

MINUTES

Audit and Risk Committee Meeting Monday, 3 December 2018

Date: Monday, 3 December 2018

Time: 4.00pm

Location: Council Chambers, York Town Hall, York

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**MINUTES OF SHIRE OF YORK
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, YORK TOWN HALL, YORK
ON MONDAY, 3 DECEMBER 2018 AT 4.00PM**

The York Shire Council acknowledges the traditional owners of the land on which this meeting will be held.

1 OPENING

1.1 Declaration of Opening

Cr David Wallace, Shire President, declared the meeting open at 4.00pm.

1.2 Disclaimer

The Shire President advised the following:

"I wish to draw attention to the Disclaimer Notice contained within the agenda document and advise members of the public that any decisions made at the meeting today, can be revoked, pursuant to the Local Government Act 1995.

Therefore members of the public should not rely on any decisions until formal notification in writing by Council has been received. Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material."

1.3 Standing Orders

Nil

1.4 Announcement of Visitors

Nil

1.5 Declarations of Interest that Might Cause a Conflict

Nil

1.6 Declaration of Financial Interests

Nil

1.7 Disclosure of Interests that May Affect Impartiality

Nil

2 ATTENDANCE

2.1 Members

Cr David Wallace, Shire President; Cr Kevin Trent, Deputy Shire President;
Cr Denese Smythe; Cr Heather Saint; Cr Pam Heaton; Cr Jane Ferro; Cr Denis Warnick

2.2 Staff

Paul Martin, Chief Executive Officer; Suzie Haslehurst, Executive Manager Corporate & Community Services; Darren Wallace, Executive Manager Infrastructure & Development Services; Tabitha Bateman, Finance Manager

2.3 Apologies

Nil

2.4 Leave of Absence Previously Approved

Nil

3 APPLICATIONS FOR LEAVE OF ABSENCE

Nil

4 PRESENTATIONS

Formal Audit Exit Interview – Office of the Auditor General – via telephone

5 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

The Minutes of the Audit Committee Meeting held 2 July 2018 received by Council and recommendations adopted at the Ordinary Council Meeting held 23 July 2018 (Resolution 150718).

6 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

Nil

7 OFFICER'S REPORTS

7.1 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

File Number: FI.FRP

Author: Tabitha Bateman, Finance Manager

Authoriser: Suzie Haslehurst, Executive Manager, Corporate & Community Services

Previously before Council: Not Applicable

Appendices: 1. Annual Financial Statements 2017/18

NATURE OF AUDIT COMMITTEE'S ROLE IN THE MATTER

Legislative/Executive

PURPOSE OF REPORT

This report presents documents relating to the finalisation and audit of the Shire's financial statements for the year ended 30 June 2018 for the Audit Committee's consideration and recommendation to Council.

BACKGROUND

In accordance with Section 5.54 of the *Local Government Act 1995* (the Act), the Shire is required to prepare an annual financial report by 30 September for the previous financial year for submission to its auditor. Section 7.2 of the Act requires that the accounts and annual financial report of the local government are audited by an auditor and Section 7.9 prescribes the conditions under which the audit is to be conducted. Part 4 of the *Local Government (Financial Management) Regulations 1996* prescribes what is to be included in the report.

COMMENTS AND DETAILS

In October 2017, the *Local Government Amendment (Auditing) Act 2017* was proclaimed, giving the Auditor General the mandate to audit local governments in Western Australia. This arrangement was set to be staged so that by the financial year 2020-21, all local governments will be audited by the Auditor General. As the Shire of York's audit contract with Moore Stephens expired following the 2016/17 financial year audit, the Auditor General took responsibility for the Shire's audit however, engaged Moore Stephens to undertake the audit field work and preliminary examination processes.

The key areas of focus for the 2017/18 financial year included:

- a) Revenue and Expenditure
- b) Property, Plant and Equipment, and Infrastructure
- c) Employee Benefit Provisions, and
- d) Significant Adverse Trends

Throughout the course of the audit the auditors identified risks and tested the Shire's internal controls and concluded, based on the information reviewed, that they were satisfied with the figures disclosed in the annual financial report. The Auditor General did however, raise some concern over the Shire's operating surplus ratio with the advice to carefully monitor the Shire's operations and be mindful of this ratio during budget preparation and budget reviews.

The Department of Local Government sets an operating surplus ratio target of at least 0.01 which would indicate that a local government could fund net operations from its own revenue sources. The

Shire of York reported an operating surplus ratio of (0.12) for 2017/18 which reflects the Shire's continuing challenge to fund depreciation from operations. While the ratio has declined in comparison with the previous financial year, the depreciation charge, which is a non-cash expenditure, increased by \$440,000. This spike was largely due to a recent revaluation of drainage assets in the Shire which had a direct impact on the operating ratio.

In accordance with Regulation 50 of the *Local Government (Financial Management) Regulations 1996*, there are seven ratios that are required to be disclosed in the annual financial report. These ratios are a useful guide when preparing budgets and planning for the future however should not be considered in isolation. If a local government continually reported a number of ratios below the basic standard it may indicate the need for remedial action. In the Shire's case however, officers are of the opinion that this one ratio should not be used to measure the overall financial health of the organisation and that over time, this ratio can be improved.

Consequently, further review of the Shire's depreciation rates and remaining useful lives of assets is planned for the coming year. Additionally, officers will be using the quarterly finance and costing review process and future mid-year budget reviews as an opportunity for a financial health check with close consideration to the statutory ratios and trends.

In addition to depreciation, other factors impacting the operating result include, but are not limited to;

- Additional road maintenance expense approximately \$86,000.
- The review of the town planning scheme \$111,000
- Additional expenditure to support events \$75,000
- Staff turnover and payment of leave entitlements

Notwithstanding the above, Council increased its level of reserves by \$520,000 and ended the year with \$4,261,327 cash on hand at the end of the year, an increase on 2016/17 of more than \$1.2M. The Shire has reported a carried forward surplus of \$1,750,159 primarily due to the early payment of the Financial Assistance Grants of \$770,000 and unspent funds budgeted for capital works in 2017/18 which were either deferred, re-scoped or unable to be completed due to the impaired organisational structure. Consequently, these funds have been carried forward in 2018/19 and allocated to relevant projects.

The Shire also undertook a detailed assessment of Land and Building assets, and other infrastructure during the year which resulted in a net increment of \$1.7M. As a result of this process and in accordance with AASB101, corrections were made to prior periods to a) recognise the Shire's 50% share of the York Racecourse which had not previously been brought into the Shire's financials, b) reflect the results of the physical drainage inspection completed during 2017/18 and c) reclassify a group of assets from Buildings to Infrastructure – Parks and Reserves. The above adjustments are explained in Note 27 of the financial report and reflected in the movement in non-current assets on the Shire's Statement of Financial Position. These adjustments are non-cash in nature and bear no impact on the financial results for the year.

Ratio Analysis

In accordance with Regulation 50 of the *Local Government (Financial Management) Regulations 1996*, an analysis of the financial results by ratio is required to be provided (see note 26 of the financial report). The table below outlines the Shire's ratios for the past six years. It should be noted that the red-coloured ratios are below the Department of Local Government's basic target, the amber-coloured ratios meet the Auditor General's lowest target but not the Department's, and the green ratios indicate the Shire has met the Department's basic standard or above.

- *Current Ratio* – indicates the Shire's capacity to meet short term financial obligations, i.e. the capacity to pay outstanding creditors and current leave liabilities with non-restricted cash and outstanding debtors. While still above the benchmark, this ratio is trending downwards.

- **Asset Sustainability Ratio** – indicates whether the Shire is renewing or replacing assets at the same rate that assets are wearing out and compares renewal expenditure with depreciation. The Shire recognised that in previous years this ratio sat below the standard of 0.9 and therefore consideration was given to the need for increased renewals as opposed to expenditure on new initiatives. Budgets have been developed with a focus on maintenance and renewals in an effort to preserve the assets the Shire currently holds. The drop in this ratio reflects the significant increase in depreciation relating to the recognition and valuation of drainage assets within the Shire. It is noted that while this ratio sits below the Department's benchmark, the OAG allows a basic level of ≥ 0.8 .
- **Debt Service Cover Ratio** – indicates the capacity to meet loan repayments as and when they fall due. The Shire's ratio is above the Department's *advanced standard* benchmark.
- **Operating Surplus Ratio** – measures the Shire's ability to cover operational costs and have revenue available for capital or other purposes. The basic standard for this ratio is between 0.01 and 0.15. Aside from the 2016/17 FY, the Shire has reported a negative result for a number of years which reflects largely the increase to depreciation but also the recent challenging times experienced in the Shire. Whilst below the benchmark, it can be noted that it is not unusual for Councils, large and small, to report a negative operating surplus ratio. This is evidenced by comparing York to the regional and state averages (see table).
- **Own Source Revenue Ratio** – has remained constant over the past six years and indicates the capacity to generate income to meet operating costs from the Shire's own sources.
- **Asset Consumption Ratio** – measures the extent to which depreciable assets have been consumed compared to their written down cost. The basic benchmark is met if the ratio is above 0.5 and is improving if between 0.6 and 0.75.
- **Asset Renewal Funding Ratio** – measures the financial capacity of the Shire to fund asset renewal as required. This ratio is calculated using information contained in the Long Term Financial Plan and Asset Management Plans *not* the Annual Financial Report. The minimum standard for this ratio is between 0.75 and 0.95. While recent focus has been placed on renewals expenditure, it is expected that data contained in the Asset Management plans will be reviewed and improved, as will the Shire's ability to address this ratio.

Statutory Ratios	DLGC Basic Target								Previous Year Regional Avg*	Previous Year State Avg*
		Actual 2018	Adjusted 2018	Actual 2017	2016	2015	2014	2013		
Current Ratio	≥ 1.0	1.80	2.38	3.19	1.87	3.36	3.22	2.42	2.33	2.22
Asset Sustainability Ratio	≥ 0.9	0.83	0.83	1.22	0.50	0.43	0.53	0.49	1.31	1.18
Debt Service Cover Ratio	≥ 2	6.10	3.81	8.25	1.76	8.69	2.87	5.66	10.37	12.41
Operating Surplus Ratio	≥ 0.01	(0.12)	(0.23)	0.04	(0.29)	(0.06)	(0.23)	(0.22)	(0.18)	(0.11)
Own Source Revenue Coverage Ratio	≥ 0.4	0.72	0.72	0.74	0.70	0.70	0.69	0.68	0.54	0.67
Asset Consumption Ratio	≥ 0.5	0.71	0.71	0.73	0.85	0.86	0.74	0.79	0.79	0.73
Asset Renewal Funding Ratio	≥ 0.75	1.74	1.74	0.97	0.48	0.75	0.84	0.84	0.97	0.94

*2017/18 state and regional averages not available at time of preparing this report.

Next Steps

Once the Audit Committee recommends the Annual Financial Report 2017/18 for adoption by Council, the financials will be incorporated into the Annual Report and presented to Council at the December Council meeting with a proposed date for an Annual Electors' Meeting to be advertised.

IMPLICATIONS TO CONSIDER**Consultative**

Moore Stephens

Office of the Auditor General

Policy Related

Policy F1.3 *Significant Accounting Policies*

Policy G4.5 *Asset Management*

Policy G4.6 *Risk Assessment and Management*

Legal and Statutory***Local Government Act 1995***

Section 5.54 Acceptance of Annual Reports

Section 6.4 Financial Report

Section 7.2 Audit

Section 7.9 Audit to be Conducted

Local Government (Audit) Regulations 1996

Regulation 10 Report by Auditor

Local Government (Financial Management Regulations) 1996

Part 4 – Financial Reports

Regulations 34-51 (relating to information to be included in annual financial reports)

Risk Related

Following acceptance of the Annual Report, under section 5.27 of the Local Government Act 1995 the Shire has 56 days to hold an Annual General Meeting of Electors. This meeting is planned to be held 4 February 2019 at 6.00pm, if approved by Council at the upcoming Ordinary Council Meeting on 17 December 2018.

