to only items included in the <i>Local Government (Rules of Conduct) Regulations 2007</i> when assessing complaints.
Clause 1.4 – Legislative Obligations	New	No Code can provide a complete statement of all applicable obligations and this note alerts individuals that additional obligations exist.

2. VALUES AND ETHICAL PRINCIPLES (Expanded)

Clause or part	Changes	Reason for change
Clause 2.2 - Rules of Conduct Principles	New	Clause complements the Shire's strategic objectives.

3. CONDUCT OF ELECTED MEMBERS, EXTERNAL COMMITTEE MEMBERS AND EMPLOYEES

Clause or part	Changes	Reason for change
<p>Additions to 3.3 - Performance of Duties</p>	<p>Additions include requirement for employees to act within the limits of their delegations and ensure due diligence is taken in the formulation of recommendations.</p> <p>A further addition is that Elected Members and External Committee Members shall ensure they are well informed on matters before Council by reading all agendas and reports provided.</p>	<p>The additions regarding employees were suggested by the Public Sector Commission. Acting within the limits of a delegation is important to the Shire as failure to do so causes compliance issues and risks the validity of the Shire's decision. Noting this requirement in the Code adds due weight to an important issue.</p> <p>Requiring diligence and care in the preparation and consideration of Council reports and recommendations is also an important matter for Employees, External Committee Members and Elected Members. The reports are integral to the Council decision making process and good governance requires the reports be carefully prepared and considered.</p>
<p>Clause 3.5 - Quasi-Judicial Role and Principals</p>	<p>A new clause has been inserted to explain the Quasi-Judicial Role and how these functions and principles apply to the Shire.</p> <p>Further subclauses explain the principles and their application.</p>	<p>This clause has been inserted to require determinations of Employees or Council are made in accordance with the principles of natural justice and are based on the law, policies and the facts and merits of the case.</p> <p>This clause is intended to support a sound decision making process</p>

4. PERSONAL BENEFIT (New Section)

Clause or part	Changes	Reason for change
<p>Clause 4.2 – Improper use of information</p>	<p>An Elected Member, External Committee Member or Employee must not make improper use of any information acquired in the performance by the person of any of his or her functions under the <i>Local Government Act 1995</i> or any other written law.</p> <p>Elected Members, External Committee Members and Employees shall use discretion with information and avoid improperly causing harm or detriment to any person, organisation or the Shire.</p> <p>Due discretion must be exercised by all those who have access to confidential or sensitive information. This applies not only to the proper disclosure of that information, but also to the appropriate measures to be taken to ensure that the security of the information is not compromised.</p> <p>Elected Members, External Committee Members and Employees shall not use information, whether assigned confidential status or not, to gain improper advantage for themselves or for any other person or body, or in ways which are inconsistent with their obligation to act impartially.</p>	<p>The amendments are intended to enhance the already stated requirements of the clause and expressly state that non-confidential information still requires appropriate discretion in its use and cannot be used improperly.</p>

5. CORPORATE OBLIGATIONS

Clause or part	Changes	Reason for change
Clause 5.3 Relationships between Elected Members and Employees	Reworded.	Ensuring that proper protocols for questions, requests for information and providing comment or criticism are established and maintained assists in preventing violations of the requirement not to provide individual staff directions. Additions have also been made in relation to the duty of care all Elected Members, External Committee Members and Employees have towards each other.
Clause 5.5 Defamation (New)	The clause has been added to note there are good faith protections in the <i>Local Government Act 1995</i>	Broader provisions within the Act and legal advice support the inclusion of this clause.

6. CONFLICT AND DISCLOSURE OF INTERESTS

Clause or part	Changes	Reason for change
Part 6: Conflict and Disclosure of Interests (amendments to various clauses)	A statement broadly advising that differing regulations affecting Elected Members, External Committee Members and Employees have been inserted at clauses 6.1, 6.2, and 6.4.	To ensure the different regulations affecting Elected Members, External Committee Members and Employees are more clearly articulated. There are different consequences for breaching the Code of Conduct as opposed to breaching a regulation.
Clauses 6.1 (a), (b), and (c)	New clauses	Clauses recommended by the Public Sector Commission in their publication 'Developing a Code of Conduct: Guide for local government'. The clauses establish

		<p>general duties to comply with regarding conflicts of interest, gift and travel disclosures and exercising diligence in relation to such disclosures.</p>
Clause 6.1 (d)	Reworded	<p>Clause explicitly states that Shire resources cannot be used for private work.</p>
Clause 6.1 (e)	Expanded to include notification period of any intention to undertake a dealing in land.	<p>The clause now prescribes a process to be followed when lodging a notice of intention to undertake a dealing in land.</p> <p>Placing a timeframe on the requirement makes the requirement clear and prevents delays in compliance with the obligation.</p>
Clause 6.1 (f)	Previously 'Personal associations'	<p>The amendment to this clause broadens the disclosure requirement from only "relatives and close friends" to a broader section of individuals as all of these relationships can potentially affect impartiality in a recruitment or discretionary function. However, due to the broader section there is the opportunity for the CEO to authorise involvement in some capacity in limited circumstances.</p> <p>The intention is that this would only occur in circumstances where the CEO has assessed the matter and is satisfied that it is appropriate or necessary to allow involvement in some controlled capacity.</p>

Clause 6.1 (g)	New clause	A written disclosure form being completed for all disclosures assists with maintaining accurate records and ensuring the nature of the interest is fully and clearly articulated.
Clause 6.1 (h)	New clause	Clarifies what nonpartisan activity is allowed.
Clause 6.1(i)	New clause	This is important for ensuring individuals do not undertake work that is in conflict with their role with the Shire.
Clause 6.2 – Financial interests	Expanded	To explain financial interest.
Clause 6.3 – Proximity Interests	New Clause	Proximity interests were previously mentioned only in passing as part of clause 5.3 of existing Code. Disclosure of proximity interests is important and the matter justifies its own clause.
Clause 6.5 – Disclosure of Information in Returns	New Clause	Stipulates the completion of a primary and annual return.

7. GIFTS (Previously Gifts & Benefits)

Clause or part	Changes	Reason for change
Clause 7.1 – Definitions	Revised	New definitions to provide clearer understanding.
Clause 7.2 - Application	New	Extended clause to explain gifts and how gifts are to be treated.

Clause 7.3 – Procedure for Elected Members, External Committee Members and Employees	New	Code introduces a 'no gift' policy, so gifts should be declined. Exceptions apply as per 7.4.
Clause 7.4 – Exceptions	New	Provides examples of potential exceptions.
Clause 7.5 – Prizes	New	Definition of what constitutes a prize and not a gift.
Clause 7.6 – Guidance for particular types of gifts/benefits	New	Guidance provided on: <ul style="list-style-type: none"> • Hospitality, functions and events • Reward points • Sponsored travel • Officers bearers of external organisations • Trade samples • Family members
Clause 7.7 – Disclosure of Election Campaign Contributions	Revised	Reworded

8. TRAVEL CONTRIBUTIONS

Clause or part	Changes	Reason for change
Clause 8.1 - General	New clause	A new clause that references travel contribution disclosure requirements including details on travel contribution disclosure requirements.
Clause 8.2 – Third Party Travel contributions	New clause	Council approval required and recorded on travel contributions register.

9. BULLYING AND INAPPROPRIATE BEHAVIOUR

Clause or part	Changes	Reason for change
Part 9 - Bullying and inappropriate behaviour	New clause	<p>A new Part is proposed to address bullying, discrimination and harassment.</p> <p>Bullying is a significant risk to individuals and the Shire. As an employer, the Shire has a duty to provide a safe workplace and addressing this in the Code assists with this.</p> <p>The provisions should also cover Elected Members – while full and frank debate and differing political opinions are both expected and encouraged, behaviour considered bullying is damaging to individuals and affects good governance.</p>

10. BREACHES AND MISCONDUCT

Clause or part	Changes	Reason for change
Clause 10.2 - Internal Referral to Mediation	New Clause	This clause is proposed to allow for a confidential, quick, process to attempt to resolve minor conduct disputes that may damage relations between parties.
Clause 10.3 - Internally Reporting Misconduct	New clause	To clarify those individuals can follow both an internal and external process for reporting suspected misconduct. The separation of internal and external reporting into two clauses assists in showing the alternative reporting mechanisms available.

<p>Clause 10.4 - Externally Reporting Misconduct</p>	<p>New clause</p>	<p>Clause was suggested by the Public Sector Commission to assist with alerting people as to options for reporting misconduct.</p> <p>It explains how individuals can externally report misconduct to the Public Sector Commission or the Corruption and Crime Commission.</p>
<p>Clause 10.5 - CEO Obligation to Report Misconduct</p>	<p>New clause</p>	<p>Advises when the CEO has the obligation to report to the Public Sector Commission and when the CEO must report to the Corruption and Crime Commission. This change is required to reflect changes in the <i>Corruption Crime and Misconduct Act 2003</i>, which requires reporting to different bodies if the matter is for serious or minor misconduct.</p>

Shire of Mundaring

POLICY**CODE OF CONDUCT – ELECTED MEMBERS AND EMPLOYEES**

Policy Ref:	OR-12	
Adopted:	C13.11.12	Date: 13 November 2012
Amended:	C28.05.13	Date: 28 May 2013
Reviewed:		Date:
Policy Ref:	OR- 05 (Communications between Elected Members and Employees)	
Procedure Ref:	AS – 02 (Complaints Management System Policy)	
	Admin – 01 (Communications between Elected Members and Employees)	
	Admin – 02 (Complaints Handling – Councillors)	
	Admin – 03 (Complaints Management System Procedure)	
	Admin – 05 (Guidelines for Mediation and Conciliation)	
	Admin – 20 (Gifts)	
OP Ref:	HR – 09 (Grievance Resolution Procedure)	
	OP – 03 (Complaints Management System – Elected Members)	
	OP – 05 (Complaints Management System)	
	OP – 24 (Grievance Resolution)	
	OP – 39 (Gifts)	
	OP – 40 (Use of Social Media)	
Statute Ref:	<i>Local Government Act 1995</i>	
	<i>Local Government (Administration) Regulations 1996</i>	
	<i>Local Government (Rules of Conduct) Regulations 2007</i>	
	<i>Local Governments (Elections) Regulations 1997</i>	
	<i>State Records Act 2000</i>	
Delegation Ref:	CE – 123 (Complaints Officer)	
Local Law Ref:	Shire of Mundaring Standing Orders Local Law 2003	

PURPOSE

To set out acceptable standards of ethical and professional behaviour for elected members and employees.

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POLICY

1. APPLICATION OF THIS CODE

The term "elected member", used throughout this Code of Conduct, includes:

- an elected member; and
- a member of a committee of the Council, whether or not the member is an elected member.

The term "employee", used throughout this Code of Conduct, includes each employee of the Shire whether fulltime, part-time, casual or employed by contract.

2. VALUES

Elected members and employees of the Shire must conduct themselves in a manner that reflects the Shire's corporate values:

Respect

Care of yourself and others, whilst supporting diversity of skills, backgrounds and perspective.

Integrity

Being who you say you are, of telling the truth and being consistent and reliable.

Team Spirit

Helping others, regularly sharing thoughts and knowledge, celebrating milestones, having fun and working towards a common goal.

Excellence in Customer Service

A total commitment to informing, educating, consulting and responding to customer needs in a respectful and professional way.

Innovation

A willingness to seek ideas, share knowledge and remain flexible to new ways of doing things. It also means taking risks, making mistakes and making time to reflect to allow new solutions to surface.

Continuous Improvement

A continual openness to learning, sharing, reflecting, challenging and improving the way things are done.

3. CONDUCT OF ELECTED MEMBERS AND EMPLOYEES

3.1 Personal behaviour

- (1) Elected members and employees in the performance of their duties and functions must:
- act with reasonable care and diligence;
 - act with honesty and integrity;
 - act lawfully and in accordance with the terms of this Code;
 - act in the interests of the Shire and the community, uninfluenced by fear or favour;
 - avoid damage to the reputation of the Shire;
 - be open and accountable to the public;
 - base decisions on relevant and factually correct information;
 - treat others with respect and fairness;
 - not be impaired by mind affecting substances;
 - make no allegations which are improper or derogatory and refrain from any form of conduct, in the performance of their official or professional duties, which may cause, or is likely to cause any reasonable person unwarranted offence or embarrassment; and
 - always act in accordance with their obligation of fidelity to the Shire and not publicly reflect adversely upon any decision of Council or the Executive Team.
- (2) In carrying out their respective functions, elected members and employees of the Shire must use their best endeavours to meet the needs of current and future generations through the integration of environmental protection, social advancement and economic prosperity.
- (3) An elected member's primary obligation is to represent and promote the interests of the community as a whole. The interests of special interest groups or individuals should be considered only in the context of contributing to the good governance of the Shire.
- (4) Elected members must attend meetings of Council and committees to which they are appointed, and fulfil their statutory responsibility to participate in the meeting and cast their vote, noting that failure to fulfil these duties may be an offence against the *Local Government Act 1995* and the *Shire of Mundaring Standing Orders Local Law*.
- (5) An elected member who is unable to attend a meeting of Council or a committee to which they are appointed or is unable to be in attendance for the full duration of the meeting must:
- (a) for reasons of illness, tender an apology in writing to the Presiding Member or the Chief Executive Officer;
 - (b) for extended absences of two or more meetings, ensure that they have previously been granted by resolution a leave of absence; or

- (c) when required to leave a meeting for a convenience break, emergency or unavoidable circumstance, ensure they have first sought acknowledgement from the Presiding Member.
- (6) An elected member who is unable to attend any meeting of a committee to which they are appointed must ensure that they inform the deputy delegate in reasonable time to facilitate attendance.

3.2 Honesty and integrity

Elected members and employees must:

- (a) observe the highest standards of honesty and integrity, and avoid conduct which might suggest any departure from these standards;
- (b) be frank, honest and fair in performing their functions; and
- (c) report any dishonesty or possible dishonesty or breach of the provisions of this Code on the part of any other elected member or employee in accordance with the requirements of Part 7 of this Code.

3.3 Performance of duties

- (1) While on duty, employees must give their whole time and attention to Shire business and ensure their work is carried out efficiently, economically and effectively in accordance with the Shire's policies, procedures and strategic direction, and of a high standard.
- (2) Elected members must understand their role and that of the Council, pursuant to sections 2.7 and 2.10 of the *Local Government Act 1995* and must at all times exercise reasonable care and diligence in the performance of their duties, be consistent in their decision making and treat all matters on their relevant individual merits. They must ensure they are well informed on matters before Council by reading all agendas and reports provided.

3.4 Quasi-judicial role and principles

3.4.1 Role

'Quasi-judicial' functions are those which involve the making of a decision by the Council or an employee in the exercise of a discretionary power. The Shire performs quasi-judicial functions when deciding to approve or not approve applications for planning approval, and for other approvals, licences, consents and permits. Elected members and employees must therefore act in a judicial manner (e.g. judge-like) when performing quasi-judicial functions.

3.4.2 Principles

- (1) The community expectation is that in performing quasi-judicial functions, the Council as a body, and elected members individually and employees will act in a quasi-judicial manner.
- (2) To act in a quasi-judicial manner, elected members and employees must apply the principles of natural justice and without bias or conflict of interest, make decisions in a judicial manner based on:
 - (a) the law and Shire policies as they exist; and
 - (b) the facts and merits of the case.

- (3) Applicants submitting approval documents may attempt to persuade individual elected members or employees in favour of their proposals. Elected members and employees must remain objective and deal with applicants or affected persons impartially.
- (4) Determining applications must be based on sound legislative rationale and not perceived public opinion.
- (5) Information related to a quasi-judicial decision must be provided to all parties to the decision making function in a consistent manner and format, as determined by the Chief Executive Officer.

3.4.3 Non-compliance

- (1) Non-compliance with quasi-judicial principles could result in Council or employee decisions being invalidated.
- (2) An elected member, acting when biased and without disclosing an interest affecting impartiality, may breach regulation 11 of the *Local Government (Rules of Conduct) Regulations 2007*.

3.4.4 Procedures for elected members

When acting in a quasi-judicial role:

- (a) elected members must not actively gather information independent of the official process by canvassing, liaising or initiating site visits with an applicant or affected person;
- (b) if contacted by an applicant or an affected person, elected members must:
 - i. listen and endeavour to understand the reason for the applicant or affected person making contact;
 - ii. advise the applicant or affected person of the principles that apply where an elected member undertakes the role of quasi-judicial decision maker [refer to clauses 3.4.1 and 3.4.2 above];
 - iii. encourage the applicant or affected person to make their views known through the relevant formal Shire and statutory processes, such as through question time, deputations and public submission periods, in writing or direct to the Shire's administration; and
 - iv. ensure that they do not commit their vote, or give an impression that they have committed their vote, on the matter. Elected members may offer support or otherwise, but are obliged to consider all relevant facts and have regard to the debate at the meeting, prior to making their decision;
- (c) elected members must contact the Chief Executive Officer if they believe a site visit would be beneficial or if they have been requested by an applicant or an affected person to visit a site. Where appropriate and if circumstances permit, site visits must be arranged to facilitate the opportunity for all elected members to attend as well as at least one employee. Elected members visiting sites must ensure they comply with clause 3.4.2;

- (d) where an applicant or affected person provides information to an elected member which is substantive to the decision making process, the elected member must communicate that information to all other elected members and the Chief Executive Officer prior to the meeting where a decision is proposed on the matter; and
- (e) if an elected member believes that additional information is required to make an informed decision, that information must be sought in a written request to the Chief Executive Officer or obtained by resolution of Council. Where requested, the Chief Executive Officer will consider requests for additional information in light of its relevancy to the decision and determine whether or not the information should be provided.