The requirement to have the Shire's annual financial statements audited and lodged with the Department of Local Government is a legislative obligation. Section 5.54 of the Act requires the annual report for a financial year to be accepted by the following 31 December in each year or 2 months after the auditor's report becomes available. Failure to do so exposes Shire officers and Councillors to significant risk. This report and its appendices mitigate this risk.

VOTING REQUIREMENTS

Not applicable.

COMMITTEE RECOMMENDATION**Moved: Cr Jane Ferro****Seconded: Cr Denese Smythe****That the Audit Committee recommends that Council:**

- 1. Accepts the Annual Financial Report for the year ended 30 June 2018 including the Independent Audit Report from the Auditor General, and;**
- 2. Requests the CEO to finalise the annual report and present it to the December Council meeting along with a proposed date for the annual electors meeting.**

CARRIED: 7/0

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

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COMMUNITY VISION

A vibrant and inviting agricultural, heritage and tourist town and Shire, and a community that is focused on and works collaboratively to improve and promote the town and the Shire of York as a destination and wonderful place to live.

Principal place of business:
1 Joaquina Street
YORK WA 6302
Australia

SHIRE OF YORK
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 York 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 York 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 on the 26 day of November 2018



PAUL MARTIN
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	19(a)	5,556,554	5,548,130	5,456,373
Operating grants, subsidies and contributions	2(a)	1,838,329	1,005,491	2,654,026
Fees and charges	2(a)	1,464,462	1,468,270	1,403,638
Interest earnings	2(a)	250,243	176,419	226,272
Other revenue	2(a)	68,949	77,512	98,997
		<u>9,178,537</u>	<u>8,275,822</u>	<u>9,839,306</u>
Expenses				
Employee costs		(3,354,471)	(3,841,713)	(3,738,235)
Materials and contracts		(2,862,093)	(2,634,472)	(2,563,565)
Utility charges		(402,676)	(279,548)	(298,645)
Depreciation on non-current assets	9(b)	(2,808,301)	(2,444,360)	(2,369,475)
Interest expenses	2(b)	(122,759)	(124,642)	(132,851)
Insurance expenses		(248,904)	(192,610)	(178,580)
Other expenditure		(219,047)	(413,523)	(246,756)
		<u>(10,018,251)</u>	<u>(9,930,868)</u>	<u>(9,528,107)</u>
		(839,714)	(1,655,046)	311,199
Non-operating grants, subsidies and contributions	2(a)	1,041,860	2,503,542	1,300,630
Profit on asset disposals	9(a)	1,298	0	0
(Loss) on asset disposals	9(a)	(35,228)	(151,302)	(24,905)
Net result		<u>168,216</u>	<u>697,194</u>	<u>1,586,924</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	1,655,325	0	1,316,655
LG House Trust	10	0	0	(63,263)
Total other comprehensive income		<u>1,655,325</u>	<u>0</u>	<u>1,253,392</u>
Total comprehensive income		<u>1,823,541</u>	<u>697,194</u>	<u>2,840,316</u>

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		33,987	8,486	40,716
General purpose funding		7,326,858	6,493,474	7,979,403
Law, order, public safety		74,850	72,878	85,727
Health		18,554	16,500	20,333
Education and welfare		35,147	35,190	35,996
Community amenities		743,468	699,787	704,686
Recreation and culture		507,410	561,748	543,937
Transport		213,463	215,407	204,461
Economic services		139,573	110,401	122,215
Other property and services		85,227	61,951	101,831
		9,178,537	8,275,822	9,839,305
Expenses				
2(b)				
Governance		(812,985)	(657,841)	(601,977)
General purpose funding		(229,590)	(302,384)	(349,683)
Law, order, public safety		(432,364)	(439,794)	(458,806)
Health		(200,005)	(247,672)	(241,703)
Education and welfare		(122,516)	(127,513)	(119,023)
Community amenities		(1,144,714)	(1,213,437)	(1,010,388)
Recreation and culture		(2,929,866)	(3,071,825)	(2,863,434)
Transport		(3,118,922)	(2,822,829)	(2,635,822)
Economic services		(797,680)	(857,467)	(733,551)
Other property and services		(106,850)	(65,464)	(380,868)
		(9,895,492)	(9,806,226)	(9,395,255)
Finance Costs				
2(b)				
Recreation and culture		(116,228)	(117,913)	(125,024)
Transport		(6,531)	(6,729)	(7,827)
		(122,759)	(124,642)	(132,851)
		(839,714)	(1,655,046)	311,199
Non-operating grants, subsidies and contributions	2(a)	1,041,860	2,503,542	1,300,630
Profit on disposal of assets	9(a)	1,298	0	0
(Loss) on disposal of assets	9(a)	(35,228)	(151,302)	(24,905)
		1,007,930	2,352,240	1,275,725
Net result		168,216	697,194	1,586,924
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	1,655,325	0	1,316,655
LG House Trust	10	0	0	(63,263)
Total other comprehensive income		1,655,325	0	1,253,392
Total comprehensive income		1,823,541	697,194	2,840,316

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



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

	NOTE	2018	2017	Restated Actual 1 July 2016
		\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	3	4,261,327	3,041,935	3,019,984
Trade and other receivables	5	1,238,730	1,601,663	791,729
Inventories	6	40,923	36,859	87,450
TOTAL CURRENT ASSETS		5,540,980	4,680,457	3,899,163
NON-CURRENT ASSETS				
Other receivables	5	100,134	81,387	69,080
Financial Assets	10	0	0	63,263
Property, plant and equipment	7	34,406,535	33,275,942	33,924,340
Infrastructure	8	103,298,389	103,099,742	100,763,269
TOTAL NON-CURRENT ASSETS		137,805,058	136,457,071	134,819,952
TOTAL ASSETS		143,346,038	141,137,528	138,719,115
CURRENT LIABILITIES				
Trade and other payables	11	843,372	290,766	527,723
Current portion of long term borrowings	12(a)	223,922	214,337	205,200
Provisions	13	743,148	707,093	701,396
TOTAL CURRENT LIABILITIES		1,810,442	1,212,196	1,434,319
NON-CURRENT LIABILITIES				
Long term borrowings	12(a)	2,103,317	2,327,238	2,541,575
Provisions	13	63,318	52,673	38,117
TOTAL NON-CURRENT LIABILITIES		2,166,635	2,379,911	2,579,692
TOTAL LIABILITIES		3,977,077	3,592,107	4,014,011
NET ASSETS		139,368,961	137,545,421	134,705,104
EQUITY				
Retained surplus		32,196,889	32,548,250	31,100,935
Reserves - cash backed	4	2,626,728	2,107,152	1,967,542
Financial Assets Reserve	10	0	0	63,263
Revaluation surplus	10	104,545,344	102,890,019	101,573,364
TOTAL EQUITY		139,368,961	137,545,421	134,705,104

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



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

		RESERVES				
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	FINANCIAL SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$	\$
Balance as at 1 July 2016		30,525,936	1,967,542	101,573,364	63,263	134,130,104
Correction of Errors		575,000	0	0	0	575,000
Restated Balances		31,100,936	1,967,542	101,573,364	63,263	134,705,104
Comprehensive income						
Net result		1,586,924	0	0	0	1,586,924
Changes on revaluation of assets	10	0	0	1,316,655	0	1,316,655
Financial Assets Reserve	10	0	0	0	(63,263)	(63,263)
Total comprehensive income		1,586,924	0	1,316,655	(63,263)	2,840,316
Transfers from/(to) reserves		(139,610)	139,610	0	0	0
Balance as at 30 June 2017		32,548,250	2,107,152	102,890,019	0	137,545,421
Comprehensive income						
Net result		168,216	0	0	0	168,216
Changes on revaluation of assets	10	0	0	1,655,325	0	1,655,325
Total comprehensive income		168,216	0	1,655,325	0	1,823,541
Transfers from/(to) reserves		(519,576)	519,576	0	0	0
Balance as at 30 June 2018		32,196,889	2,626,728	104,545,344	0	139,368,961

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		5,473,313	5,548,131	5,119,172
Operating grants, subsidies and contributions		2,224,532	1,005,491	2,179,040
Fees and charges		1,464,462	1,468,270	1,403,638
Interest earnings		250,243	176,419	226,272
Other revenue		86,421	77,512	88,943
		9,498,971	8,275,823	9,017,065
Payments				
Employee costs		(3,311,674)	(3,841,712)	(3,696,778)
Materials and contracts		(2,284,013)	(2,634,472)	(2,770,206)
Utility charges		(402,676)	(279,548)	(298,645)
Interest expenses		(124,642)	(124,642)	(133,779)
Insurance expenses		(248,904)	(192,610)	(178,580)
Other expenditure		(219,047)	(413,523)	(246,756)
		(6,590,956)	(7,486,507)	(7,324,744)
Net cash provided by (used in) operating activities	14	2,908,015	789,316	1,692,321
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	7(b)	(821,983)	(1,520,270)	(304,183)
Payments for construction of infrastructure	8(b)	(1,868,206)	(3,180,550)	(2,582,072)
Non-operating grants, subsidies and contributions	2(a)	1,041,860	2,503,542	1,300,630
Proceeds from sale of fixed assets	9(a)	174,043	608,800	120,455
Net cash provided by (used in) investment activities		(1,474,286)	(1,588,478)	(1,465,170)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(214,337)	(214,337)	(205,200)
Net cash provided by (used in) financing activities		(214,337)	(214,337)	(205,200)
Net increase (decrease) in cash held		1,219,392	(1,013,499)	21,951
Cash at beginning of year		3,041,935	3,510,611	3,019,984
Cash and cash equivalents at the end of the year	14	4,261,327	2,497,112	3,041,935

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)		1,975,514	1,182,214	1,171,861
		1,975,514	1,182,214	1,171,861
Revenue from operating activities (excluding rates)				
Governance		33,987	8,486	40,716
General purpose funding		1,779,463	975,344	2,532,447
Law, order, public safety		74,850	72,878	85,727
Health		18,554	16,500	20,333
Education and welfare		35,147	35,190	35,996
Community amenities		743,468	699,787	704,686
Recreation and culture		507,410	561,748	543,937
Transport		213,463	215,407	204,461
Economic services		139,573	110,401	122,215
Other property and services		86,525	61,951	101,831
		3,632,440	2,757,692	4,392,349
Expenditure from operating activities				
Governance		(817,763)	(680,009)	(610,378)
General purpose funding		(229,590)	(302,384)	(349,683)
Law, order, public safety		(432,364)	(439,794)	(458,806)
Health		(211,027)	(256,659)	(241,703)
Education and welfare		(122,516)	(127,513)	(119,023)
Community amenities		(1,144,714)	(1,216,000)	(1,010,388)
Recreation and culture		(3,046,094)	(3,189,738)	(2,988,458)
Transport		(3,140,486)	(2,895,074)	(2,643,649)
Economic services		(797,680)	(898,217)	(733,551)
Other property and services		(111,245)	(76,782)	(397,372)
		(10,053,479)	(10,082,170)	(9,553,011)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	(1,298)	0	0
Loss on disposal of assets	9(a)	35,228	151,302	24,905
Movement in rates paid in advance		(9,160)	0	3,519
Movement in deferred pensioner rates (non-current)		(18,747)	0	(12,306)
Movement in employee benefit provisions (non-current)		42,164	0	(58,255)
Depreciation and amortisation on assets	9(b)	2,808,301	2,444,360	2,369,475
Amount attributable to operating activities		(1,589,038)	(3,546,602)	(1,661,462)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	1,041,860	2,503,542	1,300,630
Proceeds from disposal of assets	9(a)	174,043	608,800	120,455
Purchase of property, plant and equipment	7(b)	(821,983)	(1,520,270)	(304,183)
Purchase and construction of infrastructure	8(b)	(1,868,206)	(3,180,550)	(2,582,072)
Amount attributable to investing activities		(1,474,286)	(1,588,478)	(1,465,170)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(214,337)	(214,337)	(205,200)
Transfers to reserves (restricted assets)	4	(544,576)	(345,419)	(240,638)
Transfers from reserves (restricted assets)	4	25,000	176,707	101,028
Amount attributable to financing activities		(733,913)	(383,049)	(344,810)
Surplus(deficiency) before general rates		(3,797,237)	(5,518,130)	(3,471,442)
Total amount raised from general rates	19	5,547,395	5,518,130	5,446,956
Net current assets at June 30 c/fwd - surplus/(deficit)	20	1,750,159	0	1,975,514

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 inconsistent 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.