3.5 Protection of the natural and built environment

In carrying out their functions, elected members and employees must ensure that the protection of the natural and built environment is considered with the aim of delivering sustainable outcomes for future generations.

3.6 Improper or undue influence

An elected member or employee must not take advantage of their office or position to improperly influence other members or employees in the performance of their duties or functions. They must not act to gain undue or improper (direct or indirect) advantage or gain, pecuniary or otherwise, for themselves or for any other person or body. Similarly, an elected member or employee must not take advantage of their office or position to improperly disadvantage or cause detriment to the Shire or any other person.

3.7 Compliance with policies and directions

- (1) Elected members and employees must give effect to the lawful policies of the Shire, whether or not they agree with or approve of them.
- (2) Employees must comply with any lawful direction given by any person having authority to make or give the direction. Any doubts as to the propriety of the direction are to be taken up with the supervisor of the person who gave the direction and, if resolution cannot be achieved, with the Chief Executive Officer.

3.8 Record keeping responsibilities

Elected members and employees must at all times be responsible for the creation and maintenance of full and accurate records to evidence the performance of their functions.

3.9 Access to and use of information

- (1) Elected members must be provided with access to information held by the Shire, subject to:
 - (a) a request for access to the information being made to the Chief Executive Officer in writing, detailing the information sought and purpose for which the information is required;
 - (b) the Chief Executive Officer being of the view the information sought is relevant to the performance of the elected member's statutory functions as prescribed by section 5.92 of the *Local Government Act*; and

- (c) the information being used by the elected member solely for the purpose for which it was provided.
- (2) Elected members and employees must not use information, whether assigned confidential status or not, to gain improper advantage for themselves or for any other person or body. Information must not be used in ways which are inconsistent with their obligation to act impartially and with discretion, and to avoid improperly causing harm or detriment to any person, organisation or the Shire.

4. CORPORATE OBLIGATIONS

4.1 External communications and public relations

Elected member and employee external communications and public relations must:

- (a) respect the decision making processes of the Shire;
- (b) be accurate, polite and professional;
- (c) refrain from publicly criticising either an elected member or an employee in a way that casts aspersions on their competence or credibility;
- (d) maintain the confidentiality of information that has been assigned that status, until the status is removed by either a decision of Council or advice from the Chief Executive Officer;
- (e) ensure that information relating to quasi-judicial decisions (for example approvals, licences, permits) is communicated only in an official capacity by an authorised employee;
- (f) ensure that information concerning adopted policies, procedures and decisions of the Shire is conveyed accurately; and
- (g) be undertaken in a manner that promotes understanding, participation, accountability and responsibility.

4.2 Public statements

- (1) With the exception of the President and Chief Executive Officer, elected members and employees must not make a public statement that purports to be made, or could reasonably be seen as being made, on behalf of the Shire.
- (2) Employees expressly authorised by the Chief Executive Officer may communicate with the media on behalf of the Chief Executive Officer on issues authorised by the Chief Executive Officer.

4.3 Relationships between elected members and employees

- (1) Elected members and employees must ensure that in their dealings with each other, they:
 - (a) work together as part of the Shire's Executive Team;
 - (b) maintain an environment of mutual respect and cooperation; and
 - (c) are respectful, frank and honest in their communications.

- (2) The *Local Government Act 1995* provides for the separation of the roles of the Council and its members (elected members) and the Chief Executive Officer's responsibilities for the day-to-day operations of the local government. In order to avoid potential conflict and in recognition of the respective roles, elected members and employees must ensure that:
- (a) the role of elected members is one of strategic leadership and not a management or administrative role;
 - (b) the Chief Executive Officer is responsible for implementing the decisions and policies of Council;
 - (c) employees are responsible to the Chief Executive Officer and the Chief Executive Officer is responsible to Council;
 - (d) elected members do not direct or instruct employees;
 - (e) elected members do not undertake a task that contributes to the administration of the Shire, unless the activities are undertaken in relation to a meeting or the express authority of the Council or the Chief Executive Officer has been obtained prior to undertaking the task;
 - (f) elected members undertake their day-to-day communications with the Shire directly through the Chief Executive Officer or relevant Directors, unless the Chief Executive Officer has established a protocol for communications on particular matters to occur directly with specified employees;
 - (g) when entering a Shire business location, elected members seek approval from the Chief Executive Officer or the relevant Director, through their Personal Assistant, before engaging in discussion with employees; and
 - (h) an employee undertakes direct communications with an elected member only when the employee is acting within the functions and responsibilities of their position or is acting under the direction of the Chief Executive Officer or Director.
- (3) The Shire President and the Chief Executive Officer have responsibilities founded in fostering a good working relationship that encompasses the following:
- (a) open and frank communications;
 - (b) regular contact;
 - (c) information exchange in a timely manner;
 - (d) regard for their individual leadership responsibilities;
 - (e) commitment to developing understanding of each other's views and opinions;
 - (f) willingness to negotiate;
 - (g) commitment to working through conflict;
 - (h) sharing and encouragement of ideas and challenges; and
 - (i) constructive approach, undertaken in a positive manner.

4.4 Conflict resolution

In the case of a serious conflict between or among elected members or employees:

- (a) the parties concerned should endeavour to fairly and quickly resolve the conflict directly with each other; and
- (b) if after genuine efforts, the matter cannot be resolved, it must be referred, in the case of:
 - i. an employee - to their immediate supervisor;
 - ii. an elected member - to the President; or
 - iii. if an elected member is in conflict with the President - to the Chief Executive Officer.

4.5 Appointments to external organisations

An elected member or employee who is appointed as a delegate or representative of the Shire to an external association, committee, group or other organisation, must:

- (a) clearly understand the basis of their appointment;
- (b) provide regular reports on the activities of the organisation for consideration by Council; and
- (c) communicate the resolved position of Council to the external organisation as determined from:
 - i. resolutions of Council dealing specifically with the matter involving the external organisation;
 - ii. resolutions of Council dealing generally with matters involving the external organisation; and
 - iii. relevant statements of the Council's positions contained in adopted Council policies or the Shire's Strategic Community Plan.

4.6 Use of Shire resources

Each elected member and employee must:

- (a) be scrupulously honest in their use of the Shire's facilities, funds, employee time, materials and equipment and must not misuse them or permit their misuse (or the appearance of misuse) by any person or body;
- (b) use Shire resources entrusted to them effectively, economically and lawfully in the course of their duties and not otherwise;
- (c) not use Shire resources (including the services of Shire employees during normal working hours) for private purposes (other than when supplied as part of a contract of employment), unless expressly authorised by the Chief Executive Officer to do so;
- (d) not make unauthorised use of information and other intellectual property, produced or registered by employees or external contractors for the Shire. The title to intellectual property created in the course of performing a function for or on behalf of the Shire must be assigned to the Shire upon its creation; and

- (e) promote the concept of pride in public property, fostering an awareness of the community's ownership of the Shire's natural and built environment.

4.7 Travelling and sustenance expenses

Elected members and employees must claim or accept only those travelling and sustenance expenses arising out of travel related matters which have a direct bearing on the services, policies or business of the Shire in accordance with the Shire's policies, the *Local Government Act 1995* and relevant industrial awards or agreements.

4.8 Standards of attire

- 1) The appearance and dress of elected members and employees, while conducting Shire business, must be in accordance with the standards appropriate to their duties and the people with whom they are dealing.
- 2) Elected members and employees are required to behave in a way that upholds the good reputation of the Shire, and as such they are required to dress professionally, reflecting pride in the Shire and respect for those that they deal with, particularly the public.
- 3) In some circumstances, elected members and employees may be required to adopt a particular dress standard, which may include wearing a uniform, safety clothing or formal attire. Where such standards are required, they must be complied with.
- 4) When attending a Council meeting, elected members and employees are required to wear appropriate business attire.

4.9 Use of social media

- 1) *Social media will be used as a communication tool and to facilitate professional development and online collaboration.*
- 2) *Information disseminated through social media will be accurate, authorised and aligned with council strategies, policies and decisions.*
- 3) *In developing, posting and responding to content, elected members and employees will act with honesty, integrity, courtesy and professionalism. They will not be discriminatory, defamatory, harassing or encourage law breaking.*
- 4) *Elected members and employees intending to use social media to communicate about Council activity or policy must ensure appropriate authorisation and must register their social media account/tools/site being used for corporate activity with the Communications Advisor.*
- 5) *Elected members and employees:*
 - *Must not post or respond to material that is offensive, obscene, defamatory, threatening, harassing, bullying, discriminatory, hateful, racist, sexist or infringes copyright;*
 - *Must not establish fictitious names or identities deliberately intended to deceive, mislead or lie;*
 - *Must not bring Council's integrity into disrepute or harm the operations or reputation of Council;*
 - *Must separate personal opinions from professional ones;*

- *Must avoid the use of business email addresses for personal social media logins.*

5. CONFLICT OF INTEREST

5.1 General duties

- (1) Elected members and employees must ensure that there is no actual, potential or perceived conflict of interest between the fulfilment of their public or professional duties and either their personal interests or those of closely associated persons.
- (2) Elected members and employees must:
 - (a) consider potential conflicts of interest when deciding whether to accept a gift from any person or organisation with a commercial relationship, or possible future commercial relationship, with the Shire;
 - (b) disclose actual, potential or perceived conflicts of interest; and
 - (c) be aware of the types of interests and the corresponding compliance requirements set out under clauses 5.2 to 5.6 below.

5.2 Financial interests

In accordance with the requirements of Division 6, Part 5 of the *Local Government Act 1995*, elected members and employees must:

- (a) disclose financial and proximity interests and comply with the participation and voting restrictions set out in the Act; and
- (b) where prescribed, provide statutory primary and annual financial interest returns, noting that these statutory returns must also include details of relevant gift declarations.

5.3 Impartiality interests

- (1) The provisions of this clause (5.3) apply only to impartiality interests. The disclosure of financial and proximity interests are dealt with in the *Local Government Act 1995*.
- (2) An 'impartiality interest' is an interest that could, or could reasonably be perceived to adversely affect the impartiality of the person having the interest. [Refer to regulation 34C(1) of the *Local Government (Administration) Regulations* and regulation 11(1) of the *Local Government (Rules of Conduct) Regulation*].
- (3) An elected member or employee who has an interest in a matter to be discussed at a meeting attended by the person must disclose the nature of the interest on the prescribed form to the Chief Executive Officer before the meeting or verbally immediately before the matter is discussed.
- (4) An employee who has given, or will give, advice in respect of a matter to be discussed at a meeting not attended by the employee must disclose the nature of the interest on the prescribed form to the Chief Executive Officer prior to the meeting or at the time the advice is given.
- (5) An interest declaration and the nature of the interest must be:

- (a) read aloud by the person presiding at the meeting prior to the matter to which the disclosure relates being discussed; and
 - (b) recorded in the minutes of the meeting.
- (6) The disclosure of an impartiality interest does not affect the ability of the person to:
- (a) participate in or contribute to discussion of the matter; or
 - (b) if applicable, vote on the matter.

5.4 Private work

- (1) An employee must seek, in writing, approval from the Chief Executive Officer before engaging in paid work outside their employment with the Shire.
- (2) The Chief Executive Officer may refuse approval or may grant approval, with or without conditions.
- (3) An employee who is approved to undertake private work must not use Shire equipment, premises, time, resources or consumables to conduct or undertake activities associated with their private work.
- (4) An elected member or employee must not undertake private work to assist an external person or agency in the development or lodgement of a funding submission that may compete with a similar submission by the Shire.

5.5 Dealings with land

An elected member or employee must notify the Chief Executive Officer in writing, before either they or a closely associated person undertake dealing in land within the Shire's district (other than purchasing their principal place of residence).

5.6 Personal associations

- (1) An employee who exercises a regulatory, recruitment or other discretionary function must disclose to the Chief Executive Officer or their relevant Director before dealing with a relative or close friend and, whenever possible, disqualify themselves from dealing with those persons.
- (2) An employee must refrain from partisan political activities which could cast doubt on their neutrality and impartiality in acting in their professional capacity.

6. GIFTS AND BENEFITS

6.1 Meaning of 'gift'

In broad terms, a gift means any item of value given to, or any financial benefit conferred on, an elected member or employee in connection with their employment or position with the Shire. It includes hospitality.

Note: The full definition of 'gift', and the exclusions from that term, are set out in section 5.82(4) of the Local Government Act 1995, regulation 12(1) of the Local Government (Rules of Conduct) Regulations 2007 and regulation 34B(1) of the Local Government (Administration) Regulations 1996.

6.2 General duties

An elected member or employee:

- (a) must not seek a gift;
- (b) must refuse any offers of a 'prohibited gift' (as defined in regulation 12(1) of the *Local Government (Rules of Conduct) Regulations 2007* and regulation 34B(1) of the *Local Government (Administration) Regulations 1996*);
- (c) must refuse bribes and report bribery attempts to the Chief Executive Officer and to Western Australian Police;
- (d) if unsure about how to respond to an offer of a gift, must seek advice from the relevant Director or the Chief Executive Officer; and
- (e) must declare all gifts which have a commercial value of \$50 or more on the 'Gift Declaration Form' (see clause 6.4 below).

6.3 Acceptance of certain gifts

An elected member or employee may accept a gift if:

- (a) the value of the gift, plus the value of any other gift given by the same person within a period of six months, is under \$50;
- (b) the value of the gift, plus the value of any other gift or gifts given by the same person within a period of six months, is between \$50 and \$300 ('**notifiable gift**') and a Gift Declaration Form is submitted to the Chief Executive Officer within 10 days of accepting the gift; or
- (c) whatever the value of the gift:
 - i. the gift is accepted on behalf of the Shire;
 - ii. ownership of the gift is transferred immediately to the Shire; and
 - iii. the elected member or employee submits a 'Gift Declaration Form', together with evidence of the approval of the Chief Executive Officer or the relevant Director, within 10 days of accepting the gift.

6.4 Gift Declaration Form

A 'Gift Declaration Form' must be in writing and include –

- (a) the name of the person who gave the gift;
- (b) the date on which the gift was accepted;
- (c) a description, and the estimated value, of the gift;
- (d) the nature of the relationship between the person who gave the gift and the elected member or employee who accepted the gift; and
- (e) if the gift is a 'notifiable gift' (under clause 6.2(e) above) –
 - i. a description;
 - ii. the estimated value; and
 - iii. the date of acceptance,
 - iv. of each gift accepted within the six month period.

Note: A gift with a commercial value of less than \$50 (which is not a 'notifiable gift') is not required to be declared. However, elected members and employees are encouraged to submit a Gift Declaration Form voluntarily.

6.5 Gift register

- (1) In accordance with the requirements of the *Local Government Act 1995* the Chief Executive Officer must maintain a register of gift declarations which is a public record and may be inspected on request.
- (2) As soon as practicable after receipt of a Gift Declaration Form, a person appointed by the Chief Executive Officer must –
 - (a) record, in the Shire's gifts register, all gifts declared by elected members and employees; and
 - (b) check the total value of gifts declared by elected members and employees in the previous six month period.

6.6 Reporting

A person appointed by the Chief Executive Officer must provide:

- (a) Directors with a half-yearly report of all gifts declared by employees within their Directorate; and
- (b) the Chief Executive Officer with a quarterly report of all gifts declared by elected members and employees.

6.7 Roles and responsibilities

- (1) A perceived, actual or potential conflict of interest arising from the acceptance of a gift must be managed to ensure that decision making is transparent and free from the perception of bias.
- (2) The Chief Executive Officer is responsible for managing perceived, actual or potential conflicts of interest arising from the acceptance of gifts received by elected members or employees.

6.8 Benefit obtained through participation in events funded by the Shire

- (1) A benefit under this clause includes winning a door prize, a raffle prize or a similar game of chance.
- (2) An elected member or employee who, at an event where their participation is funded by the Shire, obtains a benefit through a game of chance for which there is no additional entry cost, must relinquish the item to the Chief Executive Officer where the value of the benefit is greater than \$300.
- (3) The Chief Executive Officer is to use the relinquished item for the benefit of the Shire and must keep a record of how the benefit has been applied to this effect.
- (4) A benefit received which has a value less than \$300 may be retained by the recipient if a Gift Declaration Form is submitted to the Chief Executive Officer.
- (5) This clause (6.8) does not apply where an elected member or employee:
 - (a) obtains a benefit through a game of chance; and
 - (b) has paid the cost of entry using his or her personal funds.