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

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

CRITICAL ACCOUNTING ESTIMATES (Continued)

of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 22 to these financial statements.

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	2017
	Actual	Actual
	\$	\$
Significant revenue		
General Purpose Funding	773,337	769,489

The 2018 significant revenue relates to the early payment of Financial Assistance Grants received 25 June 2018 comprising of general purpose funding of \$434,978 and road funding of \$338,539.

The 2017 significant revenue relates to the early payment of Financial Assistance Grants received 30 June 2017 comprising of general purpose funding of \$440,407 and road funding of \$329,082.

Other revenue

Other	68,949	98,997
	68,949	98,997

Fees and Charges

Governance	1,049	294
General purpose funding	38,895	37,683
Law, order, public safety	20,976	25,299
Health	18,554	20,333
Education and welfare	32,109	32,958
Community amenities	735,468	692,998
Recreation and culture	484,146	478,698
Transport	352	440
Economic services	107,815	76,178
Other property and services	25,098	38,757
	1,464,462	1,403,638

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

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 and non-operating revenues in the Statement of Comprehensive Income:

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	32,938	40,422
General purpose funding	1,481,165	2,259,076
Law, order, public safety	49,873	54,719
Education and welfare	3,038	3,038
Community amenities	6,967	11,688
Recreation and culture	23,164	59,940
Transport	150,048	140,365
Economic services	31,006	21,704
Other property and services	60,129	63,075
	<u>1,838,329</u>	<u>2,654,026</u>
Non-operating grants, subsidies and contributions		
Recreation and culture	15,672	103,170
Transport	1,026,188	1,197,460
	<u>1,041,860</u>	<u>1,300,630</u>
Total grants, subsidies and contributions	<u>2,880,189</u>	<u>3,954,656</u>

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Interest earnings			
- Loans receivable - clubs/institutions			
- Reserve funds	52,050	38,419	45,582
- Other funds	37,844	32,000	42,872
Other interest revenue (refer note 19(b))	160,349	106,000	137,818
	<u>250,243</u>	<u>176,419</u>	<u>226,272</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 a

Grants, Donations and Other Contributions (Continued)

particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 18. 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.

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

Audit of the Annual Financial Report

Acquittal Audits

2018	2017
\$	\$
16,668	22,058
2,050	1,250
18,718	23,308

Interest expenses (finance costs)

Long term borrowings (refer Note 12(a))

122,759	132,851
122,759	132,851

Rental charges

Operating leases

2,581	1,464
2,581	1,464

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

	NOTE	2018	2017
		\$	\$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,110,689	789,038
Restricted		3,150,638	2,252,897
		<u>4,261,327</u>	<u>3,041,935</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	4	481,548	450,029
Plant Reserve	4	672,341	526,818
Town Planning Reserve	4	7,147	6,971
Avon River Mtce Reserve	4	14,669	14,307
Industrial Land Reserve	4	127,426	124,285
Refuse Site Develop Reserve	4	183,100	178,586
Centennial Gardens Reserve	4	139,308	135,874
Public Open Space Cont Reserve	4	433	422
Community Bus	4	83,700	81,636
Pioneer Memorial Lodge Reserve	4	99,603	97,147
Residency Museum Reserve	4	6,041	5,892
Carparking Reserve	4	17,708	17,271
Building Reserve	4	354,540	51,089
Disaster Reserve	4	33,385	32,562
Archives Reserve	4	6,764	6,597
Water Supply Reserve	4	6,778	6,778
Tied Grant Funds Reserve	4	124,008	124,008
Cemetery Reserve	4	5,019	4,896
R.S.L. Memorial Reserve	4	13,036	12,715
Greenhills Townsite Development Reserve	4	29,956	29,217
Roads Reserve	4	91,637	89,377
Land & Infrastructure Reserve	4	110,872	93,403
Forrest Oval Lights	4	3,726	3,634
Bowls Synthetic Surface Reserve	4	12,216	11,915
Tennis Synthetic Surface Reserve	4	1,767	1,723
Unspent grants not held in Reserves	18	<u>523,910</u>	<u>145,745</u>
		<u>3,150,638</u>	<u>2,252,897</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			2018			2018			2018			2018			2017			2017				
	Actual	Actual	Actual	Actual	Transfer	to	Budget	Budget	Budget	Budget	Transfer	to	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Transfer	to	Actual	Actual
	Opening	Transfer	Balance	Transfer	(from)		Opening	Transfer	Balance	Transfer	(from)		Opening	Transfer	Balance	Opening	Transfer	Balance	Opening	Transfer	(from)	Closing	Closing
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	450,029	31,519	0	481,548	0		443,893	28,943	0	472,836	0		522,840	28,217	(101,028)	522,840	28,217	(101,028)	450,029	0		450,029	0
Plant Reserve	526,818	145,523	0	672,341	0		519,301	11,008	(100,000)	430,309	(100,000)		516,751	10,067	0	516,751	10,067	0	526,818	0		526,818	0
Town Planning Reserve	6,971	176	0	7,147	0		6,871	137	0	7,008	0		6,838	133	0	6,838	133	0	6,971	0		6,971	0
Avon River Mice Reserve	14,307	362	0	14,669	0		14,103	100,282	0	114,385	0		14,034	273	0	14,034	273	0	14,307	0		14,307	0
Industrial Land Reserve	124,285	3,141	0	127,426	0		122,511	2,517	0	125,028	0		121,910	2,375	0	121,910	2,375	0	124,285	0		124,285	0
Refuse Site Develop Reserve	178,586	4,514	0	183,100	0		176,037	3,616	0	179,653	0		175,173	3,413	0	175,173	3,413	0	178,586	0		178,586	0
Centennial Gardens Reserve	135,874	3,434	0	139,308	0		133,936	2,596	(16,707)	119,825	(16,707)		133,278	2,596	0	133,278	2,596	0	135,874	0		135,874	0
Public Open Space Cont Reserve	422	11	0	433	0		416	8	0	424	0		414	8	0	414	8	0	422	0		422	0
Community Bus	81,636	2,063	0	83,699	0		80,471	311	(60,000)	20,782	(60,000)		80,076	1,560	0	80,076	1,560	0	81,636	0		81,636	0
Pioneer Memorial Lodge Reserve	97,147	2,456	0	99,603	0		95,761	1,079	0	96,840	0		95,291	1,856	0	95,291	1,856	0	97,147	0		97,147	0
Residency Museum Reserve	5,892	149	0	6,041	0		5,808	116	0	5,924	0		5,779	113	0	5,779	113	0	5,892	0		5,892	0
Carparking Reserve	17,271	437	0	17,708	0		17,026	350	0	17,376	0		16,941	330	0	16,941	330	0	17,271	0		17,271	0
Building Reserve	51,089	303,451	0	354,540	0		51,073	1,028	0	52,101	0		1,068	50,021	0	1,068	50,021	0	51,089	0		51,089	0
Disaster Reserve	32,562	823	0	33,385	0		32,098	659	0	32,757	0		31,939	623	0	31,939	623	0	32,562	0		32,562	0
Archives Reserve	6,597	167	0	6,764	0		6,503	3	0	6,506	0		6,471	126	0	6,471	126	0	6,597	0		6,597	0
Water Supply Reserve	6,778	0	0	6,778	0		6,778	0	0	6,778	0		6,778	0	0	6,778	0	0	6,778	0		6,778	0
Tied Grant Funds Reserve	124,008	0	0	124,008	0		146,984	0	0	146,984	0		48,852	75,356	0	48,852	75,356	0	124,008	0		124,008	0
Cemetery Reserve	4,896	124	0	5,020	0		4,826	0	0	4,826	0		4,802	94	0	4,802	94	0	4,896	0		4,896	0
R.S.L. Memorial Reserve	12,715	321	0	13,036	0		12,534	257	0	12,791	0		12,472	243	0	12,472	243	0	12,715	0		12,715	0
Greenhills Townsite Development Reserve	29,217	739	0	29,956	0		28,800	127	0	28,927	0		28,659	558	0	28,659	558	0	29,217	0		29,217	0
Roads Reserve	89,377	2,259	0	91,636	0		88,958	3,005	0	91,963	0		28,816	60,561	0	28,816	60,561	0	89,377	0		89,377	0
Land & Infrastructure Reserve	93,403	42,469	(25,000)	110,872	(25,000)		92,071	41,891	0	133,962	0		91,618	1,785	0	91,618	1,785	0	93,403	0		93,403	0
Forrest Oval Lights	3,634	92	0	3,726	0		3,593	2,114	0	5,697	0		3,565	69	0	3,565	69	0	3,634	0		3,634	0
Bowls Synthetic Surface Reserve	11,915	301	0	12,216	0		11,745	4,322	0	16,067	0		11,887	228	0	11,887	228	0	11,915	0		11,915	0
Tennis Synthetic Surface Reserve	1,723	45	0	1,768	0		1,698	2,050	0	3,748	0		1,690	33	0	1,690	33	0	1,723	0		1,723	0
Main Street Reserve	0	0	0	0	0		0	139,000	0	139,000	0		0	0	0	0	0	0	0	0		0	0
	2,107,152	544,576	(25,000)	2,626,728	(25,000)		2,103,785	345,419	(176,707)	2,272,497	(176,707)		1,967,542	240,638	(101,028)	1,967,542	240,638	(101,028)	2,107,152	0		2,107,152	0

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.

4. RESERVES - CASH BACKED (Continued)

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
Leave Reserve	Ongoing	To fund annual and long service leave requirements.
Plant Reserve	Ongoing	To be used to fund plant purchases or major capital repairs.
Town Planning Reserve	Ongoing	To develop and review the York Town Planning schemes and amendments.
Avon River Mice Reserve	Ongoing	To maintain and protect the Avon River and its environs.
Industrial Land Reserve	Ongoing	For the continued development and expansion of an industrial subdivision within the Shire.
Refuse Site Develop Reserve	Ongoing	To be used for ongoing maintenance and development of Council's waste management facilities.
Centennial Gardens Reserve	Ongoing	To be used for further expansion and capital repairs of the existing units.
Public Open Space Cont Reserve	Ongoing	For the expansion and development of passive recreation areas within the Shire.
Community Bus	Ongoing	To finance the changeover of the Community Bus (funded by the operational surplus of the Community Bus).
Pioneer Memorial Lodge Reserve	Ongoing	To finance capital improvements and extensions to the seniors village (funded by the operational surplus of the Lodge).
Residency Museum Reserve	Ongoing	To fund capital expenditure and maintenance of the historical museum.
Carparking Reserve	Ongoing	To fund the management and control of parking facilities in accordance with Council's Parking Plan.
Building Reserve	Ongoing	For the construction and major capital improvements to all Council buildings.
Disaster Reserve	Ongoing	A contingency reserve to help fund recovery from any natural disaster.
Archives Reserve	Ongoing	To provide a secure building for the safe storage of Council's Archival Records.
Water Supply Reserve	Ongoing	To hold funds raised through the water supply charge until the loan repayment is due.
Tied Grant Funds Reserve	Ongoing	To segregate grant funds provided for specific projects until those projects are carried out.
Cemetery Reserve	Ongoing	To provide for the ongoing development of the existing York Cemetery or the development of a new site at a location to be determined.
R.S.L. Memorial Reserve	Ongoing	To provide for the upgrading of the RSL Memorial.
Greenhills Townsite Development Reserve	Ongoing	To provide funds to enhance the amenity and economic potential of the Greenhills Townsite with such funds to be expended in consultation with the Greenhills Progress Association.
Roads Reserve	Ongoing	To provide for future road resealing requirements.
Land & Infrastructure Reserve	Ongoing	For the purpose of funding the purchase of land and or buildings or the construction of buildings.
Forrest Oval Lights	Ongoing	To provide for the replacement and upgrading of the Oval Lights.
Bowls Synthetic Surface Reserve	Ongoing	To provide for the future replacement of Bowls synthetic surface.
Tennis Synthetic Surface Reserve	Ongoing	To provide for the future replacement of Tennis synthetic surface.
Main Street Reserve	Ongoing	To provide funds to upgrade the Main Street and the development of a Town Precinct