6.9 Disclosure of election campaign contributions/ gifts

A gift with a value of \$200 or more (or multiple gifts from the same person with a combined value of \$200 or more), promised or received within a six month period before a local government election day, is required to be disclosed to the Chief Executive Officer in accordance with the *Local Government Act 1995* and regulation 30B of the *Local Government (Elections) Regulations 1997*.

6.10 Shire sponsored competitions

The following are not eligible to benefit from Shire sponsored competitions:

- (a) an elected member or employee; and
- (b) the spouse, partner or family member of an elected member or employee who is cohabitating at the residence of the elected member or employee.

7. BREACHES AND MISCONDUCT

Complaints regarding a breach of this Code or of misconduct must be dealt with quickly and fairly in accordance with the principles of procedural fairness.

7.1 Employees

- (1) A complaint alleging that an employee has breached this Code must be made in writing. Complaints regarding:
 - (a) the Chief Executive Officer – must be made to the President;
 - (b) a Director – must be made to the Chief Executive Officer; and
 - (c) any other employee – must be made to the employee's relevant Director.
- (2) The complaint must be investigated in a manner that is in accordance with the Shire's Complaint Management System and the principles of procedural fairness.

7.2 Elected members

- (1) A complaint alleging that an elected member has committed a breach of this Code must be made in writing to the Shire's designated complaints officer (under section 5.120 of the *Local Government Act 1995*), currently the Chief Executive Officer.
- (2) The Chief Executive Officer is required, under the *Local Government Act*, to refer the complaint to the Local Government Standards Panel for investigation and determination.

7.3 Misconduct

- (1) For the purposes of this clause, misconduct is defined in accordance with section 4 of the *Corruption and Crime Commission Act 2003*.
- (2) The Chief Executive Officer has a statutory obligation to report to the Corruption and Crime Commission any suspected misconduct by an elected member or employee.
- (3) As public officers, elected members and employees should immediately report to the Chief Executive Officer any instance of suspected misconduct.

Public Interest Disclosure

The Shire has a public interest disclosure procedure that provides confidential mechanisms for reporting and investigating misconduct allegations or improper conduct and other public interest information in accordance with the *Public Interest Disclosure Act 2003*.

This item was considered following Item 8.7 pending the arrival of Auditor Greg Godwin from Moore Stephens.

8.4 Audited Annual Financial Report 2017/18

File Code	FI.AUD 1718
Author	Stan Kocian, Manager Finance and Governance
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Audited Annual Financial Report ↓2. Auditor's Management Report ↓3. Annual Financial Report - Variance Report ↓

SUMMARY

This report presents the audited Annual Financial Report for the year ended 30 June 2018. 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.

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 53 - 54 of the document.

The Annual Financial Report for the year ended 30 June 2018 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 audited Annual Financial Report prior to its presentation to Council.

The ARC Terms of Reference provides:

9.1.12 Review the Shire'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 (1) and (2) - requires the Shire 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 the Shire 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 the Shire 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

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately

Strategy 1.1.4 – Practice effective governance and financial risk management

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Financial and reputational. Risk of material misstatement of the Shire’s financial position and performance.		
Likelihood	Consequence	Rating

Rare	Major	Low
Action / Strategy		
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.

Moore Stephens have also issued a separate Management Report which raised two matters.

1. Asset Sustainability Ratio:

"The Asset Sustainability ratio expresses capital expenditure on renewal and replacement of existing assets as a percentage of depreciation costs. This ratio is used to identify any potential decline or improvement in asset conditions. A percentage of less than 100% on an ongoing basis indicates assets may be deteriorating at a greater rate than spending on renewal or replacement.

The ratio has significantly deteriorated from 1.02 in 2017 to 0.62 in the current year. A reason for the decline is due to actual capital renewal and replacement expenditure being approximately \$4.3 million lower than the previous year as well as an increase of \$1.5 million in new/upgrade expenditure predominantly associated with the completion of the Mundaring Arena. Furthermore, this ratio has been below the target level of 0.90 for 3 of the last 5 years.

Although the ratio is below target levels, we do not consider this an indication of an adverse trend in the financial position of the Shire, given the relative strength of other ratios. However, this should still be given consideration during asset management planning and while reviewing the Shire's long term capital investment program to help ensure asset renewal is maintained at an appropriate level with sufficient funding support in the future."

Management have noted and accept the auditor's observation and comments. The auditor's comment that "we do not consider this an indication of an adverse trend in the financial position of the Shire, given the relative strength of other ratios" is a relevant one. The auditor's statement is supported by the fact the Shire's Financial Health Indicator (FHI) score has improved from 76 in 2016/17 to 85 in 2017/18.

2. Credit Cards:

As at 30 June 2018 the Shire had 43 credit cards in use with a total combined limit of \$86,500 (unchanged from 2017).

Whilst we appreciate credit cards are used as a business tool, they also require additional administrative effort and robust controls to be in place.

During the audit our review found the credit card policy and procedures to be satisfactory, however given the size of the Shire, and the sensitivities surrounding credit cards, we consider the number of credit cards on issue to be excessive.

The number of credit cards held should be reviewed and guidelines established to streamline the number on issue. This will help ensure robust and stringent controls remain over Shire expenditure at all times.

Management have noted the auditor's comments. A review of all credit cards is scheduled to occur late this year/early next year. Whilst the review may not necessarily result in a significant reduction in the number of credit cards, it will focus on opportunities to potentially reduce the overall credit limit.

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 the Notes to and forming part of the annual financial report.

2. Changes to accounting policies and practices

Nil

3. The process used in making significant accounting estimates

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.

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 2018 Budget and 2018 Actual and major variances between 2018 Actual and 2017 Actual are set out in attachment 3.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION**ARC6.11.18**

Moved by

Cr Daw

Seconded by

Cr Jones

1. That Council accepts the audited Annual Financial Report for the year ended 30 June 2018 and notes the independent Audit Report issued by Moore Stephens Attachments 1 & 2;
2. That the Audit and Risk Committee notes the accompanying documents;
 - a) Management Report from Moore Stephens in Attachment 2; and
 - b) Significant variances and explanations in Attachment 3.

CARRIED 7/0**For:** Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans**Against:** Nil

The Audit and Risk Committee requested that an Officer's report on purchase cards be presented to the Audit and Risk Committee meeting on 21 May 2019 addressing the following matters:

- A review of existing purchase cards, ie numbers, values, requirements etc
- Review of procurement and purchase card policies in terms of controls for purchases by purchase card
- Review the recommendations of the Auditor General's Local Government Procurement report of 11 October 2018 and comment on Shire controls in regard to the recommendations.

SHIRE OF MUNDARING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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SHIRE OF MUNDARING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Mundaring for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Mundaring at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed as authorisation of issue on the 12th day of November 2018



Jonathan Throssell
Chief Executive Officer

**STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	23(a)	27,375,948	27,296,129	26,431,929
Operating grants, subsidies and contributions	2(a)	5,860,186	3,546,836	6,755,608
Fees and charges	2(a)	12,277,089	12,916,830	11,759,094
Interest earnings	2(a)	984,574	1,033,788	1,041,275
Other revenue	2(a)	942,216	936,875	1,529,113
		<u>47,440,013</u>	<u>45,730,458</u>	<u>47,517,019</u>
Expenses				
Employee costs		(19,184,762)	(19,550,744)	(18,809,705)
Materials and contracts		(17,951,935)	(18,373,695)	(18,004,252)
Utility charges		(1,276,544)	(1,386,974)	(1,201,047)
Depreciation on non-current assets	9(b)	(7,397,842)	(8,573,167)	(8,802,879)
Interest expenses	2(b)	(609,593)	(528,979)	(640,049)
Insurance expenses		(437,906)	(840,473)	(806,252)
Other expenditure		(739,478)	(653,787)	(1,046,345)
		<u>(47,598,060)</u>	<u>(49,907,819)</u>	<u>(49,310,529)</u>
		(158,047)	(4,177,361)	(1,793,510)
Non-operating grants, subsidies and contributions	2(a)	3,265,015	3,264,108	4,315,630
Profit on asset disposals	9(a)	1,818	0	36,528
(Loss) on asset disposals	9(a)	(135,282)	(43,700)	(96,694)
Change in Equity - Joint Venture	18	916,244	0	892,286
Net result		3,889,748	(956,953)	3,354,240
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(69,060,425)	0	(6,583,059)
Total other comprehensive income		(69,060,425)	0	(6,583,059)
Total comprehensive income		(65,170,677)	(956,953)	(3,228,819)

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

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018**

NOTE	2018 Actual	2018 Budget	2017 Actual	
	\$	\$	\$	
Revenue				
2(a)				
Governance	305,700	108,800	322,486	
General purpose funding	30,824,225	29,633,119	31,258,266	
Law, order, public safety	688,534	519,200	704,844	
Health	86,959	55,700	98,890	
Education and welfare	5,321,614	5,181,184	4,935,430	
Community amenities	7,946,410	7,975,885	7,782,380	
Recreation and culture	1,393,680	1,336,930	1,217,166	
Transport	89,862	48,000	292,745	
Economic services	251,282	332,185	286,105	
Other property and services	531,747	539,455	618,707	
	<u>47,440,013</u>	<u>45,730,458</u>	<u>47,517,019</u>	
Expenses				
2(b)				
Governance	(4,775,505)	(5,453,054)	(4,734,531)	
General purpose funding	(636,341)	(646,034)	(860,429)	
Law, order, public safety	(2,491,000)	(2,369,109)	(2,451,342)	
Health	(646,643)	(736,140)	(651,408)	
Education and welfare	(6,967,744)	(6,868,933)	(7,124,910)	
Community amenities	(8,647,054)	(9,292,660)	(8,745,029)	
Recreation and culture	(9,630,844)	(10,867,052)	(10,599,591)	
Transport	(11,010,752)	(10,706,924)	(10,975,714)	
Economic services	(744,383)	(733,653)	(754,826)	
Other property and services	(1,438,201)	(1,705,281)	(1,772,700)	
	<u>(46,988,467)</u>	<u>(49,378,840)</u>	<u>(48,670,480)</u>	
Finance Costs				
2(b)				
Governance	(289,798)	(267,034)	(307,623)	
Recreation and culture	(319,795)	(261,945)	(332,426)	
	<u>(609,593)</u>	<u>(528,979)</u>	<u>(640,049)</u>	
	(158,047)	(4,177,361)	(1,793,510)	
Non-operating grants, subsidies and contributions	2(a)	3,265,015	3,264,108	4,315,630
Profit on disposal of assets	9(a)	1,818	0	36,528
(Loss) on disposal of assets	9(a)	(135,282)	(43,700)	(96,694)
Change in Equity - Joint Venture	18	916,244	0	892,286
	<u>4,047,795</u>	<u>3,220,408</u>	<u>5,147,750</u>	
Net result	3,889,748	(956,953)	3,354,240	
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(69,060,425)	0	(6,583,059)
Total other comprehensive income	(69,060,425)	0	(6,583,059)	
Total comprehensive income	(65,170,677)	(956,953)	(3,228,819)	

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	29,268,143	32,218,731
Trade and other receivables	5	1,981,982	1,947,352
Inventories	6	112,090	92,741
TOTAL CURRENT ASSETS		31,362,215	34,258,824
NON-CURRENT ASSETS			
Other receivables	5	961,993	934,213
Property, plant and equipment	7	75,227,212	71,264,715
Infrastructure	8	296,344,898	364,989,205
Interest in Joint Venture	18	19,891,176	18,974,932
TOTAL NON-CURRENT ASSETS		392,425,279	456,163,065
TOTAL ASSETS		423,787,494	490,421,889
CURRENT LIABILITIES			
Trade and other payables	11	1,429,155	2,383,374
Current portion of long term borrowings	12(a)	605,330	577,065
Provisions	13	3,280,522	3,278,582
TOTAL CURRENT LIABILITIES		5,315,007	6,239,021
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	11,136,668	11,741,998
Provisions	13	278,336	212,710
TOTAL NON-CURRENT LIABILITIES		11,415,004	11,954,708
TOTAL LIABILITIES		16,730,011	18,193,729
NET ASSETS		407,057,483	472,228,160
EQUITY			
Retained surplus		142,954,754	137,540,104
Reserves - cash backed	4	19,351,202	20,876,104
Revaluation surplus	10	244,751,527	313,811,952
TOTAL EQUITY		407,057,483	472,228,160

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		128,504,202	26,557,766	320,395,011	475,456,979
Comprehensive income					
Net result		3,354,240	0	0	3,354,240
Changes on revaluation of assets	10	0	0	(6,583,059)	(6,583,059)
Total comprehensive income		3,354,240	0	(6,583,059)	(3,228,819)
Transfers from/(to) reserves		5,681,662	(5,681,662)	0	0
Balance as at 30 June 2017		137,540,104	20,876,104	313,811,952	472,228,160
Comprehensive income					
Net result		3,889,748	0	0	3,889,748
Changes on revaluation of assets	10	0	0	(69,060,425)	(69,060,425)
Total comprehensive income		3,889,748	0	(69,060,425)	(65,170,677)
Transfers from/(to) reserves		1,524,902	(1,524,902)	0	0
Balance as at 30 June 2018		142,954,754	19,351,202	244,751,527	407,057,483

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		27,296,725	27,296,129	26,073,579
Operating grants, subsidies and contributions		5,860,186	3,546,836	6,755,608
Fees and charges		12,266,881	12,916,830	12,005,325
Interest earnings		984,574	1,033,788	1,041,275
Goods and services tax		2,417,616	1,350,000	2,985,370
Other revenue		960,033	936,875	1,541,387
		<u>49,786,015</u>	<u>47,080,458</u>	<u>50,402,544</u>
Payments				
Employee costs		(19,117,196)	(19,550,744)	(18,783,402)
Materials and contracts		(18,925,503)	(18,373,695)	(18,150,136)
Utility charges		(1,276,544)	(1,386,974)	(1,201,047)
Interest expenses		(609,593)	(528,979)	(640,049)
Insurance expenses		(437,906)	(840,473)	(806,252)
Goods and services tax		(2,408,412)	(1,350,000)	(2,981,324)
Other expenditure		(739,478)	(653,787)	(1,046,345)
		<u>(43,514,632)</u>	<u>(42,684,652)</u>	<u>(43,608,555)</u>
Net cash provided by (used in) operating activities	14	<u>6,271,383</u>	<u>4,395,806</u>	<u>6,793,989</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(6,535,683)	(9,621,600)	(9,799,469)
Payments for construction of infrastructure		(5,809,552)	(4,713,616)	(5,571,968)
Non-operating grants, subsidies and contributions		3,265,015	3,264,108	4,315,630
Proceeds from sale of fixed assets		435,314	2,709,437	599,239
Net cash provided by (used in) investment activities		<u>(8,644,906)</u>	<u>(8,361,671)</u>	<u>(10,456,568)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(577,065)	(577,065)	(550,311)
Net cash provided by (used in) financing activities		<u>(577,065)</u>	<u>(577,065)</u>	<u>(550,311)</u>
Net increase (decrease) in cash held		<u>(2,950,588)</u>	<u>(4,542,930)</u>	<u>(4,212,890)</u>
Cash at beginning of year		32,218,731	29,239,159	36,431,621
Cash and cash equivalents at the end of the year	14	<u>29,268,143</u>	<u>24,696,229</u>	<u>32,218,731</u>

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

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

NOTE	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
OPERATING ACTIVITIES			
Net current assets at start of financial year - surplus/(deficit)	7,720,764	6,069,313	6,144,334
	<u>7,720,764</u>	<u>6,069,313</u>	<u>6,144,334</u>
Revenue from operating activities (excluding rates)			
Governance	305,700	108,800	322,486
General purpose funding	3,448,277	2,336,990	4,826,337
Law, order, public safety	688,534	519,200	708,229
Health	86,959	55,700	98,890
Education and welfare	5,321,614	5,181,184	4,935,430
Community amenities	7,948,228	7,975,885	7,782,380
Recreation and culture	1,393,680	1,336,930	1,217,166
Transport	89,862	48,000	325,888
Economic services	251,282	332,185	286,105
Other property and services	531,747	539,455	618,707
	<u>20,065,883</u>	<u>18,434,329</u>	<u>21,121,618</u>
Expenditure from operating activities			
Governance	(5,065,303)	(5,725,188)	(5,042,154)
General purpose funding	(636,341)	(646,034)	(860,429)
Law, order, public safety	(2,517,318)	(2,369,109)	(2,451,342)
Health	(646,643)	(736,140)	(656,130)
Education and welfare	(6,967,744)	(6,868,933)	(7,132,183)
Community amenities	(8,647,054)	(9,293,460)	(8,761,961)
Recreation and culture	(9,953,968)	(11,131,497)	(10,936,298)
Transport	(11,110,932)	(10,742,224)	(10,975,714)
Economic services	(744,383)	(733,653)	(762,698)
Other property and services	(1,443,656)	(1,705,281)	(1,828,314)
	<u>(47,733,342)</u>	<u>(49,951,519)</u>	<u>(49,407,223)</u>
Operating activities excluded			
(Profit) on disposal of assets	9(a) (1,818)	0	(36,528)
Loss on disposal of assets	9(a) 135,282	43,700	96,694
Movement in deferred pensioner rates (non-current)	(19,953)	0	(72,343)
Movement in employee benefit provisions (non-current)	57,799	0	(35,379)
Depreciation and amortisation on assets	9(b) 7,397,842	8,573,167	8,802,879
Amount attributable to operating activities	<u>(12,377,543)</u>	<u>(16,831,010)</u>	<u>(13,385,948)</u>
INVESTING ACTIVITIES			
Non operating grants, subsidies and contributions	3,265,015	3,264,108	4,315,630
Proceeds from disposal of assets	9(a) 435,314	2,709,437	599,239
Purchase of property, plant and equipment	7(b) (6,535,683)	(9,621,600)	(9,799,469)
Purchase and construction of infrastructure	8(b) (5,809,552)	(4,713,616)	(5,571,968)
Amount attributable to investing activities	<u>(8,644,906)</u>	<u>(8,361,671)</u>	<u>(10,456,568)</u>
FINANCING ACTIVITIES			
Repayment of long term borrowings	12(a) (577,065)	(577,065)	(550,311)
Transfers to reserves (restricted assets)	4 (4,358,635)	(6,616,787)	(2,383,560)
Transfers from reserves (restricted assets)	4 5,883,537	6,976,732	8,065,222
Amount attributable to financing activities	<u>947,837</u>	<u>(217,120)</u>	<u>5,131,351</u>
Surplus(deficiency) before general rates	<u>(20,074,612)</u>	<u>(25,409,801)</u>	<u>(18,711,165)</u>
Total amount raised from general rates	23 <u>27,375,948</u>	<u>27,296,129</u>	<u>26,431,929</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24 <u>7,301,336</u>	<u>1,886,328</u>	<u>7,720,764</u>

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

1. 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, and to the extent they are not in consistent with the *Local Government Act 1995* and accompanying regulations), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations, Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the 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.

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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.

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY
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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual \$	2017 Actual \$
Other revenue		
Reimbursements and recoveries	231,630	562,951
Other	710,586	966,162
	942,216	1,529,113
Fees and Charges		
Governance	65,757	57
General purpose funding	157,236	144,912
Law, order, public safety	202,638	264,965
Health	86,959	98,890
Education and welfare	2,404,905	2,341,258
Community amenities	7,936,186	7,771,326
Recreation and culture	1,135,635	813,718
Transport	27,149	30,698
Economic services	251,282	286,105
Other property and services	9,342	7,165
	12,277,089	11,759,094

The following changes were made during the year to the amount of the fees or charges detailed in the original budget

- 1 Visitor Centre annual subscription fee for promotional services was increased from \$200 to \$300. Adopted at the July 2017 Ordinary Meeting of Council
- 2 Fees and Charges were introduced for the new Darlington Oval Pavilion. Adopted at the October 2017 Ordinary Meeting of Council

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	2,240,172	3,557,110
Law order, public safety	485,624	439,425
Education and welfare	2,833,208	2,531,422
Community amenities	9,930	2,500
Recreation and culture	212,671	104,768
Transport	62,714	92,121
Other property and services	15,867	28,262
	<u>5,860,186</u>	<u>6,755,608</u>
Non-operating grants, subsidies and contributions		
Law order, public safety	268,257	26,447
Recreation and culture	981,953	2,239,966
Transport	2,014,805	2,049,217
	<u>3,265,015</u>	<u>4,315,630</u>
Total grants, subsidies and contributions	<u>9,125,201</u>	<u>11,071,238</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)
a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to these undischarged conditions are disclosed in Note 22.

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 period.

Interest earnings

- Reserve funds
- Municipal funds
Other interest revenue (refer note 23(e))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
- Reserve funds	446,827	518,788	606,271
- Municipal funds	341,102	350,000	257,570
Other interest revenue (refer note 23(e))	196,645	165,000	177,434
	<u>984,574</u>	<u>1,033,788</u>	<u>1,041,275</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2018	2017
	\$	\$
Auditors remuneration		
- Audit of the Annual Financial Report	21,672	23,107
- Financial Management Review	8,907	0
- Other services	1,950	1,300
	<u>32,529</u>	<u>24,407</u>
Interest expenses (finance costs)		
Long term borrowings (refer Note 12(a))	609,593	640,049
	<u>609,593</u>	<u>640,049</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

3. CASH AND CASH EQUIVALENTS

	NOTE	2018 \$	2017 \$
Unrestricted		9 896 308	11 342 627
Restricted		19 371 835	20 876 104
		<u>29 268 143</u>	<u>32 218 731</u>
The following restrictions have been imposed by regulations or other externally imposed requirements			
Reserves cash backed - Plant Reserve	4	1,185 811	682 282
Reserves cash backed - Civic Facilities Reserve	4	7,097 652	9,233 832
Reserves cash backed - Information Technology Reserve	4	982 506	918 106
Reserves cash backed - Children Services Reserve	4	2,154 342	2 483 263
Reserves cash backed - Capital Investment Reserve	4	3,896 605	3 896 605
Reserves cash backed - Capital Income Reserve	4	3,783 891	3 191 627
Reserves cash backed - Gravel Pit Rehabilitation Reserve	4	58 229	56 813
Reserves cash backed - Long Service Leave Reserve	4	79 914	63 718
Reserves cash backed - Unspent Grants Reserve	4	112 252	349 858
Unspent grants - Roads to Recovery	22	20 633	0
		<u>19,371,835</u>	<u>20,876,104</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Reserves cash backed - Plant Reserve	682,282	878,403	(374,874)	1,185,811	667,091	873,971	(691,500)	849,562	831,353	814,629	(963,700)	682,282
Reserves cash backed - Civic Facilities Reserve	9,233,832	2,147,371	(4,283,551)	7,097,652	9,027,431	2,243,199	(5,317,034)	5,953,596	13,706,248	329,706	(4,802,122)	9,233,832
Reserves cash backed - Information Technology Reserve	918,106	64,400	0	982,506	792,734	61,356	(160,000)	694,090	871,196	62,432	(15,522)	918,106
Reserves cash backed - Children Services Reserve	2,483,263	172,786	(501,707)	2,154,342	2,060,793	55,518	(50,000)	2,066,311	2,998,563	67,869	(583,169)	2,483,263
Reserves cash backed - Capital Investment Reserve	3,896,605	0	0	3,896,605	3,962,099	2,396,739	0	6,358,838	3,896,605	0	0	3,896,605
Reserves cash backed - Capital Income Reserve	3,191,627	592,264	0	3,783,891	2,575,824	492,393	(320,000)	2,748,217	2,611,068	580,559	0	3,191,627
Reserves cash backed - Gravel Pit Rehabilitation Reserve	56,813	1,416	0	58,229	56,532	90,523	(36,000)	111,055	69,077	1,614	(13,878)	56,813
Reserves cash backed - Long Service Leave Reserve	63,718	429,743	(413,547)	79,914	114,623	403,088	(219,000)	298,711	301,702	176,893	(414,877)	63,718
Reserves cash backed - Unspent Grants Reserve	349,858	72,252	(309,858)	112,252	183,198	0	(183,198)	0	1,271,954	349,858	(1,271,954)	349,858
	20,876,104	4,358,635	(5,883,537)	19,351,202	19,440,325	6,616,787	(6,976,732)	19,080,380	26,557,766	2,383,560	(8,065,222)	20,876,104

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 Reserve	Anticipated date of use	Purpose of the reserve
Reserves cash backed - Plant Reserve	Ongoing	- to fund the replacement of works plant and light vehicles
Reserves cash backed - Civic Facilities Reserve	Ongoing	- to fund the construction and/or purchase of public buildings and facilities
Reserves cash backed - Information Technology Reserve	Ongoing	- to fund the upgrade and replacement of the Shire's information technology
Reserves cash backed - 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
Reserves cash backed - Capital Investment Reserve	Ongoing	- to fund the advancement of the Shire's property strategy
Reserves cash backed - Capital Income Reserve	Ongoing	- to fund the development of Shire facilities and infrastructure
Reserves cash backed - Gravel Pit Rehabilitation Reserve	Ongoing	- to fund the production of gravel and the rehabilitation of gravel pits
Reserves cash backed - Long Service Leave Reserve	Ongoing	- to fund the Shire's long service leave liability
Reserves cash backed - Unspent Grants Reserve	Ongoing	- to quarantine any unspent grant funds received during the financial year

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

5. TRADE AND OTHER RECEIVABLES

Current

	2018	2017
	\$	\$
Rates outstanding	1,225,763	1,166,493
Sundry debtors	254,736	267,463
GST receivable	316,772	325,976
Waste Charges	161,327	138,392
LSL contributions - other local governments	23,384	49,028
	<u>1,981,982</u>	<u>1,947,352</u>

Non-current

Rates outstanding - pensioners	926,929	906,976
Debtors - POS Payments	27,237	27,237
LSL contributions - other local governments	7,827	0
	<u>961,993</u>	<u>934,213</u>

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding	<u>1,225,763</u>	<u>1,166,493</u>
Includes		
Past due and not impaired	1,225,763	1,166,493
Sundry debtors	<u>254,736</u>	<u>267,463</u>
Includes		
Past due and not impaired	22,926	16,048

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for 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.

Classification and subsequent measurement

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

6. INVENTORIES

Current

Fuels and materials

<u>2018</u>	<u>2017</u>
\$	\$
112,090	92,741
<u>112,090</u>	<u>92,741</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at		
- Independent valuation 2017 - level 2	17,648,701	17,648,701
- Independent valuation 2017 - level 3	8,306,001	8,306,001
	<u>25,954,702</u>	<u>25,954,702</u>
Land - vested in and under the control of Council at		
- Independent valuation 2017 - level 3	800,000	800,000
	<u>800,000</u>	<u>800,000</u>
Total land	<u>26,754,702</u>	<u>26,754,702</u>
Buildings - specialised at		
- Independent valuation 2017 - level 3	64,381,000	54,428,500
Less: accumulated depreciation	(23,091,180)	(21,815,733)
	<u>41,289,820</u>	<u>32,612,767</u>
Total buildings	<u>41,289,820</u>	<u>32,612,767</u>
Total land and buildings	<u>68,044,522</u>	<u>59,367,469</u>
Works in progress	42,329	4,557,029
Furniture and equipment at		
- Management valuation 2016 - level 2	346,434	346,434
- Management valuation 2016 - level 3	793,671	773,840
Less: accumulated depreciation	(637,241)	(605,485)
	<u>502,864</u>	<u>514,789</u>
Plant and equipment at		
- Independent valuation 2016 - level 2	7,284,083	7,225,030
- Independent valuation 2016 - level 3	3,115,000	3,115,000
- Management valuation 2016 - level 3	308,154	308,154
Less: accumulated depreciation	(4,069,740)	(3,822,756)
	<u>6,637,497</u>	<u>6,825,428</u>
Total property, plant and equipment	<u>75,227,212</u>	<u>71,264,715</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7. 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.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Works in Progress	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	26,743,963	800,000	27,543,963	34,329,004	34,329,004	61,872,967	3,151,290	570,344	6,635,182	72,229,783
Additions	0	0	0	4,087,418	4,087,418	4,087,418	4,127,655	22,367	1,562,029	9,799,469
(Disposals)	0	0	0	0	0	0	0	(5,190)	(654,215)	(659,405)
Revaluation increments/ (decrements) transferred to revaluation surplus	(789,261)	0	(789,261)	(5,793,798)	(5,793,798)	(6,583,059)	0	0	0	(6,583,059)
Depreciation (expense)	0	0	0	(2,731,773)	(2,731,773)	(2,731,773)	0	(72,732)	(717,568)	(3,522,073)
Transfers	0	0	0	2,721,916	2,721,916	2,721,916	(2,721,916)	0	0	0
Carrying amount at 30 June 2017	25,954,702	800,000	26,754,702	32,612,767	32,612,767	59,367,469	4,557,029	514,789	6,825,428	71,264,715
Additions	0	0	0	5,395,471	5,395,471	5,395,471	42,329	19,831	1,078,052	6,535,683
(Disposals)	0	0	0	0	0	0	0	0	(568,778)	(568,778)
Depreciation (expense)	0	0	0	(1,275,447)	(1,275,447)	(1,275,447)	0	(31,756)	(697,205)	(2,004,408)
Transfers	0	0	0	4,557,029	4,557,029	4,557,029	(4,557,029)	0	0	0
Carrying amount at 30 June 2018	25,954,702	800,000	26,754,702	41,289,820	41,289,820	68,044,522	42,329	502,864	6,637,497	75,227,212

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7. 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 land	Level 2	Market approach using recent observable data for similar properties in the area	Independent Registered Valuers	June 2017	Price per square metre
Land - freehold land	Level 3	Cost approach	Independent Registered Valuers	June 2017	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3) inputs
Land - vested in and under the control of Council	Level 3	Cost approach	Independent Registered Valuers	June 2017	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3) inputs
Buildings - specialised	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Construction costs and current condition (Level 2) 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/ Independent Registered Valuers	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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Independent valuation 2015 - level 3	0	304,916,766
- Management valuation 2015 - level 3	0	948,000
- Management valuation 2018 - level 3	254,492,149	0
- Independent Valuation 2018 - level 3	12,591,970	0
Less accumulated depreciation	<u>(50,759,845)</u>	<u>(20,701,938)</u>
	216,324,274	285,162,828
Infrastructure - Footpaths		
- Independent valuation 2015 - level 3	0	15,326,755
- Management valuation 2018 - level 3	15,457,867	0
Less accumulated depreciation	<u>(3,145,701)</u>	<u>(1,313,055)</u>
	12,312,166	14,013,700
Infrastructure - Drainage		
- Management valuation 2015 - level 3	0	64,995,343
- Independent valuation 2018 - level 3	69,210,942	0
Less accumulated depreciation	<u>(21,665,285)</u>	<u>(22,456,080)</u>
	47,545,657	42,539,263
Infrastructure - Parks and ovals		
- Independent valuation 2015 - level 3	0	14,802,846
- Management valuation 2015 - level 3	0	12,512,794
- Independent valuation 2018 - level 3	26,017,535	0
Less accumulated depreciation	<u>(5,854,734)</u>	<u>(4,042,226)</u>
	20,162,801	23,273,414
Total Infrastructure	<u>296,344,898</u>	<u>364,989,205</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8. 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.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks and Ovals	Works in Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	285,854,143	13,711,924	42,196,058	22,834,138	101,780	364,698,043
Additions	3,119,323	631,852	825,964	994,829	0	5,571,968
Depreciation (Expense)	(3,810,638)	(330,076)	(482,759)	(657,333)	0	(5,280,806)
Transfers	0	0	0	101,780	(101,780)	0
Carrying amount at 30 June 2017	285,162,828	14,013,700	42,539,263	23,273,414	0	364,989,205
Additions	3,016,223	609,760	753,969	1,429,600	0	5,809,552
Increments/(Decrements) Transferred to revaluation Surplus	(67,982,712)	(1,970,687)	4,744,900	(3,851,926)	0	(69,060,425)
Depreciation (Expense)	(3,872,065)	(340,607)	(492,475)	(688,287)	0	(5,393,434)
Carrying amount at 30 June 2018	216,324,274	12,312,166	47,545,657	20,162,801	0	296,344,898

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8. 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	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Roads (Bridges)	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	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	Management valuation	June 2018	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	Independent Registered Valuers	June 2018	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	June 2018	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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each 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 174 (2)* which requires property, plant and equipment to be shown at fair value.