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	1,091,760	1,013,067
Sundry debtors	416,519	549,021
Less provision for doubtful debts	(352,541)	(352,043)
Accrued income	15,744	268,946
Prepayments	8,467	32,219
LSL owed by other Local Governments	24,983	42,455
ESL Debtors	33,298	45,992
Pensioner rebates	500	2,006
	1,238,730	1,601,663

Non-current

Rates outstanding - pensioners	100,134	81,387
	100,134	81,387

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

Rates outstanding

Includes:

Past due and not impaired	991,219	913,024
Impaired	100,541	100,043

Other debtors

Includes:

Past due and not impaired	114,211	175,231
Impaired	252,000	252,000

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

Stock on hand - Works and Services
Stock on hand - York Recreation and Convention Centre

	2018	2017
	\$	\$
	11,490	10,555
	29,433	26,304
	<u>40,923</u>	<u>36,859</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 at:		
- Independent valuation 2018 - level 3	5,580,550	0
- Independent valuation 2015 - level 3	0	5,295,450
- Additions after valuation	0	265,000
Total land	5,580,550	5,560,450
Buildings - non-specialised at:		
- Independent valuation 2018 - level 3	25,962,977	0
- Independent valuation 2015 - level 3	0	25,590,498
- Additions after valuation	0	530,321
Less: accumulated depreciation	0	(1,188,447)
Total buildings	25,962,977	24,932,372
Total land and buildings	31,543,527	30,492,822
Furniture and equipment at:		
- Management valuation 2017 - level 3	844,098	844,098
- Additions after valuation	102,343	0
Less: accumulated depreciation	(613,214)	(511,123)
	333,227	332,975
Plant and equipment at:		
- Independent valuation 2016 - level 2	3,126,560	3,126,560
- Management valuation 2016 - level 3	473,854	473,854
- Disposals	(240,195)	0
- Additions after valuation	711,800	165,449
Less: accumulated depreciation	(1,542,238)	(1,315,718)
	2,529,781	2,450,145
Total property, plant and equipment	34,406,535	33,275,942

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	Buildings - non- specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	5,560,450	25,415,252	30,975,702	299,327	2,649,311	33,924,340
Additions	0	102,210	102,210	36,524	165,449	304,183
(Disposals)	0	0	0	0	(145,359)	(145,359)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	61,757	0	61,757
Depreciation (expense)	0	(594,307)	(594,307)	(64,633)	(219,256)	(878,196)
Transfers	0	9,217	9,217	0	0	9,217
Carrying amount at 30 June 2017	5,560,450	24,932,372	30,492,822	332,975	2,450,145	33,275,942
Additions	0	173,289	173,289	102,343	546,351	821,983
(Disposals)	0	0	0	0	(207,973)	(207,973)
Revaluation increments/ (decrements) transferred to revaluation surplus	20,100	1,453,946	1,474,046	0	0	1,474,046
Depreciation (expense)	0	(596,630)	(596,630)	(102,091)	(258,742)	(957,463)
Carrying amount at 30 June 2018	5,580,550	25,962,977	31,543,527	333,227	2,529,781	34,406,535

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	2	Market approach using recent observable market data for similar assets	Independent	June 2018	Price per square metre
Buildings - non-specialised	3	Cost approach using depreciated replacement cost	Independent	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management	June 2017	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
- Independent valuation 2016	2	Market approach using recent observable market data for similar assets	Independent	June 2016	Market price based on make, size, year of manufacture and condition
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management	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		
- Management valuation 2017 - level 3	99,021,096	99,021,096
- Additions after valuation	1,462,689	0
Less: accumulated depreciation	(31,724,529)	(30,734,415)
	68,759,256	68,286,681
Infrastructure - Drainage		
- Management valuation 2017 - level 3	37,774,634	37,774,634
- Additions after valuation	155,498	0
Less: accumulated depreciation	(20,942,341)	(20,559,021)
	16,987,791	17,215,613
Infrastructure - Bridges		
- Independent valuation 2018 - level 3	11,222,600	0
- Independent valuation 2015 - level 3	0	11,069,000
- Additions after valuation	0	90,072
Less: accumulated depreciation	0	(278,110)
	11,222,600	10,880,962
Infrastructure - Footpaths		
- Management valuation 2017 - level 3	1,552,434	1,552,434
- Additions after valuation	110,224	0
Less: accumulated depreciation	(216,983)	(183,244)
	1,445,675	1,369,190
Infrastructure - Other Structures		
- Management valuation 2017 - level 3	3,289,453	3,289,453
- Additions after valuation	75,473	0
Less: accumulated depreciation	(1,036,159)	(807,358)
	2,328,767	2,482,095
Infrastructure - Parks and Reserves		
- Independent valuation 2018 - level 3	2,554,300	0
- Independent valuation 2014 - level 3	0	2,954,000
- Additions after valuation	0	59,560
Less: accumulated depreciation	0	(148,359)
	2,554,300	2,865,201
Total infrastructure	103,298,389	103,099,742

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 - Drainage	Infrastructure - Bridges	Infrastructure - Footpaths	Infrastructure - Other Structures	Infrastructure - Parks and Reserves	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	82,713,836	505,536	11,020,489	1,216,856	2,269,070	3,037,481	100,763,268
Additions	2,256,029	25,991	0	62,657	202,189	35,206	2,582,072
Revaluation increments/ (decrements) transferred to revaluation surplus	(15,673,771)	16,700,778	0	135,604	225,314	(133,027)	1,254,898
Depreciation (expense)	(1,009,413)	(7,475)	(139,527)	(45,927)	(214,478)	(74,459)	(1,491,279)
Transfers	0	(9,217)	0	0	0	0	(9,217)
Carrying amount at 30 June 2017	68,286,681	17,215,613	10,880,962	1,369,190	2,482,095	2,865,201	103,099,742
Additions	1,462,689	155,498	62,270	110,224	75,472	2,053	1,868,206
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	418,895	0	0	(237,616)	181,279
Depreciation (expense)	(990,114)	(383,320)	(139,527)	(33,739)	(228,800)	(75,338)	(1,850,838)
Carrying amount at 30 June 2018	68,759,256	16,987,791	11,222,600	1,445,675	2,328,767	2,554,300	103,298,389

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	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other Structures	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	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 17A (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 class of 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								
Sedan Trailblazer LTZ 2016	33,721	32,727	0	(994)	36,264	30,000	0	(6,264)
Sedan Mazda CX5 Red 2016	28,329	24,545	0	(3,784)	30,139	23,000	0	(7,139)
Sedan Mazda CX5 White 2016	0	0	0	0	29,965	23,000	0	(6,965)
Sedan Mazda CX9 White 2017	0	0	0	0	36,800	35,000	0	(1,800)
Health								
Sedan - Hyundai i30 2015 Y86	22,465	11,443	0	(11,022)	23,987	15,000	0	(8,987)
Community amenities								
Development Services Vehicle	0	0	0	0	27,563	25,000	0	(2,563)
Transport								
Works Plant as listed below:	0	0	0	0	241,316	175,800	0	(65,516)
Cherry Picker	13,654	2,000	0	(11,654)				
Hino Truck 2008 Y1660	32,202	30,909	0	(1,293)				
Hino Truck 2008 Y397	29,127	29,091	0	(36)				
Stihl Blower BG86C	198	145	0	(53)				
Husqvarna Chainsaw 372XP	464	409	0	(55)				
Stihl Brushcutter FS240C	396	182	0	(214)				
Stihl Telescopic Polesaw	975	364	0	(611)				
Husqvarna Chainsaw 372XP x2	1,526	409	0	(1,117)				
Economic services								
Community Bus	0	0	0	0	50,750	10,000	0	(40,750)
Other property and services								
Utility Ford Ranger 2016 Y96	31,668	27,273	0	(4,395)	32,603	23,000	0	(9,603)
Mazda BT50 Y387	13,248	14,546	1,298	0	14,837	10,000	0	(4,837)
2 Dinsdale Street - House	0	0	0	0	235,878	239,000	3,122	0
	207,973	174,043	1,298	(35,228)	760,102	608,800	3,122	(154,424)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	596,630	594,307
Furniture and equipment	102,091	64,633
Plant and equipment	258,742	219,256
Infrastructure - Roads	990,114	1,009,413
Infrastructure - Drainage	383,320	7,475
Infrastructure - Bridges	139,527	139,527
Infrastructure - Footpaths	33,739	45,927
Infrastructure - Other Structures	228,800	214,478
	2,808,301	2,369,475

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 and vested 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	30 - 50 Years
Furniture and Equipment	4 - 10 Years
Plant and Equipment	5 - 15 Years
Bridges	75 Years
Walkways and Skate Park	60-80 Years
Drainage - Culvert Pipes	80 Years
Drainage - Underground Pipes	120 Years
Parks Furniture and Equipment	5 – 20 Years
Roads	
Formation	not depreciated
Pavement Structure	70-110 Years
Bitumen Seal	20 Years
Unsealed Roads	30 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				2018				2017			
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	Revaluation Increment	Revaluation (Decrement)	2017 Revaluation Increment	2017 Revaluation (Decrement)	Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land	3,981,700	20,100	0	20,100	4,001,800	3,981,700	0	0	0	0	0	3,981,700
Revaluation surplus - Buildings - non-specialised	16,354,628	1,453,946	0	1,453,946	17,808,574	16,354,628	0	0	0	0	0	16,354,628
Revaluation surplus - Furniture and equipment	61,757	0	0	0	61,757	0	61,757	0	61,757	0	61,757	61,757
Revaluation surplus - Plant and equipment	804,963	0	0	0	804,963	804,963	0	0	0	0	0	804,963
Revaluation surplus - Infrastructure - Drainage	16,700,778	0	0	0	16,700,778	0	16,700,778	0	16,700,778	0	16,700,778	16,700,778
Revaluation surplus - Infrastructure - Park/Reserves	2,820,973	0	(237,616)	(237,616)	2,583,357	2,954,000	0	(133,027)	0	(133,027)	(133,027)	2,820,973
Revaluation surplus - Infrastructure - Bridges	8,886,659	418,895	0	418,895	9,305,554	8,886,659	0	0	0	0	0	8,886,659
Revaluation surplus - Infrastructure - Footpaths	863,267	0	0	0	863,267	727,863	135,604	0	135,604	0	135,604	863,267
Revaluation surplus - Infrastructure - Other Structures	533,633	0	0	0	533,633	308,319	225,314	0	225,314	0	225,314	533,633
Revaluation surplus - Infrastructure - Roads	51,881,661	0	0	0	51,881,661	67,555,432	0	(15,673,771)	0	(15,673,771)	(15,673,771)	51,881,661
	102,890,019	1,882,941	(237,616)	1,655,325	104,545,344	101,573,364	17,123,453	(15,808,798)	1,316,655	(15,808,798)	1,316,655	102,890,019

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.