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

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

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								
Governance	0	0	0	0	40,000	34,900	0	(5,100)
Law, order, public safety	105,000	78,682	0	(26,318)	31,337	31,337	0	
Community amenities	20,000	21,818	1,818	0	114,000	113,200	0	(800)
Recreation and culture	21,338	18,009	0	(3,329)	28,000	25,500	0	(2,500)
Transport	407,440	307,260	0	(100,180)	249,800	214,500	0	(35,300)
Other property and services	15,000	9,545	0	(5,455)	0	0	0	
Land								
Other property and services	0	0	0	0	2,290,000	2,290,000	0	
	568,778	435,314	1,818	(135,282)	2,753,137	2,709,437	0	(43,700)

(b) Depreciation

	2018 \$	2017 \$
Buildings - specialised	1,275,447	2,731,773
Furniture and equipment	31,756	72,732
Plant and equipment	697,205	717,568
Infrastructure - Roads	3,872,065	3,810,638
Infrastructure - Footpaths	340,607	330,076
Infrastructure - Drainage	492,475	482,759
Infrastructure - Parks and ovals	688,287	657,333
	7,397,842	8,802,879

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

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

Depreciation rates

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

Buildings	
- Structure	30 to 75 years
- Fit out	18 to 45 years
- Mechanical	18 to 45 years
- Roof Cladding	24 to 60 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

Depreciation (Continued)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

10. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation Surplus - Land and buildings	41,318,001	0	0	0	41,318,001	47,901,060	0	(6,583,059)	(6,583,059)	41,318,001
Revaluation Surplus - Plant and equipment	926,871	0	0	0	926,871	926,871	0	0	0	926,871
Revaluation Surplus - Roads	221,527,299	0	(67,982,712)	(67,982,712)	153,544,587	221,527,299	0	0	0	221,527,299
Revaluation Surplus - Footpaths	8,286,627	0	(1,970,687)	(1,970,687)	6,315,940	8,286,627	0	0	0	8,286,627
Revaluation Surplus - Drainage	26,107,191	4,744,900	0	4,744,900	30,852,091	26,107,191	0	0	0	26,107,191
Revaluation Surplus - Reserves	15,645,963	0	(3,851,926)	(3,851,926)	11,794,037	15,645,963	0	0	0	15,645,963
	313,811,952	4,744,900	(73,805,325)	(69,060,425)	244,751,527	320,395,011	0	(6,583,059)	(6,583,059)	313,811,952

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

11. TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Current		
Sundry creditors	1,076,416	1,147,171
Creditor accruals	352,739	1,236,203
	<u>1,429,155</u>	<u>2,383,374</u>

SIGNIFICANT ACCOUNTING POLICIES

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

Trade and other payables (Continued)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New	Principal		Principal		Interest	
	1 July 2017	Loans	Repayments	Budget	30 June 2018	Budget	Repayments	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Governance								
Loan 170 - Civic Facility Redevelopment	3,904,539	0	245,085	245,085	3,659,454	3,659,454	289,798	267,034
Recreation and culture								
Loan 171 - Community Building Projects	8,414,524	0	331,980	331,980	8,082,544	8,082,544	319,795	261,945
	12,319,063	0	577,065	577,065	11,741,998	11,741,998	609,593	528,979

All loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	605,330	577,065
Non-current	11,136,668	11,741,998
	11,741,998	12,319,063

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS (Continued)

(b) Unspent Borrowings

Particulars	Date Borrowed	Balance 1 July 17 \$	Borrowed During Year \$	Expended During Year \$	Balance 30 June 18 \$
Loan 171 - Community Building Projects	May 16	905,076	0	(905,076)	0
		905,076	0	(905,076)	0

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018 \$	2017 \$
Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	86,500	86,500
Credit card balance at balance date	(28,949)	(63,210)
Total amount of credit unused	557,551	523,290

Loan facilities

Loan facilities - current	605,330	577,065
Loan facilities - non-current	11,136,668	11,741,998
Total facilities in use at balance date	11,741,998	12,319,063
Unused loan facilities at balance date	NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

13. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	1,563,131	1,715,451	3,278,582
Non-current provisions	0	212,710	212,710
	<u>1,563,131</u>	<u>1,928,161</u>	<u>3,491,292</u>
Additional provision	1,216,728	434,278	1,651,006
Amounts used	(1,162,015)	(421,425)	(1,583,440)
Balance at 30 June 2018	<u>1,617,844</u>	<u>1,941,014</u>	<u>3,558,858</u>
Comprises			
Current	1,617,844	1,662,678	3,280,522
Non-current	0	278,336	278,336
	<u>1,617,844</u>	<u>1,941,014</u>	<u>3,558,858</u>

SIGNIFICANT ACCOUNTING POLICIES

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.

Other long-term employee benefits

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

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

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

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

Provisions

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Cash and cash equivalents	29,268,143	24,696,229	32,218,731
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	3,889,748	(956,953)	3,354,240
Non cash flows in Net result			
Depreciation	7,397,842	8,573,167	8,802,879
(Profit)/loss on sale of asset	133,464	43,700	60,166
Change in Equity - Joint Venture	(916,244)	0	(892,286)
Changes in assets and liabilities			
(Increase)/decrease in receivables	(62,410)	0	(95,799)
(Increase)/decrease in inventories	(19,349)	0	11,096
Increase/(decrease) in payables	(954,219)	0	(156,980)
Increase/(decrease) in provisions	67,566	0	26,303
Grants contributions for the development of assets	(3,265,015)	(3,264,108)	(4,315,630)
Net cash from operating activities	6,271,383	4,395,806	6,793,989

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	10,827,297	11,429,366
General purpose funding	31,851,103	34,292,199
Law, order, public safety	3,573,242	3,572,987
Health	352,918	380,778
Education and welfare	1,707,986	1,755,895
Community amenities	21,386,766	20,576,999
Recreation and culture	53,447,111	51,927,473
Transport	279,393,940	345,164,031
Economic services	49,050	53,361
Other property and services	21,198,081	21,268,800
	<u>423,787,494</u>	<u>490,421,889</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

16. CONTINGENT LIABILITIES

The Shire has no contingent liabilities as at 30 June 2018

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

17. CAPITAL COMMITMENTS

	2018	2017
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for		
- capital expenditure projects	0	4,036,901
Payable		
- not later than one year	0	4,036,901

The capital expenditure project outstanding at the end of the 2017 reporting period represented the construction of Mundaring Arena

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

18. 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 10.69%.

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

	2018	2017
	\$	\$
Current Assets	10,782,685	10,254,273
Non-Current Assets	10,040,381	10,115,462
Total Assets	20,823,066	20,369,735
Current Liabilities	549,957	573,002
Non-Current Liabilities	381,933	821,801
Total Liabilities	931,890	1,394,803
Net Assets	19,891,176	18,974,932
Net Movement	916,244	892,286

SIGNIFICANT ACCOUNTING POLICIES

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 ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 28 for a description of the equity method of accounting.

Interests in joint arrangements (Continued)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or President			
Meeting Fees	255,618	255,420	255,420
President's allowance	50,852	50,852	50,852
Deputy President's allowance	12,713	12,713	12,713
Travelling expenses	13,205	11,500	8,451
Telecommunications allowance	42,000	42,000	42,000
	<u>374,388</u>	<u>372,485</u>	<u>369,436</u>

Key Management Personnel (KMP) Compensation Disclosure

	2018	2017
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows		
Short-term employee benefits	1,080,621	1,078,718
Post-employment benefits	94,396	92,358
Other long-term benefits	24,516	24,073
	<u>1,199,533</u>	<u>1,195,149</u>

Short-term employee benefits

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

Past-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions with related parties

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

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

	2018	2017
	\$	\$
The following transactions occurred with related parties		
Purchase of goods and services	0	409

KMP, other than elected members, are entitled to and do utilise the free use of the Shire's Aquatic Centres

Elected members are provided with food and refreshments before all Council meetings

	2018	2017
	\$	\$
Joint venture entities:		
Purchase of goods and services	2,862,406	3,099,145

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Joint venture entities accounted for under the proportionate consolidation method

The Shire has a 10.69% interest in the Eastern Metropolitan Regional Council. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint venture entities, refer to Note 18

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

20. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2017/2018 financial year

21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2017/2018 financial year

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing
	Balance ⁽¹⁾ 1/07/16	2016/17	2016/17	Balance ⁽¹⁾ 30/06/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
Grant - Volunteer Bush Fire Brigade Equipment	0	0	0	0	90,000	(69,168)	20,832
Recreation and culture							
Grant - Kidsport Funding	13,266	36,000	(49,266)	0	78,756	(77,336)	1,420
Plan Sculpture Park	78,491	0	(78,491)	0	0	0	0
Grant - Mundaring Arena	1,088,756	900,000	(1,988,756)	0	766,231	(766,231)	0
Grant - Mundaring Arts Centre	0	7,966	0	7,966	0	(7,966)	0
Grant - Leno Court and Parkerville Oval	0	0	0	0	50,000	0	50,000
Transport							
Grant - Black Spot Funding	19,443	0	(19,443)	0	0	0	0
Grant - Black Spot Funding	6,362	18,454	(24,816)	0	0	0	0
Grant - Black Spot Funding	65,636	0	(65,636)	0	0	0	0
Grant - Special Bridge Grant	0	60,000	0	60,000	0	(20,000)	40,000
Grant - Roads to Recovery	0	1,110,808	(828,916)	281,892	961,717	(1,222,976)	20,633
Total	1,271,954	2,133,228	(3,055,324)	349,858	1,946,704	(2,163,677)	132,885

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

23. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	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 valuations											
GRV - Residential	0 0801	11 196	218,707,436	17,518,466	109,932	0	17,628,398	17,518,466	135,802	0	17,654,268
GRV - Commercial	0 0801	273	23,914,109	1,915,520	33,998	0	1,949,518	1,915,520	0	0	1,915,520
GRV - Light Industrial	0 0801	283	16,323,298	1,307,496	(4,294)	0	1,303,202	1,307,496	0	0	1,307,496
GRV - Rural Residential	0 0801	3,053	65,295,870	5,230,199	21,583	0	5,251,782	5,230,199	0	0	5,230,199
Unimproved valuations											
UV - Rural	0 00539772	240	148,094,000	799,370	(13,170)	0	786,200	799,370	0	0	799,370
Sub-Total		15,045	472,334,713	26,771,051	148,049	0	26,919,100	26,771,051	135,802	0	26,906,853
Minimum payment											
Gross rental valuations											
GRV - Residential	816	402	3,062,206	328,032	0	0	328,032	328,032	0	0	328,032
GRV - Commercial	816	3	22,790	2,448	0	0	2,448	2,448	0	0	2,448
GRV - Light Industrial	816	1	8,400	816	0	0	816	816	0	0	816
GRV - Rural Residential	816	66	595,430	53,856	0	0	53,856	53,856	0	0	53,856
Unimproved valuations											
UV - Mining	1 031	4	51,435	4,124	0	0	4,124	4,124	0	0	4,124
Sub-Total		476	3,740,261	389,276	0	0	389,276	389,276	0	0	389,276
		15,521	476,074,974	27,160,327	148,049	0	27,308,376	27,160,327	135,802	0	27,296,129
Movement in Rates Received in Advance							67,572				0
Total amount raised from general rate							27,375,948				27,296,129
Totals							27,375,948				27,296,129

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

23. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the Shire during the year ended 2018.

(c) Service Charges

No service charges were imposed by the Shire during the year ended 2018.

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

	Type	2018 Actual \$	2018 Budget \$
Rates	Write-Off	37	1,500
Penalty Interest	Write-Off	4,327	1,500
		4,364	3,000

No discount or concession on rates was 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

23. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	07-Sep-17	0	0.00%	11.00%
Option Three				
First instalment	07-Sep-17	0	0.00%	11.00%
Second instalment	09-Nov-17	9	0.00%	11.00%
Third instalment	11-Jan-18	9	0.00%	11.00%
Fourth instalment	15-Mar-18	9	0.00%	11.00%
			2018 Actual	2018 Budget
			\$	\$
Interest on unpaid rates			196,645	165,000
Charges on instalment plan			141,836	145,000
			<u>338,481</u>	<u>310,000</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

24. NET CURRENT ASSETS

Composition of net current assets
for the purpose of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
Surplus/(Deficit) 1 July 17 brought forward	7,301,336	7,720,764	7,720,764
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	9,896,308	11,342,627	11,342,627
Restricted	19,371,835	20,876,104	20,876,104
Receivables			
Rates outstanding	1,225,763	1,166,493	1,166,493
Sundry debtors	254,736	267,463	267,463
GST receivable	316,772	325,976	325,976
Waste Charges	161,327	138,392	138,392
LSL contributions - other local governments	23,384	49,028	49,028
Inventories			
Fuels and materials	112,090	92,741	92,741
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(1,076,416)	(1,147,171)	(1,147,171)
Creditor accruals	(352,739)	(1,236,203)	(1,236,203)
Current portion of long term borrowings	(605,330)	(577,065)	(577,065)
Provisions			
Provision for annual leave	(1,617,844)	(1,563,131)	(1,563,131)
Provision for long service leave	(1,662,678)	(1,715,451)	(1,715,451)
Unadjusted net current assets	<u>26,047,208</u>	<u>28,019,803</u>	<u>28,019,803</u>
Adjustments			
Less: Reserves - restricted cash	(19,351,202)	(20,876,104)	(20,876,104)
Add: Current portion of long term borrowings	605,330	577,065	577,065
Adjusted net current assets - surplus/(deficit)	<u>7,301,336</u>	<u>7,720,764</u>	<u>7,720,764</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25. 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	29,268,143	32,218,731	29,268,143	32,218,731
Receivables	2,943,975	2,881,565	2,943,975	2,881,565
Other Assets (Share of EMRC)	19,891,176	18,974,932	19,891,176	18,974,932
	<u>52,103,294</u>	<u>54,075,228</u>	<u>52,103,294</u>	<u>54,075,228</u>
Financial liabilities				
Payables	1,429,155	2,383,374	1,429,155	2,383,374
Borrowings	11,741,998	12,319,063	12,391,747	12,900,873
	<u>13,171,153</u>	<u>14,702,437</u>	<u>13,820,902</u>	<u>15,284,247</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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. 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 is 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.

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	292,681	322,187
- Statement of Comprehensive Income	292,681	322,187

Notes

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25. 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:

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	80%	89%
- Overdue	20%	11%
Percentage of other receivables		
- Current	91%	94%
- Overdue	9%	6%

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The 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
	\$	\$	\$	\$	\$
2018					
Payables	1,429,155	0	0	1,429,155	1,429,155
Borrowings	1,082,659	4,412,729	10,168,318	15,663,706	11,741,998
	2,511,814	4,412,729	10,168,318	17,092,861	13,171,153
2017					
Payables	2,383,374	0	0	2,383,374	2,383,374
Borrowings	1,103,182	4,392,206	11,271,501	16,766,889	12,319,063
	3,486,556	4,392,206	11,271,501	19,150,263	14,702,437

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.

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate %
	\$	\$	\$	\$	\$	\$	\$	
Borrowings								
Fixed rate								
Long term borrowings	605,330	635,200	666,777	700,169	735,493	8,399,030	11,741,998	4.55%
Weighted average Effective interest rate	5.12%	5.01%	4.97%	4.91%	4.84%	4.03%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	577,065	605,330	635,200	666,777	700,169	9,134,522	12,319,063	4.61%
Weighted average Effective interest rate	5.07%	5.12%	5.01%	4.97%	4.91%	4.17%		

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

26. 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 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Deposits, Bonds & Retentions	817,992	347,141	(156,516)	1,008,617
POS & Road Construction	4,511,013	467,704	(38,246)	4,940,471
Scheme 6 Costs	41,600	902	0	42,502
BCITF Levy	0	80,821	(80,821)	0
Building Services Levy	0	104,769	(104,769)	0
	<u>5,370,605</u>			<u>5,991,590</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

27. 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 2019	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. The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	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 into the 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 when AASB 16 is adopted. 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.

Notes

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFPs. Key areas for consideration are</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates, and - Volunteer services <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes

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

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.

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

(i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
(ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

28. SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Receivables and assets are recognised net of the amount of GST receivable, where the amount of GST receivable 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 receivable from or payable to the ATO is included with receivables or payables in the statement of financial position.

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

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operating 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. Liabilities held for trading are classified as current if non-current based on the Shire's intentions to release for sale.

c) Rounding off figures

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

d) Comparative figures

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

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or corrects fees, errors in its financial statements or an additional third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements, it is presented.

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly, arm's length, 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 to bring 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 primary market for the asset or liability, or the market with the greatest volume and level of activity for the asset or liability or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period, i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs.

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

h) Fair value hierarchy

AASB 119 requires the disclosure of fair value information by way of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level of 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. Fair significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. None or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

Valuation techniques that reflect the current replacement cost of 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.

i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash-generating units and identifiable intangible assets 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 assets carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116), whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash-generating specialised assets such as trade dress, brand, patents and licences, the annual assessment is required. Under AASB 116.31, impairment assessments need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

29. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision-making process for the efficient allocation of resources.	Includes the activities of members of council and the administrative support required for the Council and Shire services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer community.	Supervision and enforcement of legislation and various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health.	Prevention of human illnesses, including inspection of premises/food control.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Operating and maintaining child minding centres and playgroup centres. Provision of services and programs for the youth and seniors of the Shire.
HOUSING COMMUNITY AMENITIES	To provide essential services required by the community.	Rubbish collection services, operation of waste disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which will help the social well being of the community.	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	To provide safe, effective and efficient transport services to the community.	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	To help promote the shire and its economic wellbeing	Tourism and area promotion. Provision of standpipes. Approval of building construction and implementation of statutory building controls.
OTHER PROPERTY AND SERVICES	To monitor and control the Shire's overheads operating accounts.	Public works overheads, plant and equipment operations and activities not reported in the above programs.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

30. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	2.29	2.17	1.99
Asset sustainability ratio	0.62	1.02	0.94
Debt service cover ratio	7.27	7.13	12.18
Operating surplus ratio	0.02	(0.02)	(0.04)
Own source revenue coverage ratio	0.86	0.81	0.84
Asset consumption ratio	0.74	0.85	0.89
Asset renewal funding ratio	1.14	0.99	0.98

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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

Notes:

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year	1,221,161	1,241,594	0
Amount of Financial Assistance Grant received in prior year relating to current year	1,241,594	0	1,455,586

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	2.06	1.97	1.99
Debt service cover ratio	7.29	6.08	14.43
Operating surplus ratio	0.02	(0.06)	0.00

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the accompanying financial report of the Shire of Mundaring (the Shire), which comprises the Statement of Financial Position as at 30 June 2018, 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.