	2018	2018	2018	2017	2017	2017
	Opening	Revaluation	Closing	Opening	Revaluation	Total
	Balance	Increment	Balance	Balance	Increment	Revaluation
	\$	\$	\$	\$	\$	\$
Financial Assets Reserve						
				63,263	0	(63,263)
Local Government House Trust						0

The Shire of York has a shareholding of four units in the Local Government House Trust, the value of which was recognised in 2015/16. The value of \$63,263 was calculated based on the Trusts 30 June 2015 audited financial statements. Nevertheless, there is unlikely to be any future benefits accruing to the Council from this Trust and the decision was made to write it back to zero.

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

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages

	2018	2017
	\$	\$
Sundry creditors	744,324	185,932
Accrued interest on long term borrowings	19,187	21,070
Accrued salaries and wages	79,861	83,764
	<u>843,372</u>	<u>290,766</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 1 July 2017 \$	New Loans \$	Principal Repayments		Principal 30 June 2018		Interest Repayments		Interest Rate
			Actual	Budget	Actual	Budget	Actual	Budget	
			\$	\$	\$	\$	\$	\$	
Recreation and culture									
Loan 62 - Forrest Oval	1,086,400	0	50,265	50,265	1,036,135	1,036,135	67,319	67,664	6.30%
Loan 63 - Forrest Oval	234,576	0	19,037	19,037	215,539	215,539	11,576	11,717	5.15%
Loan 64 - Forrest Oval	365,907	0	29,696	29,696	336,211	336,211	18,057	18,277	5.15%
Loan 65 - Archive Facility	62,361	0	11,962	11,962	50,399	50,399	2,776	2,826	4.88%
Loan 67 - Building Purchase	543,743	0	56,423	56,423	487,320	487,320	16,500	17,429	3.29%
Transport									
Loan 66 - Plant	248,589	0	46,954	46,954	201,635	201,635	6,531	6,729	2.84%
	2,541,576	0	214,337	214,337	2,327,239	2,327,239	122,759	124,642	

The Shire's existing loans are held with Western Australian Treasury Corporation. Repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	223,922	214,337
Non-current	2,103,317	2,327,238
	<u>2,327,239</u>	<u>2,541,575</u>

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

12. INFORMATION ON BORROWINGS (Continued)

(b) Undrawn Borrowing Facilities
Credit Standby Arrangements

	2018	2017
	\$	\$
Bank overdraft limit	200,000	200,000
Bank overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	(284)	(428)
Total amount of credit unused	209,716	209,572

Loan facilities

Loan facilities - current	223,922	214,337
Loan facilities - non-current	2,103,317	2,327,238
Total facilities in use at balance date	2,327,239	2,541,575

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/Sick Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	462,787	244,306	707,093
Non-current provisions	0	52,673	52,673
	462,787	296,979	759,766
 Additional provision	28,324	18,376	46,700
Balance at 30 June 2018	491,111	315,355	806,466
 Comprises			
Current	491,111	252,037	743,148
Non-current	0	63,318	63,318
	491,111	315,355	806,466

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

	Annual/Sick Leave	Long Service Leave	Total
	\$	\$	\$
Current Provisions			
Within 12 months of the end of the reporting period	366,447	130,360	496,807
More than 12 months after the end of the reporting period	124,664	121,677	246,341
	491,111	252,037	743,148

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 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	4,261,327	2,497,112	3,041,935
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	168,216	697,194	1,586,924
Non-cash flows in Net result:			
Depreciation	2,808,301	2,444,360	2,369,475
(Profit)/loss on sale of asset	33,930	151,302	24,905
Changes in assets and liabilities:			
(Increase)/decrease in receivables	344,186	0	(822,241)
(Increase)/decrease in inventories	(4,064)	0	50,592
Increase/(decrease) in payables	552,606	0	(236,957)
Increase/(decrease) in provisions	46,700	0	20,252
Grants contributions for the development of assets	(1,041,860)	(2,503,542)	(1,300,630)
Net cash from operating activities	2,908,015	789,314	1,692,320

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	2,940,040	2,950,340
General purpose funding	1,285,000	2,870,450
Law, order, public safety	886,371	952,108
Health	90,244	764,497
Education and welfare	2,486,500	2,291,183
Community amenities	540,611	611,219
Recreation and culture	26,182,443	25,684,080
Transport	98,799,585	98,063,890
Economic services	93,717	117,259
Other property and services	2,939,963	2,070,659
Unallocated	7,101,564	4,761,843
	<u>143,346,038</u>	<u>141,137,528</u>

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

16. LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

	2018	2017
	\$	\$
	2,839	0
	3,283	0
	0	0
	<u>6,123</u>	<u>0</u>

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

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

17. 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 the President.	\$	\$	\$
Meeting Fees	101,273	101,346	101,346
President's allowance	16,749	16,749	16,749
Deputy President's allowance	4,187	4,187	4,187
Travelling expenses	734	1,500	336
Telecommunications allowance	14,326	14,000	24,787
	137,269	137,782	147,405

Key Management Personnel (KMP) Compensation Disclosure

	2018	2017
The total of remuneration paid to KMP of the Shire in addition to elected members during the year are as follows:	\$	\$
Short-term employee benefits	870,006	891,393
Post-employment benefits	106,258	87,395
Other long-term benefits	19,895	94,240
	996,159	1,073,028

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.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

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:	\$	\$
Sale of goods and services	0	0
Purchase of goods and services	135,973	0

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.

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

18. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
\$	\$	\$	\$	\$	\$	\$	\$
Governance							
Connecting Local Governments Funding (SEAVROC)	44,054	0	0	44,054	0	0	44,054
Workforce Plan Funding (SEAVROC)	18,186	0	0	18,186	0	0	18,186
Business Case Grant Funds (SEAVROC)	13,118	0	0	13,118	0	0	13,118
You're Welcome/ Disability Awareness Training Funds (SEAVROC)	22,976	0	0	22,976	0	0	22,976
Zero Waste Plan Grant (SEAVROC)	6,119	0	0	6,119	0	0	6,119
Directions - Leadership Programme	1,500	0	0	1,500	0	0	1,500
DLGSC - Age Friendly Communities	10,000	0	0	10,000	0	(10,000)	0
Law, order, public safety							
Cat Sterilisation Program	3,385	0	(3,385)	0	0	0	0
Recreation and culture							
ANZAC Centenary Grant (Krupp Gun Housing etc)	27,273	0	(27,273)	0	0	0	0
ANZAC Centenary Grant - Walk With Us	31,287	0	(12,733)	18,554	0	(18,554)	0
CANWA - Remembering Them - Walk With Us	0	13,360	(8,035)	5,325	0	(5,325)	0
Town Hall Upgrades	0	103,170	0	103,170	0	(103,170)	0
Town Hall Honour Board Refurbishment	0	0	0	0	16,925	(5,000)	11,925
Avon Park Amenity Upgrades	0	0	0	0	15,672	0	15,672
Transport							
Special Purpose Financial Assistance Grants - Bridges	18,057	0	0	18,057	0	0	18,057
Stronger Communities	11,785	0	(11,785)	0	0	0	0
Creating Age Friendly Communities	40,000	0	(40,000)	0	0	0	0
Roads to Recovery	0	0	0	0	566,404	(70,091)	496,313
Economic services							
Regional Visitor Centre Sustainability Grant Program	16,250	0	(12,554)	3,696	0	(3,696)	0
DLGSC - Nature Play Festival	0	5,000	0	5,000	0	(5,000)	0
Total	263,990	121,530	(115,765)	269,755	599,001	(220,836)	647,920

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.

(*) - Grants/contributions received as revenue in a previous reporting period which were not expended and have been transferred to Reserve 40 - Tied Grant Funds

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

19. 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											
General	0.1185	1,416	22,194,799	2,629,862	4,628	(6,247)	2,628,243	2,627,859	10,000	100	2,637,959
Unimproved valuations											
General	0.0090	334	205,894,000	1,854,281	5,005	766	1,860,052	1,854,281	0	0	1,854,281
Sub-Total		1,750	228,088,799	4,484,143	9,632	(5,480)	4,488,295	4,482,140	10,000	100	4,492,240
Minimum payment											
Gross rental valuations											
General	1.080	549	1,942,349	592,920	0	0	592,920	594,000	0	0	594,000
Unimproved valuations											
General	1.430	326	35,333,055	466,180	0	0	466,180	461,890	0	0	461,890
Sub-Total		875	37,275,404	1,059,100	0	0	1,059,100	1,055,890	0	0	1,055,890
		2,625	265,364,203	5,543,243	9,632	(5,480)	5,547,395	5,538,030	10,000	100	5,548,130
Discounts/concessions (refer note 19(b))							0				(30,000)
Total amount raised from general rate							5,547,395				5,518,130
Movement in rates paid in advance							9,159				0
Total Rates							5,556,554				5,518,130
Ex-gratia rates							13,129				13,129

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

19. RATING INFORMATION (Continued)

(b) Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
Rates Write Offs				0	30,000
Rates Penalty Interest				27	
Legal Fees				335	
				362	30,000

Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	28-Aug-17	0	0.00%	11.00%
Option Two				
First instalment	28-Aug-17	0	5.50%	11.00%
Second instalment	30-Oct-17	10	5.50%	11.00%
Third instalment	15-Jan-18	10	5.50%	11.00%
Fourth instalment	15-Mar-18	10	5.50%	11.00%

	2018 \$	2018 Budget \$
Interest on unpaid rates	135,579	84,000
Interest on instalment plan	24,770	22,000
Charges on instalment plan	19,540	19,500
	179,889	125,500

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

20. NET CURRENT ASSETS

Composition of net current assets for
the purposes 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	1,750,159	1,975,514	1,975,514
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,110,689	789,038	789,038
Restricted	3,150,638	2,252,897	2,252,897
Receivables			
Rates outstanding	1,091,760	1,013,066	1,013,066
Sundry debtors	416,519	549,021	549,021
Less provision for doubtful debts	(352,541)	(352,043)	(352,043)
Accrued income	15,744	268,947	268,947
Prepayments	8,467	32,219	32,219
LSL owed by other Local Governments	24,983	42,455	42,455
ESL Debtors	33,298	45,992	45,992
Pensioner rebates	500	2,006	2,006
Inventories			
Stock on hand - Works and Services	11,490	10,555	10,555
Stock on hand - York Recreation and Convention Centre	29,433	26,304	26,304
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(744,324)	(185,932)	(185,932)
Accrued interest on long term borrowings	(19,187)	(21,070)	(21,070)
Accrued salaries and wages	(79,861)	(83,764)	(83,764)
Current portion of long term borrowings	(223,922)	(214,337)	(214,337)
Provisions			
Provision for annual leave	(415,329)	(400,144)	(400,144)
Provision for sick leave	(75,782)	(62,643)	(62,643)
Provision for long service leave	(252,037)	(244,306)	(244,306)
Unadjusted net current assets	3,730,538	3,468,261	3,468,261
Adjustments			
Less: Reserves - restricted cash	(2,626,728)	(2,107,152)	(2,107,152)
Less: Rates Received in Advance	(59,121)	(49,962)	(49,962)
Add: Current portion of long term borrowings	223,922	214,337	214,337
Add: Leave Reserve	481,548	450,029	450,029
Adjusted net current assets - surplus/(deficit)	1,750,159	1,975,514	1,975,514

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

21. 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	4,261,327	3,041,935	4,261,327	3,041,935
Receivables	1,338,864	1,683,050	1,338,864	1,683,051
	5,600,191	4,724,985	5,600,191	4,724,986
Financial liabilities				
Payables	843,372	290,766	843,372	290,766
Borrowings	2,327,239	2,541,575	2,619,352	2,859,112
	3,170,611	2,832,341	3,462,724	3,149,878

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

21. 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.