In our opinion, the financial report of the Shire of Mundaring:

- a) is based on proper accounts and reports, and
- b) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Shire in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Basis of Preparation

We draw attention to Note 1 to the financial report, which describes the basis of preparation. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives of the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS 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) All required information and explanations were obtained by us
- b) All audit procedures were satisfactorily completed in conducting our audit
- c) In my opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions

MATTERS RELATING TO THE ELECTRONIC PUBLICATION OF THE AUDITED FINANCIAL REPORT

This auditor's report relates to the annual financial report of the Shire of Mundaring for the year ended 30 June 2018 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.


GREG GODWIN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 12th day of November 2018

COPY

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12 November 2018

Cr J Daw
The Shire President
Shire of Mundaring
7000 Great Eastern Highway
MUNDARING WA 6073

Dear Cr Daw

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018

We advise that we have completed our audit procedures for the year ended 30 June 2018

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 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.

We noted the following matters we wish to draw to your attention:

COMMENT ON ASSET SUSTAINABILITY RATIO

The Asset Sustainability ratio expresses capital expenditure on renewal and replacement of existing assets as a percentage of depreciation costs. This ratio is used to identify any potential decline or improvement in asset conditions. A percentage of less than 100% on an ongoing basis indicates assets may be deteriorating at a greater rate than spending on renewal or replacement.

The ratio has significantly deteriorated from 1.02 in 2017 to 0.62 in the current year. A reason for the decline is due to actual capital renewal and replacement expenditure being approximately \$4.3 million lower than the previous year as well as an increase of \$1.5 million in new/upgrade expenditure predominantly associated with the completion of the Mundaring Arena. Furthermore, this ratio has been below the target level of 0.90 for 3 of the last 5 years.

Although the ratio is below target levels, we do not consider this an indication of an adverse trend in the financial position of the Shire, given the relative strength of other ratios. However, this should still be given consideration during asset management planning and while reviewing the Shire's long term capital investment program to help ensure asset renewal is maintained at an appropriate level with sufficient funding support in the future.

NUMBER OF COUNCIL CREDIT CARDS

As at 30 June 2018 the Shire had 43 credit cards in use with a total combined limit of \$86,500 (unchanged from 2017).

Whilst we appreciate credit cards are used as a business tool, they also require additional administrative effort and robust controls to be in place.

During the audit our review found the credit card policy and procedures to be satisfactory, however given the size of the Shire, and the sensitivities surrounding credit cards, we consider the number of credit cards on issue to be excessive.

The number of credit cards held should be reviewed and guidelines established to streamline the number on issue. This will help ensure robust and stringent controls remain over Shire expenditure at all times.

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 the Shire for their 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



Greg Godwin
Partner
Moore Stephens

Encl.

Shire of Mundaring
Annual Financial Report 2017/18

Variance Report for 2018

Statement of Comprehensive Income	2018 BUDGET	2018 ACTUAL	2017 ACTUAL	Notes	Difference between 2018 Actual and 2018 Budget	Notes	Difference between 2018 Actual and 2017 Actual
	\$	\$	\$		\$		\$
Revenues from Ordinary Activities	45,730,458	47,440,013	47,517,019	1	1,709,555		(77,006)
Expenses from Ordinary Activities	(49,907,819)	(47,598,060)	(49,310,529)	2	2,309,759	6	1,712,469
Sub Total	<u>(4,177,361)</u>	<u>(158,047)</u>	<u>(1,793,510)</u>		<u>4,019,314</u>		<u>1,635,463</u>
Grants/Contributions for the development of Assets	3,264,108	3,265,015	4,315,630		907	7	(1,050,615)
Profit (Loss) on Disposal of Assets	(43,700)	(133,464)	(60,166)	3	(89,764)	8	(73,298)
Change in Equity - Joint Venture	-	916,244	892,286	4	916,244		23,958
Changes on revaluation of non-current assets	-	(69,060,425)	(6,583,059)	5	(69,060,425)	9	(62,477,366)
TOTAL COMPREHENSIVE INCOME	<u>(956,953)</u>	<u>(65,170,677)</u>	<u>(3,228,819)</u>		<u>(64,213,724)</u>		<u>(61,941,858)</u>

Shire of Mundaring
Annual Financial Report 2017/18

Variance Report for 2017/18

Note	Difference Amount \$	Detail	Variance Amount \$	Reasons for Difference
Difference between 2018 Actual and 2018 Budget				
1	1,709,555	General Purpose Grants	1,221,161	50% Advance payment of 18/19 Grants Commission Grant received in June 2017, which was not factored into the 17/18 budget.
		Childcare Subsidy Income	431,830	Budget for Childcare Subsidy income in 17/18 was \$1,200,000 compared to actual amount of \$1,631,830
		LGIS Refund	111,242	Refund from Local Government Insurance Services was \$131,242 compared to a budget of \$20,000.
2	2,309,759	Depreciation - Buildings	1,455,781	Due to remaining useful lives being increased as part of assessment of Fair Value for Buildings as at 30 June 2017. The timing of the valuation did not enable the subsequent reduction in annual depreciation for buildings to be included in the 2018/18 budget.
		Mathieson Road Waste Transfer Station	265,334	Operating costs lower than anticipated in the budget. Actual of \$656,051 compared to Budget of \$921,385. Due to lower than forecast waste volumes.
		Disposal of Waste to Redhill	228,837	Costs lower than anticipated in the budget. Actual of \$1,852,913 compared to Budget of \$2,081,750. Due to lower than forecast waste volumes.
		Coppin Road Waste Transfer Station	191,973	Operating costs lower than anticipated in the budget. Actual of \$695,961 compared to Budget of \$887,934. Due to lower than forecast waste volumes.
		Plant Operating Costs	183,648	Actual operating costs \$1,258,667 compared to budgeted operating costs of \$1,442,315.
3	(89,764)	Profit (Loss) on Disposal of Assets	(89,764)	Loss on trade-in of major plant items was greater than what was forecast in the budget.
4	916,244	Change in Equity - Joint Venture	916,244	Non-Cash Item - Increase in equity of EMRC investment accounted for. Can't reliably budget for this change.
5	(69,060,425)	Changes on revaluation of Land and Buildings	(69,060,425)	Non-Cash Item - Decrease in written down value of all Infrastructures Assets due to assessment of fair value. Can't reliably budget for this change.

Difference between 2018 Actual and 2017 Actual				
Note	Difference Amount	Detail	Variance Amount	Main Reasons for Difference
6	1,712,469	Depreciation - Buildings	1,479,297	Due to remaining useful lives being increased as part of assessment of Fair Value for Buildings as at 30 June 2017.
		Interest repayments - Loan 171	276,908	2017/18 was the first full financial year that loan repayments were made for Loan 171
7	(1,050,615)	Blackspot Grant Funding	(422,611)	Funding allocated for Blackspot Road Projects in 17/18 was less than 16/17.
		Roads to Recovery Funding	(412,431)	Roads to Recovery Grant funding received in 17/18 was less than 16/17.
		Mundaring Arena Grants	(233,769)	There was a reduction in funding received for the Mundaring Arena project as the project was completed in 17/18.
8	(73,298)	Profit (Loss) on Disposal of Assets	(73,298)	Loss on trade-in of major plant items in 17/18 was greater than 16/17.
9	(62,477,366)	Changes on revaluation of Land and Buildings	(62,477,366)	Difference between the decrease in fair value of land and buildings in 2016/17 and decrease in fair value of infrastructure assets in 2017/18.

8.5 Risk Management - Review Organisational Risk Profile

File Code	GV.MTG 6/1
Author	Paul O'Connor, Director Corporate Services
Senior Employee	Jonathan Throssell, Chief Executive Officer
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Risk Dashboard Report 2018 ↓2. Risk Dashboard Report 2016 ↓3. Risk Dashboard Comparative Report ↓

SUMMARY

The Organisational Risk Profile dashboard has been reviewed through a number of workshops facilitated by Local Government Insurance Services (LGIS) working with the Shire's Leadership Team and Governance Service.

The updated dashboard is presented to the Committee for review and noting (Attachment 1). The review is included as part of the CEO's review of the Shire's systems and procedures relating to risk management, internal control and legislative compliance.

BACKGROUND

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review, at least once every three financial years, the local government's systems and procedures relating to risk management, internal control and legislative compliance. The previous review and risk profiles were presented to the Audit and Risk Committee (ARC) in November 2016 and subsequently to Council that year.

The Risk Management Committee engaged LGIS to assist with the review of the Shire's risks and controls.

STATUTORY / LEGAL IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996*.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The total cost of the engagement of the LGIS Facilitator was \$3870 (excluding GST) and included travel.

The engagement was funded from the Shire’s LGIS Members Funding Pool for costs associated with risk management. The cost was met from this funding and therefore has a cost neutral impact on the 2018/19 budget.

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately

Strategy 1.1.4 – Practice effective governance and financial risk management

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Financial + Reputational + Compliance		
Failure to understand risks relating to Shire operations		
Likelihood	Consequence	Rating
Possible	Moderate	Moderate
Action / Strategy		
Further training relating to risk management will enable the Shire to continue to mitigate identified risks through improved awareness and knowledge. 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 Organisational Risk Profile dashboard was developed in 2016 as part of the Shire’s Risk Management Framework through collaboration with a risk consultant from LGIS, the Shire’s insurer.

The LGIS review process and outcomes sought through this review are outlined hereunder:

Scope and key deliverables

- Review and update of the Shire's risk profiles including controls assurance and prioritised risk mitigation actions.
- Organisational Risk Profile dashboard report including prioritised actions for endorsement.

Process

- LGIS facilitated four organisational risk management workshops with the relevant employees of each of the four Directorates to refresh risk principles and update existing risk profiles in alignment with ISO 31000: 2018 Risk Management - Guidelines
- LGIS then facilitated a risk management workshop with ELT for endorsement of updated profiles and prioritisation of risk mitigation actions.

Key Tasks

- Review and recommend enhancements to the Shire's existing Risk Management Framework in support of the Shire's compliance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.
- Workshop with key staff to update the Shire's risk profiles and prioritise actions.
- Challenge and validate information.
- Provide an updated Organisational Risk Profile dashboard report including prioritised actions for endorsement by RMC.

COMMENT

LGIS developed the Risk Profiles based on the Shire's risk register and grouped these Profiles into Risk Themes in 2016. A recent review of the Risk Themes has been undertaken by the Leadership Team together with relevant employees, resulting in the production of a revised Dashboard.

As a result of the workshops with each directorate and a subsequent review of all Risk Themes by the Executive Leadership Team, an Organisational Risk Profile dashboard report is presented to the Committee for noting (Attachment 1). Also attached is a copy of the 2016 profile report (Attachment 2) and a comparative analysis of current against the 2018 report, which includes reasons for any changes in ratings (Attachment 3).

The inadequate controls have been addressed in a separate report in the agenda of this meeting. The Risk Management Committee will review these controls at each risk management committee meeting until complete.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION RECOMMENDATION	ARC7.11.18
Moved by Cr Jones	Seconded by Cr Jeans

That the Committee notes the 2018 Organisational Risk Profile dashboard.

CARRIED 7/0

For: Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans

Against: Nil

Shire of Mundaring Risk Dashboard Report October 2018						
Asset Sustainability Practices		Risk	Control			
		Low	Adequate			
Current Actions	Due Date	Responsibility				
External Theft and Fraud (inc. Cyber Crime)		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Investigate feasibility of electronic key system	Jun-19	Mgr Building Assets				
Investigate cost-benefit of security patrols of Shire facilities	Dec-18	MCOFM				
Develop record of minor and attractive items asset register	Jun-19	Dr Infrastructure				
Coordinate management of CCTV building security access and signage across the Shire	Jun-19	CEO				
Business & Community Disruption		Risk	Control			
		High	Adequate			
Current Actions	Due Date	Responsibility				
Finalise Business Risk Management Plan	Dec-18	Mgr Com Safe & EM				
Finalise update of external Emergency Management Plans for all buildings	Dec-18	DCorps				
Management of Facilities, Venues and Events		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Mapping of key major event facilities - check of facility	Dec-18	Mgr Rec & Leisure				
Finalise an internal events planning process (libraries, etc)	Dec-18	Mgr L.P. & CE				
Implement online Booking process	Dec-19	Mgr Rec & Leisure				
Centralise management of lease agreements for Shire facilities	Dec-19	Mgr Rec & Leisure				
Failure to Fulfill Compliance Requirements (Statutory, Regulatory)		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
IT, Communication Systems and Infrastructure		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Reinstate ICT steering committee meetings	Dec-18	DCorps				
Document Management Processes		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Misconduct		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Implement minor and attractive asset stocktakes	Dec-18	Dr Infrastructure				
Finalise Police Clearance Policy	Dec-19	Mgr HR				
Employment Practices		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Implement Organisational Skills Matrix	Jun-19	Mgr HR				
Develop and implement a Succession Planning Framework	Dec-19	Mgr HR				
Finalise specific workforce planning						
Project / Change Management		Risk	Control			
		High	Adequate			
Current Actions	Due Date	Responsibility				
Ensure project management procedures are followed consistently across the Shire	Jul-19	CEO				
Review Project Management skills	Jul-19	CEO				
Implement a system of post-project debriefs	Jul-19	CEO				
Engagement practices		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Finalise Customer Services Charter review	Dec-18	DCorps				
Safety and Security Practices		Risk	Control			
		High	Adequate			
Current Actions	Due Date	Responsibility				
Confirm contractor - staff site inductions are performed consistently	Dec-18	DCorps				
Improve Drug and Alcohol Procedure	Dec-18	CEO				
Improve isolated Worker management	Dec-18	DCorps				
Check requirement for bond payment at all facilities	Dec-18	DCorps				
Environment Management		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Investigate improvements to street and reserve litter collection	Dec-19	Coord Fleet & Waste				
Monitor recyclable materials market	Dec-19	Coord Fleet & Waste				
Implement bush reserve management plan	Dec-18	Dr Infrastructure				
Employ weed control team	Dec-18	Dr Infrastructure				
Supplier and Contract Management		Risk	Control			
		High	Adequate			
Current Actions	Due Date	Responsibility				
Develop a business case for Contracts Management Officer	Jun-19	DCorps				
Ensure adherence to procurement process	Dec-18	Mgr FinGov				
Finalise system to check contractor's insurance	Dec-18	Mgr FinGov				
Implement a formal Contracts Register	Jun-19	Mgr FinGov				
Errors, Omissions and Delays		Risk	Control			
		Moderate	Adequate			
Current Actions	Due Date	Responsibility				
Finalise review of Complaints Management Framework	Mar-19	DCorps				
Implement a Complaints and Compliments Register	Mar-19	DCorps				
Review CARS parking System across the Shire	Jun-19	CEO				

To add additional Actions 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.

Shire of Mundaring Risk Dashboard Report October 2016					
Executive Summary					
Recommendations					
Asset Sustainability Practices		Risk	Control		
Current Issues / Actions / Treatments		High	Adequate		
Asset management (Register, Plan, Procedures). Review current documentation, reporting mechanisms & communicate to staff.		Responsibility			
Jun-17		5-RC 2 Assets			
Ensuring contracts are correctly constructed and contractors are managed according to the contract.		Contract Manager			
Jun-17					
External Theft and Fraud (inc. Cyber Crime)		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
Develop register of minor and attractive assets - procedures.		Responsibility			
Jun-17		Director Infrastructure			
Business & Community Disruption		Risk	Control		
Current Issues / Actions / Treatments		High	Adequate		
		Responsibility			
Management of Facilities, Venues and Events		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
Some community groups without a lease agreement.		Responsibility			
Jun-19		Gov Coord			
Failure to Fulfill Compliance Requirements (Statutory, Regulatory)		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
		Responsibility			
IT, Communication Systems and Infrastructure		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
Review of ICT Security Compliance with the 2015-16		Responsibility			
Dec-16		ICT LRS			
Document Management Processes		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
Information Management can't record whether documents are incoming or outgoing.		Responsibility			
Jun-18		IM Team Leader			
Information Management not aware of any documents audit trail.		IM Team Leader			
Jun-18					
Archive room at depot not insulated.		IM Team Leader			
Dec					
Misconduct		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
Minor and attractive items stocktake to be initiated.		Responsibility			
Jun-17		Director Infrastructure			
Police clearance for all staff.		Mgr HR			
Jun-17					
Review procurement authorization controls, purchasing card policy, purchase order process, fuel card management review procedure.		Mgr FinGov			
Dec-16					
Project / Change Management		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
Post project debriefs currently occur on ad hoc bases.		Responsibility			
Jun-17		Project Manager			
Engagement Practices		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
		Responsibility			
Safety and Security Practices		Risk	Control		
Current Issues / Actions / Treatments		High	Adequate		
Drug & alcohol policy - no procedure for testing, particularly after incidents.		Responsibility			
Jun-17		DSH			
Review Fitness for Work policy - under way.		DSH			
Jun-17					
Building safety: no override on reception front door.		DSH			
Dec-16					
Environment Management		Risk	Control		
Current Issues / Actions / Treatments		High	Adequate		
Commitment to review Weed Strategy.		Responsibility			
Jun-19		Coord Env			
Additional resources to implement Weed Strategy.		ELT			
Jun-19					
Supplier and Contract Management		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
Contract management system - manual system, not well documented.		Responsibility			
Jun-17		Contract Manager			
Contracts register - created during Reform, needs to be updated.		No dedicated officer			
Jun-17					
Error, Omissions and Delays		Risk	Control		
Current Issues / Actions / Treatments		Moderate	Adequate		
Complaints resolution process to be reviewed.		Responsibility			
Jun-20		DCorps			

Theme	2018		2016		Reason for variance
	Risk	Control	Risk	Control	
Asset Sustainability Practices	Low	Adequate	Low	Adequate	
Business & Community Disruption	High	Adequate	High	Adequate	
Failure to Fulfil Compliance Requirements (Statutory, Regulatory)	Moderate	Adequate	Low	Adequate	Likelihood rated higher to unlikely - was previously rated as Rare
Document Management Processes	Moderate	Adequate	Low	Adequate	Likelihood rated higher to likely - was previously rated as Possible
Employment Practices	Moderate	Adequate	Moderate	Adequate	
Engagement practices	Moderate	Adequate	Moderate	Adequate	
Errors, Omissions and Delays	Moderate	Adequate	Moderate	Adequate	
Environment Management	Moderate	Adequate	Moderate	Adequate	
External Theft and Fraud (inc. Cyber	Moderate	Adequate	Moderate	Adequate	
Management of Facilities, Venues and	Moderate	Adequate	Moderate	Adequate	
IT, Communication Systems and	Moderate	Adequate	Moderate	Adequate	
Misconduct	Moderate	Adequate	Moderate	Adequate	
Project / Change Management	High	Adequate	Moderate	Adequate	Likelihood rated higher to likely - was previously rated as Possible
Safety and Security Practices	High	Adequate	High	Adequate	
Supplier and Contract Management	High	Adequate	Moderate	Adequate	Likelihood rated higher to likely - was previously rated as Possible

8.6 Review of Risk Management Policy IS-03

File Code	OR.OPP 1
Author	Paul O'Connor, Director Corporate Services
Senior Employee	Jonathan Throssell, Chief Executive Officer
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Draft IS-01 - Risk Management Nov 2018 (with tracked changes) ↓2. Draft IS-01 - Risk Management Nov 2018 (without tracked changes) ↓

SUMMARY

As part of the risk management controls review under Regulation 17 of the *Local Government (Audit) Regulations 1996*, which forms part of this agenda, the Committee is requested to review Policy IS-03 "Risk Management" and subsequently recommend that Council adopts the revised policy.

BACKGROUND

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to review, at least once every three financial years, the local government's systems and procedures relating to risk management, internal control and legislative compliance.

Until June 2018, Regulation 17 stipulated that the review was to be undertaken at least once every two calendar years. The last review was undertaken in November 2016 (the 2016/17 financial year) and therefore the next review is actually not required until the 2019/20 financial year. However, as the change in the timing of the reviews was not legislated until June of this year, a commitment was already in place to undertake the review in 2018. The next review will be undertaken in the 2021/22 financial year.

A review of the current risk management policy is considered an important part of the above review process.

STATUTORY / LEGAL IMPLICATIONS

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 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.”

POLICY IMPLICATIONS

The purpose of Policy IS-03 is to provide guidance and clarity with regard to the commitment and objectives regarding managing risk uncertainty that may impact the Shire’s strategies, goals or objectives.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately

Strategy 1.1.4 – Practice effective governance and financial risk management

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Reputational & Compliance – Elected Members and community not aware of the Shire’s approach to risk management		
Likelihood	Consequence	Rating
Likely	Moderate	High
Action / Strategy		
Up to date policies encourage good governance, ensuring transparency, accountability, effectiveness and efficiency.		

EXTERNAL CONSULTATION

Review and advice sought from Local Government Insurance Services (LGIS, who are the Shire’s Insurers).

COMMENT

Changes were suggested by LGIS for the policy in terms of updating references to correct committees and noting that the Auditor General will in future appoint external audits.

Other changes include, within the risk tables, that the project measures be included within the main measures of consequence table rather than a separate table.

This policy was last reviewed in December 2016.

Attachment 1 is the current policy with tracked changes, and Attachment 2 is the proposed final version without tracked changes.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION		ARC8.11.18	
Moved by	Cr Daw	Seconded by	Cr Fox

That Council adopts the revised policy IS-03 Risk Management as reviewed in November 2018

CARRIED 7/0

For: Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans

Against: Nil

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:	C3.12.16 C11.11.14	Date:	Nov 201625 Nov 2014
Reviewed:	C3.12.16	Date:	Nov 2018
Procedure Ref:	Admin - 36	Delegation Ref:	
Statute Ref:	AS/NZS ISO 31000:20182009 – Risk Management - Principles and Guidelines Occupational Health & Safety Act 1984		
Local Law Ref:			

Purpose

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. <ul style="list-style-type: none"> • 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.
<u>Risk Management Committee</u>	<u>Comprises the Executive Leadership Team and Manager Finance and Governance</u>
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 31000:20182009~~ Risk Management - Guidelines), 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 ~~Risk Management Committee (RMC) 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-engaged~~ 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 ~~Admin - 36~~ 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 ~~RMCa-ELT~~.

Roles, Responsibilities & Accountabilities

Council's role is to -

- Review and approve the Shire's Risk Management Policy including the and Risk Assessment and Acceptance Criteria
- ~~Appoint external auditors to report on financial statements annually~~
- 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 ~~as. These are~~ documented in the Risk Management Procedures Admin – 36 ~~(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 reviewed be kept under review by the RMC the Executive Leadership Team and appropriate employees prior to. ~~It will be a~~ formally reviewed by Council every three two years.

Appendix A – Risk Assessment and Acceptance Criteria

MEASURES OF CONSEQUENCE

RATING	PEOPLE	INTERRUPTION TO SERVICE	REPUTATION (Social / Community)	COMPLIANCE	PROPERTY (Plant, Equipment, Buildings)	NATURAL ENVIRONMENT	FINANCIAL IMPACT	PROJECT TIME	PROJECT COST
Insignificant (1)	Near-Miss	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 damage.	Contained, reversible impact managed by on site response	Less than \$10,000	Exceeds deadline by 5% of project timeline	Exceeds project budget by 2%
Minor (2)	First Aid Treatment	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	Exceeds deadline by 10% of project timeline	Exceeds project budget by 5%
Moderate (3)	Medical treatment / Lost time injury <= 30 Days	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	Exceeds deadline by 15% of project timeline	Exceeds project budget by 7.5%
Major (4)	Lost time injury > 30 Days / temporary disability	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 \$2.0M	Exceeds deadline by 20% of project timeline	Exceeds project budget by 15%
Extreme (5)	Fatality, permanent disability	Indeterminate prolonged interruption of services non- performance > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions	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	>\$2.0M	Exceeds deadline by 25% of project timeline	Exceeds project budget by 20%

MEASURES OF CONSEQUENCE (PROJECT)

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-

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

EXISTING CONTROL RATINGS

<u>Rating</u>	<u>Foreseeable</u>	<u>Description</u>
<u>Effective</u>	<u>There is little scope for improvement</u>	<u>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</u>
<u>Adequate</u>	<u>There is some scope for improvement</u>	<u>Whilst some inadequacies have been identified, Processes (Controls) are in place, are being addressed / complied with and are subject to periodic review and testing</u>
<u>Inadequate</u>	<u>A need for corrective and / or improvement actions exist</u>	<u>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</u>

Shire of Mundaring

POLICY

RISK MANAGEMENT

Policy Ref:	IS-01		
Committee Rec:	PROC7.04.07	Date:	Apr 2007
Adopted by:	C16.04.07	Date:	Apr 2007
Amended by:	C3.12.16	Date:	Nov 2016
Reviewed:		Date:	Nov 2018
Procedure Ref:	Admin - 36	Delegation Ref:	
Statute Ref:	ISO 31000:2018 – Risk Management - Guidelines <i>Occupational Health & Safety Act 1984</i>		
Local Law Ref:			

Purpose

The Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives.

Definitions

Risk	Effect of uncertainty on objectives. <ul style="list-style-type: none"> • 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 Committee	Comprises the Executive Leadership Team and Manager Finance and Governance
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 ISO 31000:2018 Risk Management - Guidelines), 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 Risk Management Committee (RMC) will 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 engaged 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 Procedure Admin -36 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 RMC.

Roles, Responsibilities & Accountabilities

Council's role is to -

- Review and approve the Shire's Risk Management Policy including the Risk Assessment and Acceptance Criteria
- 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 as documented in the Risk Management Procedure Admin – 36.

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 reviewed by the RMC and appropriate employees prior to a formal review by Council every three years.

Appendix A – Risk Assessment and Acceptance Criteria

MEASURES OF CONSEQUENCE

RATING	PEOPLE	INTERRUPTION TO SERVICE	REPUTATION (Social / Community)	COMPLIANCE	PROPERTY (Plant, Equipment, Buildings)	NATURAL ENVIRONMENT	FINANCIAL IMPACT	PROJECT TIME	PROJECT COST
Insignificant (1)	Near-Miss	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 damage.	Contained, reversible impact managed by on site response	Less than \$10,000	Exceeds deadline by 5% of project timeline	Exceeds project budget by 2%
Minor (2)	First Aid Treatment	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	Exceeds deadline by 10% of project timeline	Exceeds project budget by 5%
Moderate (3)	Medical treatment / Lost time injury <30 Days	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	Exceeds deadline by 15% of project timeline	Exceeds project budget by 7.5%
Major (4)	Lost time injury >30 Days / temporary disability	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 \$2.0M	Exceeds deadline by 20% of project timeline	Exceeds project budget by 15%
Extreme (5)	Fatality, permanent disability	Indeterminate prolonged interruption of services non- performance > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions	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	>\$2.0M	Exceeds deadline by 25% of project timeline	Exceeds project budget by 20%

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		Insignificant	Minor	Moderate	Major	Extreme
Likelihood		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

EXISTING CONTROL 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.

8.7 Review of Risk Management, Internal Controls and Legislative Compliance

File Code	GV.MTG 6/1
Author	Stan Kocian, Manager Finance and Governance
Senior Employee	Paul O'Connor, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	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 CEO to review, at least once every three financial years, the local government's systems and procedures relating to risk management, internal control and legislative compliance. Until June 2018 Regulation 17 stipulated that the review was to be undertaken at least once every two calendar years. The last review was undertaken in November 2016 (the 2016/17 financial year) and therefore the next review is actually not required until the 2019/20 financial year. However, as the change in the timing of the reviews was not legislated until June of this year, a commitment was already in place to undertake the review in 2018. The next review will be undertaken in the 2021/22 financial year.

STATUTORY / LEGAL IMPLICATIONS

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 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.”

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately

Strategy 1.1.4 – Practice effective governance and financial risk management

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Reputational – Elected Members are not aware of the Shire’s approach to risk management, internal controls and legislative compliance.		
Likelihood	Consequence	Rating
Likely	Moderate	High
Action / Strategy		
Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> 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

Local Government Insurance Services (LGIS) was engaged to facilitate the review of the Shire’s Risks and Controls.

COMMENT

The CEO 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 an established risk management framework in place. The framework includes, but is not limited to, a Risk Management Policy and an Organisational Risk Profile Dashboard.

The Risk Management Policy was previously reviewed in December 2016. 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.

The Shire's Risk Dashboard has been in place since November 2016 and is a document that facilitates a proactive way for managing risks based on Risk Themes and Profiles. The Risk Dashboard, which again has been reviewed, is also presented to the Audit and Risk Committee as a separate report as part of this meeting's agenda.

The Risk Dashboard focuses on 15 risk themes and the controls in place to mitigate these risks. The risks ratings for each of the 15 themes vary from low to high and the overall controls for each risk theme are rated as adequate. However there are specific individual controls under some of the risk themes that are rated as inadequate, which are detailed hereunder.

1. Risk Theme – Business and Community Disruption

There are two inadequate controls identified: Internal Emergency Management Plan and Bush Fire Risk Management Plan (both plans are not current). Both plans will be updated and finalised by December 2018.

2. Risk Theme – Employment Practices

There are two inadequate controls identified: Organisational Skills Matrix and Succession Planning. An Organisational Skills Matrix will be implemented by June 2019 and a Succession Planning Framework will be developed and implemented by December 2019.

3. Risk Theme – Engagement Practices

There is one inadequate control identified: Customer Service Charter. The revised Customer Service Charter is presented for noting to the Audit and Risk Committee in a separate report as part of this meeting's agenda.

4. Risk Theme – Errors, Omissions and Delays

There is one inadequate control identified: Complaints Register (a consolidated complaints register doesn't exist). The revised Complaints Management Framework is presented to the Audit and Risk Committee as a separate report as part of this meeting's agenda. The revised Framework also addresses the issue of the lack of a consolidated complaints register.

5. Risk Theme – External Theft and Fraud

There are two inadequate controls identified: incomplete Register of Minor Assets and the lack of an Electronic Key Register System. A complete record and register of minor and attractive items will be developed by June 2019. An investigation will be undertaken into the viability of an Electronic Key Register which is to be completed by June 2019.

6. Risk Theme – Management of Facilities, Venues and Events

There is one inadequate risk control identified: No one area/person is responsible for the management of leases. The centralisation of the management of leases will be considered as part of the development of the 2019/20 Corporate Business Plan.

7. Risk Theme – Misconduct

There is one inadequate risk control identified: Stocktakes of minor and attractive items are not undertaken. Stocktakes will commence once a complete record and register of minor and attractive items is developed by June 2019.

8. Risk Theme – Project and Change Management

There are three inadequate risk controls identified relating to project management. The following are actions to be undertaken by June 2019:

- Implement a system of post-project debriefs;
- Undertake a review of project management skills;
- Undertake a review of, and reinforce, project management procedures.

9. Risk Theme - Safety and Security Management Practices

There are three inadequate controls relating to Duress Alarms, Isolated Work Management and the reporting of incidents and near misses. The following are actions to be undertaken by June 2019;

- Review the procedures around isolated worker management, including the investigation of duress alarms;
- Review and implement the recommendations of the LGIS OSH audit report undertaken in 2018.

10. Risk Theme – Supplier and Contract Management

There are five inadequate controls relating to contract management systems, checking ongoing contractors insurance, contract register, documentation around reviews of contract arrangements and monitoring of contract that are due to expire. A business case for a Contract Management Officer will be considered as part of the development of the 2019/20 Corporate Business Plan. The role of this position will be to develop, implement and oversee a contract management framework.

The Shire has an internal Risk Management Committee (made up of the Shire's Executive team and Manager Finance and Governance, and supported by the Governance

Coordinator) 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 reviewed and tested in conjunction with the Local Emergency Management Plan during 2018 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 provides advice in terms of recommended coverage. The process includes reviewing each policy to ensure that the Shire has adequate coverage for all relevant insurable risks.

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 2018.

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 in June 2018 as a recommendation from the Audit and Risk 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 has adopted an internal audit charter. 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 has undertaken two major internal audits; Procurement in 2016 and Light Fleet Vehicles in 2018.

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
- OP-32 – Petty Cash (Organisational Practice)
- OP-58 – Corporate Purchasing Card (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 (Procedure)
- Tender Guidelines

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 reinforce and communicate the requirements of these documents to relevant staff.

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. The Shire's current Governance Framework has been in place since June 2016. This document will be reviewed and presented to the Audit and Risk Committee in 2019.

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 governance and controls;
- The Audit and Risk Committee has an adopted internal audit charter in place. 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 stock inventory accounts with the accounting records.

As mentioned earlier in the report the Shire does not have a complete minor assets/attractive items register. A complete register is to be developed and updated by June 2019.

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 submits 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 considered by 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 membership 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, Government Gazettes and relevant Standards; and
- Established staff/industry network channels for the sharing of knowledge, eg. Governance Network and Finance Professionals Network.