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	42,613	30,419
- Statement of Comprehensive Income	42,613	30,419

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

21. 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 (Past due)	92%	93%
- Non-current (Deferred)	8%	7%
Percentage of other receivables		
- Current <30 days	27%	55%
- Past due >30 days	73%	45%

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

21. 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 Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	843,372	0	0	843,372	843,372
Borrowings	338,979	1,283,748	1,424,921	3,047,648	2,327,239
	1,182,351	1,283,748	1,424,921	3,891,020	3,170,611
2017					
Payables	290,766	0	0	290,766	290,766
Borrowings	338,979	1,283,748	1,763,900	3,386,627	2,541,575
	629,745	1,283,748	1,763,900	3,677,393	2,832,341

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	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	%
Borrowings					
Fixed rate					
Long term borrowings		252,033	2,075,206	2,327,239	4.60%
Weighted average					
Effective interest rate		3.86%	4.97%		
Year ended 30 June 2017					
Borrowings					
Fixed rate					
Long term borrowings		310,949	2,230,626	2,541,575	4.03%
Weighted average					
Effective interest rate		3.25%	5.26%		

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

22. 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
	\$	\$	\$	\$
BCITF PAYMENT	864	7,265	7,304	825
BOND CAT TRAP	89	1,445	1,267	267
BONDS - EXTRACTIVE INDUSTRIES	4,500	0	0	4,500
BONDS - FOOTPATH & KERB	15,500	4,000	2,500	17,000
BONDS - HALL ETC	6,240	3,450	3,460	6,230
BONDS - KEYS	2,440	160	300	2,300
BONDS - PARKS/COUNCIL PROPS	500	500	500	500
BONDS - RENTAL PROPERTY	1,435	0	0	1,435
BUILDER REGIST BOARD LEVY	1,219	11,224	11,071	1,372
BUILDING BONDS	5,350	0	3,750	1,600
CASH RECEIPTS - OTHER	9,198	500	300	9,398
COMMUNITY BUS BONDS	1,350	1,150	1,000	1,500
CROSSOVER BOND - ASTONE	3,000	0	3,000	0
CROSSOVER BOND - AVON VALLEY P	5,940	0	0	5,940
CROSSOVER BOND - N BLISS	1,650	0	0	1,650
CROSSOVER BOND - SMORENBURG	1,650	0	0	1,650
FUNDRAISING ACCOUNT	(509)	434	0	(75)
FUNDS HELD FOR LOCAL GROUPS	15,895	2,149	3,489	14,554
GREENHILLS BUSHFIRE BRIGADE	114	0	0	114
LEEUEWIN CONTRIBUTIONS	800	0	0	800
MOTO CROSS TRACK	5,244	621	0	5,865
NOMINATION DEPOSIT	0	560	560	0
PALMBROOK - CROSSOVERS	64,402	0	5,882	58,520
PALMBROOK - FOOTPATHS	68,689	75	54,483	14,281
PALMBROOK - INTERSECTIONS	29,876	0	0	29,876
PALMBROOK - PUBLIC OPEN SPACE	58,422	0	0	58,422
PALMBROOK - RURAL NUMBERS	1,820	0	0	1,820
PLANNING BONDS	2,900	3,000	0	5,900
POLICE LICENSING	0	1,350,147	1,350,147	0
PROPERTY SALE NON PAYMENT RATES	69,065	0	0	69,065
SETTLERS HOUSE BONDS	13,357	0	0	13,357
SPORTING PRECINCT	3,960	1,100	450	4,610
SUBDIVISION BOND - BAWDEN	3,300	0	0	3,300
SUBDIVISION BOND - PREISIG	31,845	0	0	31,845
SUBDIVISION BONDS	51,013	0	3,300	47,713
	481,118	1,387,780	1,452,763	416,134

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

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

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 NFP's. 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

24. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

25. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE
GOVERNANCE	Members expenses and the costs associated with meetings of Council, policy determination and public ceremonies and presentations and administration allocations.
GENERAL PURPOSE FUNDING	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	Supervision of local laws, fire prevention including the provision of volunteer fire brigades, animal control and the support of local emergency and public safety organisations.
HEALTH	Food quality control, immunisation, environmental health and support to the medical practice and practitioners.
EDUCATION AND WELFARE	Building maintenance of Pioneer Memorial Lodge (leased Aged Care facility) and Centennial Units which are a joint venture with Homeswest providing self contained units to over 55's. Support to youth based initiatives.
COMMUNITY AMENITIES	Rubbish collection services, management of waste facilities, noise control, administration of the Town Planning Scheme, maintenance of cemeteries and storm water drainage maintenance.
RECREATION AND CULTURE	Maintenance of halls, aquatic centre, recreation centre and various reserves. Operation of the library and support to and maintenance of the Residency Museum.
TRANSPORT	Construction and maintenance of roads, bridges, footpaths, drainage works, lighting and cleaning of streets and depot maintenance.
ECONOMIC SERVICES	Area promotion, support to tourism and events, building control, the community bus, and standpipes.
OTHER PROPERTY AND SERVICES	Private works carried out by Council, public works overhead allocations, plant operation cost allocations and stock.

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

26. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.80	3.19	1.87
Asset consumption ratio	0.71	0.73	0.85
Asset renewal funding ratio	1.74	0.97	0.48
Asset sustainability ratio	0.83	1.22	0.50
Debt service cover ratio	6.10	8.25	1.76
Operating surplus ratio	(0.12)	0.04	(0.29)
Own source revenue coverage ratio	0.72	0.74	0.70

The above ratios are calculated as follows:

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

Notes:

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants. In addition, two of the ratios were impacted by revenue and expenses associated with flood damage re-instatement which is considered one-off in nature.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	773,337	769,489	0
Amount of Financial Assistance Grant received in prior year relating to current year.	769,489	0	742,355
Amount of reimbursement for flood damage received	0	208,000	0
Expenditure on flood damage re-instatement	263,000	291,000	0

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	2.38	2.18	1.70
Debt service cover ratio	3.81	5.97	3.91
Operating surplus ratio	(0.23)	(0.07)	(0.19)

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

27. PRIOR PERIOD CORRECTIONS

Balances relating to the 2017 comparative year have been amended due to the correction of prior period balances. These amendments have been adjusted as shown below and, in accordance with the requirements of AASB101, a statement of financial position as at the beginning of the earliest comparative period has been included (refer statement of financial position column labelled as at 1 July 2016).

A number of prior period corrections have been made for this annual report.

1. Racecourse Land

In July 2015 the Shire was gifted 50% of Racecourse land, relating to the York Racing Club. Under the terms of the MOU, the Shire retains ownership of 50% of the Land, however the York Racing club assumes the rights and responsibilities over the asset(s) including the responsibility to maintain and renew those assets.

During the first revaluation of Land and Buildings in 2014-15 the Shire did not revalue or recognise the new asset. As at 30 June 2018, the Shire has recognised and revalued this asset, and made prior-period adjustments to recognise the value of this asset as it existed at 30 June 2016.

2. Drainage Assets

During the year ended 30 June 2018, the Shire performed a physical inspection of all Drainage culverts. The result of this inspection identified a number of misreported drainage assets recorded in RAMM during the revaluation performed as at 30 June 2017.

As at 30 June 2018, the Shire has reviewed and updated all assets within the Drainage asset class and also made prior-period adjustments to recognise the fair value of these assets as they existed at 30 June 2017. This adjustment had no effect on the figures reported for drainage assets prior to 30 June 2017.

3. Reclassification of Assets from Land and Buildings to Infrastructure - Parks and Reserves

For the year ended 30 June 2018, the Shire performed a revaluation of all building assets. During the course of the audit it was identified that within this class, was a number of assets that required reclassification from Buildings to Infrastructure - Park and Reserves, based on their nature. As a result these assets have been transferred out of the Buildings class.

As at 30 June 2018, the Shire has recognised these assets as Infrastructure - Park and Reserves and made prior-period adjustments to recognise the fair value of these assets as they existed at 30 June 2016 and 30 June 2017.

27. PRIOR PERIOD CORRECTIONS (Continued)

	30 June 2017		30 June 2017
	Original	Amount of	Adjusted
	Balance	Adjustment	Balance
	\$	\$	\$
Effect of the corrections:			
<u>Changes to Financial Statements</u>			
Statement of Comprehensive Income			
- by Nature or Type			
Other Comprehensive Income			
Changes on revaluation of non-current assets	9,037,448	(7,720,793)	1,316,655
- by Program			
Other Comprehensive Income			
Changes on revaluation of non-current assets	9,037,448	(7,720,793)	1,316,655
<u>Changes to Financial Statements</u>			
Statement of Financial Position			
Non-Current Assets			
Property, plant and equipment	35,566,143	(2,290,201)	33,275,942
Infrastructure	107,955,334	(4,855,592)	103,099,742
Equity			
Retained Surplus	31,973,250	575,000	32,548,250
Revaluation Surplus	110,610,812	(7,720,793)	102,890,019
Note 7 - Property, Plant and Equipment			
Land			
- Independent valuation 2015 - level 3	4,985,450	575,000	5,560,450
Buildings			
- Independent valuation 2015 - level 3	28,544,498	(2,954,000)	25,590,498
- Additions after valuation	589,881	(59,560)	530,321
Less: accumulated depreciation	(1,336,806)	148,359	(1,188,447)
Note 8 - Infrastructure			
Infrastructure - Drainage			
- Management valuation 2017 - level 3	43,992,682	(6,218,047)	37,774,635
Less: accumulated depreciation	(19,056,275)	(1,502,746)	(20,559,021)
Infrastructure - Parks and Reserves			
- Independent valuation 2015 - level 3	0	2,954,000	2,954,000
- Additions after valuation	0	59,560	59,560
Less: accumulated depreciation	0	(148,359)	(148,359)
Note 10 - Revaluation Surplus			
Infrastructure - Drainage	24,421,571	(7,720,793)	16,700,778
Buildings	19,175,601	(2,820,973)	16,354,628
Infrastructure - Parks and Reserves	0	2,820,973	2,820,973
Note 15 - Total Assets Classified by Function and Activity			
Recreation and Culture	25,109,080	575,000	25,684,080
Transport	105,784,683	(7,720,793)	98,063,890

27. PRIOR PERIOD CORRECTIONS (Continued)

	30 June 2016 Original Balance \$	Amount of Adjustment \$	30 June 2016 Adjusted Balance \$
Effect of the corrections:			
<u>Changes to Financial Statements</u>			
Statement of Financial Position			
Non-Current Assets			
Property, plant and equipment	36,149,396	(2,225,056)	33,924,340
Infrastructure	97,963,213	2,800,056	100,763,269
Note 7 - Property, Plant and Equipment			
Land			
- Independent valuation 2015 - level 3	4,985,450	575,000	5,560,450
Buildings			
- Independent valuation 2015 - level 3	28,440,100	(2,954,000)	25,486,100
- Additions after valuation	440,680	(24,354)	416,326
- Transfers	0	104,398	104,398
Less: accumulated depreciation	(665,472)	73,900	(591,572)
Note 8 - Infrastructure			
Infrastructure - Parks and Reserves			
- Independent valuation 2015 - level 3	0	2,954,000	2,954,000
- Management valuation 2014 - level 3	825,988	0	825,988
- Additions after valuation	0	24,354	24,354
- Transfers	0	(104,398)	(104,398)
Less: accumulated depreciation	(588,563)	(73,900)	(662,463)
Note 10 - Revaluation Surplus			
Buildings	19,175,601	(2,820,973)	16,354,628
Infrastructure - Parks and Reserves	0	2,820,973	2,820,973



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of York

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of York which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of York:

- (i) is based on proper accounts and records; and
- (ii) 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

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant 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 my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the financial report, which describes the basis of accounting. 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. My opinion is not modified in respect of this matter.