Conclusion

The overall conclusion from this review is that whilst there are areas for improvement which have been identified, overall the Shire has established appropriate systems and procedures for risk management, internal control and legislative compliance.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION**ARC9.11.18**

Moved by Cr Fisher Seconded by Cr Daw

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

CARRIED 7/0**For:** Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans**Against:** Nil

Item 8.4 was considered at this time, prior to Item 8.8.

8.8 Review - Audit and Risk Committee - Terms of Reference

File Code	GV.MTG 6/1
Author	Paul O'Connor, Director Corporate Services
Senior Employee	Jonathan Throssell, Chief Executive Officer
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Audit and Risk Committee - Terms of Reference (with tracked changes) ↓2. Audit and Risk Committee - Terms of reference (without tracked changes) ↓

SUMMARY

The Audit and Risk Committee (ARC) is required to conduct a review of its Terms of Reference (ToR) once every two years and provide Council with recommendations relating to any changes as a result of the review.

A review was completed last year prior to the local government elections. However further changes are required due to the Auditor General becoming responsible for the Shire's audit in 2018/19 and some minor administrative matters.

BACKGROUND

The ToR of the Audit and Risk Committee were adopted by Council in September 2017 (C3.09.17).

The objective of the Committee is to assist Council in providing a transparent and independent process in its audit, risk and governance management to ensure accountability to the community in the governance and compliance framework and its' financial and risk management responsibilities.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies for financial, audit, risk and governance matters and overseeing the allocation of the Shire's finances and resources.

The Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems, risk management framework, and compliance with legislation.

STATUTORY / LEGAL IMPLICATIONS

1. *Local Government Act 1995 Part 5*
2. *Local Government (Audit) Regulations 1996 r. 17*

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately

Strategy 1.1.4 – Practice effective governance and financial risk management

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Compliance – Terms of Reference out of date by not reflecting the Regulations.		
Likelihood	Consequence	Rating
Possible	Moderate	Moderate
Action / Strategy		
The amendments will enhance the ARC objectives and role in assisting Council provide a transparent and independent process in its audit, risk and governance management. Failure to update the ToR would be in breach of the Regulations.		

EXTERNAL CONSULTATION

Nil

COMMENT

The proposed changes to the ToR are detailed hereunder:

cl.	Current	Proposed
4.3	A quorum will be four members	Removed – not required - <i>Local Government Act 1995 s 5.19 - Quorum for meetings – “The quorum for a meeting of a council or committee is at least 50% of the number of offices (whether vacant or not) of member of the council or the committee”</i>
9(a)(ii)	As to the development of a process to be used to select and appoint a person	Removed due to the Auditor General becoming responsible for local

	to be an auditor	government audits
9(e)	Consider the CEO's biennial reviews of the appropriateness and effectiveness of the Shire of Mundaring's systems and procedures in regard to risk management, internal control and legislative compliance and report to the Council the results of those reviews	Replace biennial to three yearly
9.1.3	Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire of Mundaring's auditor	Removed due to the Auditor General becoming responsible for local government audits
9.1.4	Recommend to Council the person or persons to be appointed as auditor	Removed due to the Auditor General becoming responsible for local government audits
9.3.2	Consider the CEO's biennial reviews of the appropriateness and effectiveness of the Shire of Mundaring's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to the Council the results of those reviews	Already considered in 9(e)

Attachment 1 is the current Terms of Reference with tracked changes, and Attachment 2 is the proposed final version without tracked changes.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION	ARC10.11.18
Moved by Cr Jeans	Seconded by Cr Jones

That Council adopts the revised Terms of Reference for the Audit and Risk Committee as reviewed in November 2018 (Attachment 2)

CARRIED 7/0

For: Cr Brennan, Cr Jones, Cr Daw, Cr Fisher, Cr Fox, Mr Wilkinson and Cr Jeans

Against: Nil

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE (Adopted September 2017 – C3.09.17)

1. Name

The name of the Committee shall be the Shire of Mundaring Audit and Risk Committee.

2. Definitions

Act means the *Local Government Act 1995*.

Committee means the Shire of Mundaring Audit and Risk Committee as stipulated in this document.

Council means the Council of Shire of Mundaring.

Chief Executive Officer (CEO) means the Chief Executive Officer of the Shire of Mundaring.

Elected Member means a Councillor of the Shire of Mundaring Council.

3. Objectives

The objective of the Committee is to assist Council in providing a transparent and independent process in its audit, risk and governance management to ensure accountability to the community in the governance and compliance framework and its financial and risk management responsibilities.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies for financial, audit, risk and governance matters and overseeing the allocation of the Shire's finances and resources.

The Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems, risk management framework, and compliance with legislation.

4. Committee Structure

4.1 The Committee shall consist of:

4.1.1 Shire President, Deputy Shire President, four elected members; and

4.1.2 One independent member, other than an elected member;

4.2 The independent member of the Committee shall be appointed by Council;
and

~~4.3 A quorum will be four members.~~

The Committee is supported administratively by the CEO, and relevant staff nominated by the CEO.

5. Presiding Member

- 5.1 The Committee is to determine the Presiding Member of the Committee at the first meeting of the Committee immediately following the establishment of the Committee or following each biennial local government election, whichever is applicable;
- 5.2 The Committee is to determine a Deputy Presiding Member of the Committee at the first meeting of the Committee immediately following the establishment of the Committee or following each biennial local government election, whichever is applicable;
- 5.3 If the Chairperson is absent from a meeting, the Deputy Presiding Member is to preside at that meeting.
- 5.4 The role of the Presiding Member includes:
 - 5.4.1 overseeing and facilitating the conduct of meetings in accordance with the Act and the Shire's Meeting Procedures Local Law 2015;
 - 5.4.2 ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner; and
 - 5.4.3 where a matter has been debated significantly and no new information is being discussed, to call the meeting to order and ask for the debate to be finalised and the motion to be put.

6. Terms of Appointment

Appointment to the Committee shall be determined by the Council following ordinary local government elections, for a term to expire on the date of the subsequent ordinary local government elections. If a member of the Committee resigns prior to an ordinary local government election, the Council will appoint a replacement.

7. Qualification and Selection of the Independent Member

- 7.1 The independent member is to possess accounting or related financial, governance and risk management experience and have strong business acumen, management and communication skills.
- 7.2 Calls for an independent member to apply for a position on the Committee shall be advertised by local public notice.

8. Meetings of the Committee

8.1 The Committee will meet at least three times per year.

8.2 An ordinary or a special meeting of the Committee is to be held:

- (a) if called for by either the Chairperson or at least two Committee members in a notice to the CEO setting out the date and purpose of the proposed meeting; or
- (b) if so decided by the Committee; or
- (c) if called for by Council.

8.3 The Committee may invite, through the CEO, Shire employees, auditors or others to attend meetings and provide pertinent information, where necessary.

9. Functions of the Committee

The Committee is to -

- (a) provide guidance and assistance to the local government –
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; ~~and~~
 - (ii) ~~as to the development of a process to be used to select and appoint a person to be an auditor;~~
- (b) provide guidance and assistance to the local government as to –
 - (i) matters to be audited;
 - (ii) the scope of audits;
 - (iii) its functions under Part 6 of the Act; and
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management;
- (c) review a report given to it by the CEO under regulation 17(3) of the *Local Government (Audit) Regulations 1996* (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; ~~and~~
- (d) review the annual Compliance Audit Return and report to the Council the results of that review; ~~and~~
- (e) ~~consider the CEO's biennial reviews of the appropriateness and effectiveness of the Shire of Mundaring's systems and procedures in regard to risk management, internal control and legislative compliance and report to the Council the results of those reviews.~~

9.1 External Financial Audit

9.1.1 Delegated Authority COM-46:

The Committee has been delegated authority to meet with the auditor at least once in every year to satisfy the requirement of s.7.12A (2) of the Act and is to provide a report to Council on the matters discussed and the outcome of those discussions;

9.1.2 Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;

~~9.1.3 Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire of Mundaring's auditor;~~

~~9.1.4 Recommend to Council the person or persons to be appointed as auditor;~~

9.1.5 Develop and recommend to Council a written agreement for the appointment of the auditor. The agreement is to include:

9.1.5.1 the objectives of the audit;

9.1.5.2 the scope of the audit;

9.1.5.3 a plan of the audit;

9.1.5.4 details of the remuneration and expenses to be paid to the auditor; and

9.1.5.5 the method to be used by the local government to communicate with, and supply information to, the auditor;

9.1.6 Liaise with the CEO to ensure that the Shire of Mundaring does everything in its power to:

9.1.6.1 assist the auditor to conduct the audit and carry out his or her other duties under the Act; and

9.1.6.2 ensure that audits are conducted successfully and expeditiously;

9.1.7 Examine the reports of the auditor after receiving a report from the CEO on the matters to:

9.1.7.1 determine if any matters raised require action to be taken by the local government; and

9.1.7.2 ensure that appropriate action is taken in respect of those matters;

9.1.8 Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or six months after the last report prepared by the auditor is received, whichever is the latest in time;

9.1.9 Review the scope of the audit plan and program and its effectiveness;

- 9.1.10 Monitor the implementation of recommendations made by the audit and reviewing the extent to which Council and management react to matters raised;
 - 9.1.11 Review the Shire of Mundaring's draft annual financial report, focusing on:
 - 9.1.11.1 accounting policies and practices;
 - 9.1.11.2 changes to accounting policies and practices;
 - 9.1.11.3 the process used in making significant accounting estimates;
 - 9.1.11.4 significant adjustments to the financial report (if any) arising from the audit process;
 - 9.1.11.5 compliance with accounting standards and other reporting requirements; and
 - 9.1.11.6 significant variances from prior years;
 - 9.1.12 Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
 - 9.1.13 Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference; and
 - 9.1.14 Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference.
- 9.2 Internal Audit
- 9.2.1 Review and approve the Internal Audit Charter and any subsequent changes, to ensure that internal audit activities are in accordance with the Internal Audit Charter;
 - 9.2.2 The Internal Audit function shall report administratively to the CEO and functionally to the Council through the Audit and Risk Committee;
 - 9.2.3 Ensure that at least one substantial internal audit is carried out and finalised each financial year;
 - 9.2.4 Monitor and review recommendations arising out of internal audit reports and their implementation;

- 9.2.5 Review the effectiveness of the internal audit function, including compliance with relevant auditing standards;
- 9.2.6 Ensure the annual internal audit plan is informed by Council's Risk Management Framework; and
- 9.2.7 If considered necessary, meet with the internal audit service provider to discuss any matters the Audit and Risk Management Committee or the internal auditor believes need to be discussed privately.

9.3 Governance

- 9.3.1 Review the annual Compliance Audit Return and satisfy itself that the return is supported by appropriate processes and controls, to provide reasonable confidence about the accuracy of information contained in the return, and make a recommendation on its adoption to Council.
- 9.3.2 Consider the CEO's ~~three yearly~~biennial reviews of the appropriateness and effectiveness of the Shire of Mundaring's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to the Council the results of those reviews.
- 9.3.3 Ensure a regular review of Council policies for financial, audit, risk and governance matters is completed.

9.4 Risk Management

- 9.4.1 Ensure Council's Risk Management Framework addresses its exposure to both strategic and operational risks;
- 9.4.2 Monitor the effectiveness of the Risk Management Framework through regular reviews and reporting;
- 9.4.3 Regularly review Council's strategic risk dashboard to check that extreme and high level risks are being managed in accordance with the Risk Management Framework;
- 9.4.4 To address any specific requests referred to it from Council in relation to issues of risk and risk management; and
- 9.4.5 At least once every year consider a report from the Shire's Risk Management Committee in relation to the management of risk with the Shire, and satisfy itself that appropriate controls and processes are in operation, and are adequate for dealing with risks that impact on the Shire.

10. Powers of the Committee

- 10.1 The Committee is a formally appointed committee of Council and is responsible to that body.
- 10.2 The Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility.
- 10.3 The Committee does not have any management functions and cannot involve itself in management processes or procedures.
- 10.4 The Committee recommendations are advisory only and shall not be binding on Council.

11. Voting

- 11.1 Each member of the Committee at a meeting will have one vote.
- 11.2 In accordance with section 5.21(3) of the *Local Government Act 1995*, the Presiding Member, in the event of an equality of votes, is to cast a second vote.

12. Reporting Requirements

Recommendations arising from the Committee's deliberations shall be presented to the earliest available ordinary meeting of Council.

13. Alteration to Rules of Procedure

The Committee is to conduct a review of its terms of reference providing Council with recommendations for any changes, in the first instance after twelve months of operation, with subsequent reviews to be held every two years.

14. Termination of Committee

Termination of the Committee shall be at the discretion of Council and in accordance with the Act.

15. Remuneration

- 14.1 The independent member of the Committee is to be reimbursed travel costs.
- 14.2 The Council will include the independent member of the Committee in its professional indemnity insurance coverage for the services they provide to the Council.

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1. Name

The name of the Committee shall be the Shire of Mundaring Audit and Risk Committee.

2. Definitions

Act means the *Local Government Act 1995*.

Committee means the Shire of Mundaring Audit and Risk Committee as stipulated in this document.

Council means the Council of Shire of Mundaring.

Chief Executive Officer (CEO) means the Chief Executive Officer of the Shire of Mundaring.

Elected Member means a Councillor of the Shire of Mundaring Council.

3. Objectives

The objective of the Committee is to assist Council in providing a transparent and independent process in its audit, risk and governance management to ensure accountability to the community in the governance and compliance framework and its financial and risk management responsibilities.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies for financial, audit, risk and governance matters and overseeing the allocation of the Shire's finances and resources.

The Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems, risk management framework, and compliance with legislation.

4. Committee Structure

4.1 The Committee shall consist of:

4.1.1 Shire President, Deputy Shire President, four elected members; and

4.1.2 One independent member, other than an elected member;

4.2 The independent member of the Committee shall be appointed by Council.

The Committee is supported administratively by the CEO, and relevant staff nominated by the CEO.

5. Presiding Member

- 5.1 The Committee is to determine the Presiding Member of the Committee at the first meeting of the Committee immediately following the establishment of the Committee or following each biennial local government election, whichever is applicable;
- 5.2 The Committee is to determine a Deputy Presiding Member of the Committee at the first meeting of the Committee immediately following the establishment of the Committee or following each biennial local government election, whichever is applicable;
- 5.3 If the Chairperson is absent from a meeting, the Deputy Presiding Member is to preside at that meeting.
- 5.4 The role of the Presiding Member includes:
 - 5.4.1 overseeing and facilitating the conduct of meetings in accordance with the Act and the Shire's Meeting Procedures Local Law 2015;
 - 5.4.2 ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner; and
 - 5.4.3 where a matter has been debated significantly and no new information is being discussed, to call the meeting to order and ask for the debate to be finalised and the motion to be put.

6. Terms of Appointment

Appointment to the Committee shall be determined by the Council following ordinary local government elections, for a term to expire on the date of the subsequent ordinary local government elections. If a member of the Committee resigns prior to an ordinary local government election, the Council will appoint a replacement.

7. Qualification and Selection of the Independent Member

- 7.1 The independent member is to possess accounting or related financial, governance and risk management experience and have strong business acumen, management and communication skills.
- 7.2 Calls for an independent member to apply for a position on the Committee shall be advertised by local public notice.

8. Meetings of the Committee

- 8.1 The Committee will meet at least four times per year.
- 8.2 An ordinary or a special meeting of the Committee is to be held:
 - (a) if called for by either the Chairperson or at least two Committee members in a notice to the CEO setting out the date and purpose of the proposed meeting; or

- (b) if so decided by the Committee; or
- (c) if called for by Council.

8.3 The Committee may invite, through the CEO, Shire employees, auditors or others to attend meetings and provide pertinent information, where necessary.

9. Functions of the Committee

The Committee is to -

- (a) provide guidance and assistance to the local government –
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act;
 - (ii)
- (b) provide guidance and assistance to the local government as to –
 - (i) matters to be audited;
 - (ii) the scope of audits;
 - (iii) its functions under Part 6 of the Act; and
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management;
- (c) review a report given to it by the CEO under regulation 17(3) of the *Local Government (Audit) Regulations 1996* (the CEO's report) and is to –
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the Council;
- (d) review the annual Compliance Audit Return and report to the Council the results of that review.

9.1 External Financial Audit

9.1.1 Delegated Authority COM-46:

The Committee has been delegated authority to meet with the auditor at least once in every year to satisfy the requirement of s.7.12A (2) of the Act and is to provide a report to Council on the matters discussed and the outcome of those discussions;

9.1.2 Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;

9.1.3 Develop and recommend to Council a written agreement for the appointment of the auditor. The agreement is to include:

- 9.1.3.1 the objectives of the audit;
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9.0 URGENT BUSINESS (LATE REPORTS)

Nil

10.0 CLOSING PROCEDURES

10.1 Date, Time and Place of the Next Meeting

The next Audit and Risk Committee meeting will be held on Tuesday, 19 February 2019 in the Committee Room, 7000 Great Eastern Highway, Mundaring.

10.2 Closure of the Meeting

The Presiding Person declared the meeting closed at 8.17pm.