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

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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, misrepresentations, 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Report on Other Legal and Regulatory Requirements

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

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 26 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

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 York 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.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
27 November 2018

7.2 FINANCE AND COSTING REVIEW FOR THE QUARTER ENDED 30 SEPTEMBER 2018**File Number:** FI.FRP**Author:** Tabitha Bateman, Finance Manager**Authoriser:** Suzie Haslehurst, Executive Manager, Corporate & Community Services**Previously before Council:** Not applicable**Appendices:** 1. Finance and Costing Review Summary 2018/19 - Quarter 1**NATURE OF THE AUDIT COMMITTEE'S ROLE IN THE MATTER**

Review

PURPOSE OF REPORT

This report presents the results of the quarterly Finance and Costing Review for the period ending 30 September 2018 for the Audit Committee's consideration and recommendation to Council.

BACKGROUND

In 2017, officers developed a procedure called the Finance and Costing Review (FACR). The main objectives of this process were to ensure regular monitoring of income and expenditure in accordance with the adopted budget and to improve accountability, transparency and knowledge of officers who are responsible for accounts within the budget.

This process formalised quarterly reviews of the annual budget, the results of which further assist to inform the mid-year budget review and the budget planning process by highlighting over or under income and expenditures and forecasting the year end position.

COMMENTS AND DETAILS

As part of the annual budget preparation, officers across the organisation are assigned projects and accounts within the budget for which they are responsible to monitor and manage. At the close of the quarter, responsible officers met with the Executive Management Group to analyse budgets and consider any variations to the adopted budget.

Following this review process, a summary of all material variances was compiled for consideration by the Audit Committee and is attached to this report.

To date, the results of the FACR process have not been presented to the Audit Committee, instead budget amendments were presented to Council throughout the year for approval or as part of the mid-year budget review. Officers are of the opinion however, that regularly reporting to the Audit Committee ensures members are aware of any variations to budgets and projects encountered throughout the financial year.

It is expected that requests for variation at the first quarter FACR will be minimal considering the year is only three months along. However, the first quarter review is a practical time to address variations to the budgeted carried forward surplus determined as part of the annual audit process.

Following the close of the 2017/18 financial year and subsequent financial audit, there was a net variation of \$170,671 between the budgeted surplus carried forward and the actual surplus determined as part of the audit. As a result, officers are proposing budget amendments to cater for

this discrepancy ranging from savings on completed projects, projects being deferred and additional funding being received. Consequently, the net impact of the first quarter FACR is \$381.

It should be noted, that to achieve the above, a number of projects are proposed to be deferred or re-scoped totalling \$122,700. These include;

- Administration Carpark – in accordance with Council Resolution 100918 funds for this project were reallocated to completion of the RV Park Relocation. Further planning is required to complete the Administration Carpark due to the recent sale of the Masonic Hall. The Executive Management Group will work with the new owners to develop a plan for the area and propose to include an allocation in the 2019/20 budget.
- Demolition of the Old Infant Health Centre – adjacent to the Masonic Hall, demolition of this building will be planned in conjunction with the administration carpark works. A transfer from Building Reserve 30 was planned to fund this demolition project however it is proposed that these funds be utilised for the Town Hall Green Room upgrades.
- Arts and Cultural Plan – external funding could not be secured in the 2018/19 financial year. Consequently, it is proposed this project be carried forward to a future budget.
- Town Planning Scheme gazettal – the Town Planning Scheme has recently been approved for advertising which is expected to commence December 2018 for a period of 3 months. Following this, any submissions received will be presented to Council and then forwarded to the Minister for Planning for final approval. Given the tight timeframe it is unlikely that Council will be in a position to complete the gazettal process prior to the end of the financial year.

IMPLICATIONS TO CONSIDER

Consultative

Moore Stephens

Office of the Auditor-General

Policy Related

Policy F1.3 *Significant Accounting Policies*

Financial

The financial impact of the Finance and Costing Review for the quarter ending 30 September 2018 is outlined within Attachment 1.

Legal and Statutory

Local Government Act 1995

Section 6.2 *Local government to prepare annual budget*

Section 6.10 *Financial management regulations*

Local Government (Financial Management) Regulations 1996

Part 2. Reg 5(g) CEO's duties as to financial management

Part 3. Reg 33A Review of budget

Risk Related

Failure to monitor and financially manage budgeted projects, essentially ratepayer's funds, exposes Shire officers and Councillors to significant risk. The FACR process will help to mitigate this risk. Whilst there is currently no legislative requirement to report on the budget quarterly, the Shire is committed to ongoing improvements within the organisation.


VOTING REQUIREMENTS


Not applicable.

COMMITTEE RECOMMENDATION**Moved: Cr Heather Saint****Seconded: Cr Denese Smythe****That the Audit Committee recommends that Council:**

- 1. Notes the development of the Finance and Costing Review to be undertaken quarterly with the results to be reported to the Audit Committee and Council.**
- 2. Accepts the Finance and Costing Review Summary for the period ending 30 September 2018 as attached to this report.**
- 3. Adopts the proposed budget amendments and requests the CEO to implement the changes.**


CARRIED: 7/0

 FINANCE AND COSTING REVIEW SUMMARY 2018/19 - Quarter 1					
Description	COA	Adopted Budget	FACR Impact Quarter 1	Forecasted Year End	Comments/Justification for Request
Variation to 2017/18 year end surplus		(2,094,197)	344,037	(1,750,160)	There was a significant reduction to the estimated carried forward surplus compared to the budget. The main contributing factor relates to the timing of payment for works on Top Beverley Road and a number of other smaller projects being finalised at the end of the financial year. This decrease is partially offset by the decrease in Regional Road Group expenditure for 2018/19 - see GL 122401.
Town Hall Building Capital	113029	43,000	38,000	81,000	The Town Hall painting was initially proposed to be completed by 30 June 2018 hence no budget was allocated in the 2018/19 year. Due to bookings however, this project was unable to be completed. This budget amendment of \$38,000 represents unspent funds for the project, not additional costs.
Area Promotion Infrastructure	132304	25,000	35,000	60,000	Additional funds are required to complete RV Park Relocation project of \$45,000 as per Council Resolution 100918. The budget allocation of \$25,000 for Entry Statements has been reallocated to Alfresco Dining on Avon Terrace \$15,000 to support Council Resolution 060918.
Administration Centre Capital	43141	80,000	(60,000)	20,000	Reduce budget for admin carpark and demolition of Old Infant Health to complete RV Park as per Council Resolution 100918.
Transfer from Building Reserve	44050	(25,000)	2,000	(23,000)	The 2018/19 adopted budget included a transfer from Building Reserve 30 to demolish the Old Infant Health Centre which will not be completed in the 2018/19 FY. Officers are proposing to utilise funds from the Building Reserve 30 for the Town Hall Green Room upgrades.
Regional Road Group Projects	122401	596,366	(173,366)	423,000	Due to the timing of payment for works on Top Beverley Road, expenditure was allocated in the 2018/19 FY. This was varied during the annual audit and allocated to 2017/18 hence reducing the carried forward surplus but also the Regional Road Group expenditure in 2018/19.
General Purpose Grants	32260	(393,616)	(23,990)	(417,606)	An increase to Financial Assistance Grants due to the final grant allocation being greater than budget estimates.
Local Roads Grants	32270	(277,274)	(11,171)	(288,445)	An increase to Financial Assistance Grants due to the final grant allocation being greater than budget estimates.
Office Expenses - Computers	42188	152,635	8,000	160,635	Additional IT costs to support roll out of Info Council.
Administration Vehicles	42339	134,000	9,000	143,000	Reduction in costs for CEO vehicle \$14,000 partially offsetting the cost of additional pool vehicle in Administration \$23,000.
Proceeds on Sale of Assets	42232	(81,000)	(7,000)	(88,000)	Additional proceeds for CEO vehicle trade. The 2018/19 budget estimate was \$35,000 - the actual proceeds from the trade are expected to be \$42,000.
Pioneer Memorial Lodge Capital	68302	0	12,660	12,660	Risk mitigation - replace fire panels and detectors at Pioneer Memorial Lodge (PML) which was unbudgeted.

 FINANCE AND COSTING REVIEW SUMMARY 2018/19 - Quarter 1					
Description	COA	Adopted Budget	FACR Impact Quarter 1	Forecasted Year End	Comments/Justification for Request
Transfer from Reserve	68401	0	(12,660)	(12,660)	Transfer from Pioneer Memorial Lodge Reserve 25 to replace fire panels and detectors. Current balance of reserve is \$99,603.
Museum Capital	118300	9,000	10,000	19,000	Emergency expenditure required for ceiling repairs.
Transfer from Reserve	118301	0	(6,000)	(6,000)	Partially fund Museum ceiling repairs from reserves and close Residency Museum Reserve 26
Forrest Oval Stadium	113329	0	7,500	7,500	Security improvements required for basketball stadium in response to continuing break-ins and vandalism.
Candice Bateman Park F & E	113341	4,000	(4,000)	0	Candice Bateman Park - additional park shelter not required at this stage.
Road Safety Audits	125110	0	8,000	8,000	Road safety audits required to support future Blackspot funding applications.
Direct Road Grant - MRWA	125202	(82,762)	(58,262)	(141,024)	Increase to Main Roads Direct Grant due to the final grant allocation being greater than budget estimates.
Development Services Vehicle	133319	26,000	11,000	37,000	Increase budget for dual cab Ford Ranger or similar 4WD vehicle.
Bushfire Risk Mitigation Project Exp	51136	0	257,200	257,200	Bushfire Mitigation Activity Fund - expenditure as per Council Resolution 270918
Bushfire Risk Mitigation Project Inc	51226	0	(257,200)	(257,200)	Bushfire Mitigation Activity Fund - income as per Council Resolution 270918
Fire Breaks - Shire Land	51107	43,754	(20,000)	23,754	Amend budget for Bushfire Risk Mitigation provided for in GL 51107 in accordance with part 3 of Council Resolution 270918
ESL Grants	51220	(20,000)	20,000	0	Amend budget for Bushfire Risk Mitigation income provided for 51220 in accordance with part 3 of Council Resolution 270918
Blackspot Road Projects	122407	0	34,000	34,000	Blackspot Road Projects approved after budget adoption.
Blackspot Road Projects Income	125208	0	(22,667)	(22,667)	Two thirds funding to be received from Main Roads for approved Blackspot Road Projects
Arts and Cultural Heritage Planning	119122	40,000	(40,000)	0	Arts and Cultural Plan Expenditure - planning to commence 18/19. Unlikely to finalise plan prior to 30 June 2019.
Grants - Arts and Cultural Heritage	119221	(20,000)	20,000	0	Arts and Cultural Plan Expenditure - planning to commence 18/19. Unlikely to finalise plan prior to 30 June 2019.
Review Town Planning Scheme	106191	45,700	(14,700)	31,000	Town Planning Scheme gazettal process delayed due to timing of approval to advertise received from WAPC.
Trails Expenditure Capital	113335	15,000	(6,000)	9,000	Walk trail bridge renewals complete. Further work will be undertaken as part of the Bushfire Mitigation Activity Fund project.
Bridge Construction	122404	79,000	(39,000)	40,000	Bridge construction projects reduced from two bridges to one.

FACR 2018/19 - Quarter 1

2 of 3

 FINANCE AND COSTING REVIEW SUMMARY 2018/19 - Quarter 1					
Description	COA	Adopted Budget	FACR Impact Quarter 1	Forecasted Year End	Comments/Justification for Request
Forrest Oval Capital	113331	260,000	(30,000)	230,000	Further planning is required for the Forrest Oval precinct security. It is proposed to defer to 2019/20 but upgrade security at the Forrest Oval Stadium - see GL 113329.
Loader Refurbishment	127304	176,000	(30,000)	146,000	Repairs funded from operating budget - major refurbishment not required. Schedule for replacement 19/20
Road to Recovery	122400	763,666	(30,000)	733,666	Roads to Recovery project for Mackie Road completed under budget. Reallocate remaining funds to Quonamining Road.
Road to Recovery	122400	733,666	30,000	763,666	Roads to Recovery project for Mackie Road completed under budget. Reallocate remaining funds to Quonamining Road.
Net Impact - Quarter 1		232,938	381	233,319	

7.3 REVIEW OF TENDER 01 - 16/17

File Number: AS.TEN.52; AS.TEN.PPO

Author: Paul Martin, Chief Executive Officer

Authoriser: Paul Martin, Chief Executive Officer

Previously before Council: N/A

Appendices:

1. Email engagement of Howson Technical to undertake tender assessment and design
2. Report by Auditor General on Local Government Procurement
3. Road Geometry Verification Report

NATURE OF COUNCIL'S ROLE IN THE MATTER

Executive

PURPOSE OF REPORT

This report presents a review of Tender 01-16/17 undertaken by the Chief Executive Officer, the Executive Manager Corporate and Community Services and the Executive Manager Infrastructure and Development Services. All three Senior Officers have been involved in the review and preparation of this report.

The report identifies issues that occurred during the tender process and makes recommendations on improvements to policies and procedures to avoid recurrence of identified issues in the future.

The report also identifies what needs to occur on the roads constructed to address issues resulting from the work undertaken.

BACKGROUND

This review commenced earlier this year in response to a concern raised by a member of the community. The review has involved consultation with a number of agencies and the involvement of many staff including all senior staff in the organisation.

The audit committee received a briefing on the preliminary findings regarding this review at its last meeting. This report is now presented for consideration.

The tender which is the subject of this review was for an extensive amount of capital works in the 2016/17 financial year.

It is worth identifying early in this report the following organisational contextual issues at the time of this tender:

- The CEO had commenced with the organisation at the end of April 2016.
- The organisation had just completed a Major Strategic Review with the preparation of a Strategic Community Plan, Corporate Business Plan and Long Term Financial Plan in July 2016. The 2016/17 financial year budget was also adopted in July 2016.
- Upon commencing, the CEO undertook an organisational review which resulted in a restructure and a number of redundancies at senior levels in the organisation.
- The new Executive Manager Infrastructure and Development Services had commenced in September 2016.
- The new Executive Manager Corporate and Community Services had commenced on 31 October 2016.
- An Audit Regulation 17 (dealing with organisational risk, controls and legislative compliance) and Financial Management review had either not been undertaken at all previously or not undertaken comprehensively and was scheduled to occur during the 2016/17 financial year.

- With all the issues which the Shire of York had experienced in recent history, there were a lot of legacy issues for the new CEO and Executive team to address.
- The Shire had been affected by a significant storm event which was declared eligible for WANDRRA funding for rectification works to be undertaken in addition to the Shire's capital works program in the 2016/17 financial year.
- The Shire had received feedback and concerns regarding the road construction program previously undertaken. This had resulted in the Acting CEO commissioning a report from Talis which identified issues with current practices and provided recommendations for improvement. This report was adopted by Council.

In an attempt to have the works required to be undertaken in the 2016/17 financial year completed to a high standard, it was decided to attempt to tender out some of the works.

Tender 01 – 16/17 had the following scope of works:

1. Reseals of the following roads:
 - Qualen West Road slk 6.00 to 9.60
 - Spencers Brook Road slk 1.60 to 3.60
 - Top Beverley Road slk 11.78 to 14.08
 - Talbot Road slk 8.80 to 9.60
 - Ulster Road slk 0.0 to 2.52
 - Penny Drive slk .025 to 3.00
2. Asphalt replacement of the following roads:
 - South Street slk 0.00 to 0.61
3. Construction and Upgrade of the following roads
 - Talbot Road – slk 4.40 to 5.90
 - Cut Hill Road – slk 0.10 to 1.08
 - Quellington Road – slk 3.60 to 5.60
 - Spencers Brook Road – slk 0.00 to 1.60
 - Top Beverley Road – slk 9.78 to 11.78
 - Intersection of Berry Brow Road and Great Southern Hwy
4. Gravel Re-sheeting of the following roads:
 - Wrights Road slk 0.28 to 1.93
 - Talbot Hall Road slk 5.37 to 7.37
 - Piccadilly Road slk 1.00 to 3.00
 - Cameron Road slk 0.00 to 2.00
 - Wambyn Road slk 0.00 to 2.00
 - Gwambygne East Road slk 10.70 to 12.70
 - Duck Pool Road slk 0.00 to 2.00
5. WANDRRA Storm Damage rectification works which included a range of works relevant to those particular roads identified below depending upon the extent of the storm damage:
 - Waterfall Road slk 1.43 to 1.51, slk 2.61 to 2.82, slk 3.32 to 3.38 and slk 6.10
 - Chandos Road slk 0.88 to 1.86
 - Andrews Ave slk 0.00 to 0.07
 - Lennard Road slk 0.07 to 0.17, slk 0.99 to 1.99 and slk 1.86 to 2.20
 - Hamersley Siding Road slk 5.59 to 6.02
 - Attfield Road North slk 0.00 to 0.45
 - Waterfall Road – Box Culvert Reconstruction

The Reseals and Asphalt work packages identified above (items 1 and 2) were not awarded and the WALGA panel was used at a later date to award this work.

This tender review was commenced in response to a concern raised by a member of the community regarding the road construction. Therefore, although the entire tender process has been reviewed, and recommendations for improvements made, the main focus is upon those aspects of the tender relating to the Construction and Upgrades work packages (item 3) outlined above.

COMMENTS AND DETAILS

There are two types of issues identified as part of this review, namely:

1. Issues relating particularly to the construction and upgrade aspects of the tendered works; and
2. Issues in relation to overall improvements to tender processes at the Shire of York;

which are discussed in detail below.

Issues relating to the construction and upgrade aspects of the work packages.

Of the list of work packages some of these were awarded to contractors and others were undertaken by the Shire workforce. This is outlined below:

- The following of the list above were undertaken by Stabilised Pavements Australia:
 - Talbot Road – slk 4.40 to 5.90 – reconstruction including widening and overlay.
 - Quellington Road – slk 3.60 to 5.60 – reconstruction including widening and overlay.
 - Spencer's Brook Road – slk 0.00 to 1.60 – to be widened not reconstruction.
 - Intersection of Berry Brow Road and Great Southern Highway – reconstruction.
- The Shire of York undertook the following projects:
 - Cut Hill Road – slk 0.10 to 1.08
 - Top Beverley Road – slk 9.78 to 11.78

The tender was structured as a "Design and Construction Tender". This required tenderers to be responsible for both the design and construction to specified standards, in this case works were to be undertaken to ARRB specifications and guidelines.

It is apparent that the design aspects of this work were very poorly managed by the Shire. This is demonstrated by the following:

- The requirement for the contract to be a design and construct tender was not consistently identified and stated throughout the RFT documentation. In fact, in one area where the details of the work packages are described, the requirement for a design is not mentioned, however it was mentioned in the guide sheets in the Appendices.
- Typically, for a design and construct tender, the following would be expected to be included as part of the tender scope:
 - Identifying the design elements as a separate cost in the tender.
 - Including a stage for review and approval of the design by the Shire.
 - Including a requirement for "As constructed drawings" to be prepared by the contractor.
- Four tenders were received. Of these:
 - One indicated they were not going to prepare designs.
 - One identified responsibility and a price for design elements.
 - One, under demonstrated understanding, only listed design for one project.
 - The final one, under demonstrated understanding, was silent on the design aspects of the works.
- There is no evidence or records of clarification occurring in regard to responsibility for design.

- When tenders closed, clarification was sought from all four tenderers on their pricing structure seeking further information and breakdown in their detail. When the clarification on pricing was received from them, only one identified a price for design.
- In December 2016, the EMIDS decided, in consultation with other Officers, to remove the design elements from the tender. He then engaged Howson Technical to prepare designs for the roads as part of this works package. The manner of this engagement will be outlined separately in this report.
- The Tender Recommendation Report presented to Council at the February OCM identified that the Shire was undertaking separately to the tender, the survey and design for the above-mentioned roads.
- The evaluation report is silent on any reduction in price to reflect the design elements being done separately to the tender.
- When the contracts were awarded to the tenderers, there is no detail to explain or require the contractor to build the road to a design being prepared by the Shire. In fact, the letter of award indicates that the works should be undertaken as per the tender document.
- A site meeting took place on 14 March 2017 between Officers and the contractor where the designs were tabled.
- A technical query was submitted by the contractor seeking clarification on a number of matters including the requirement to complete the works as per the drawings supplied and the requirement for "As Constructed" drawings.
- The Shire provided a response to the technical query confirming the requirement to build the roads in accordance with the design and confirming that "As constructed" drawings were required.
- Officers now understand that at a subsequent meeting between Officers and the contractor, the contractor advised that building the road to the design would incur additional time and cost. It is understood that a verbal direction from the EMIDS was provided to the contractor not to use the design but to improve the road alignment to a width of 7 metres, essentially meaning that the three roads in question were built to a budget not a design.
- However, it could be argued that regardless of this direction, the contractor was required to complete the works to ARRB standards in accordance with the RFT documentation.
- Officers can find no further details on the provision of "As constructed" drawings.

Even though the Shire staff had designs for the works on Cut Hill Road and Top Beverley Road, it appears that these were not completely adhered to. Processes have since been put in place to ensure that any future works undertaken by the Shire comply with designs, including survey control and "As constructed" drawings.

Early in 2018, the CEO became aware that there may have been issues with the standard of construction of these roads as part of this tender. Following review and internal discussion, the CEO committed in May to an independent company being engaged to undertake the following:

- Carry out a detailed as constructed survey
- Make comparison of what is constructed to the AUSTROADS Standard and the ARRB specifications and guidelines as required in the tender documentation
- Determine the compliance and noncompliance with these standards using a risk assessment process as per the Australian Standards
- Prepare a mitigation plan and an implementation strategy to correct any issues or risks as what is reasonably practicable.

Furthermore, \$280,000 is identified in the 2018/19 budget to be transferred into the road reserve to fund any works resulting from this review.

A copy of the report is attached at Appendix 3 for the Committee's and Council's information and review.

This report has been reviewed by the current Executive Manager Infrastructure and Development Services and the table below summarises the issues and makes recommendations on the works to minimise the road safety risks.

The independent review identified 16 curves with insufficient super elevation, three of which have been identified as not being a safety issue. The remaining would ideally be rectified however it is recommended at this stage, that the existing signage on nine of the curves is sufficient to significantly mitigate the risk. Four curves however, are recommended to have the signage upgraded to further mitigate the risk.

The report also identifies areas where the road crossfall is not to the required standard. These areas will be monitored to see if there are any detrimental effects to road safety or the road life.

Not identified in the report is that there are a number of culverts under the road that have not been widened, or widened sufficiently and now present a safety hazard. It is recommended that these be addressed as a priority.

There are also a number of property entrance culverts that have not been installed. This adversely affects the roadside drainage and should be addressed in the medium term. These works are identified in the table below.

It appears that at some stage, the contractor was instructed to change the start and finish straight line kilometres (SLK) on Talbot Road from 4.40 slk – 5.90 slk to 4.50 slk – 6.00 slk. This has resulted in a poor section of road slk 4.40 to slk 4.50 not being reconstructed. This section should be monitored for performance and included in a future reconstruction program.

Road	Summary of issues	Recommended mitigation works	Estimated Cost
Talbot Road – slk 4.50 – 6.00	Insufficient curve super elevation and culvert not wide enough.	Install additional signage at two bends.	\$5,000
		Extend culvert.	\$4,000
		Monitor road section slk 4.40 – 4.50 for future reconstruction.	
Cut Hill Road – slk 0.10 to 1.08 (Note: constructed by the Shire of York not contractors)	Culverts not wide enough and property entry culverts not installed.	Culverts to be widened and installed at property entries.	\$50,000
Quellington Road – slk 3.60 to 5.60	Insufficient curve super elevation and culverts not wide enough.	Install additional signage at two bends.	\$5,000
		Extend culverts.	\$8,000
Spencers Brook Road – slk 0.00 to 1.60	Insufficient curve super elevation. Insufficient road cross fall.	Monitor the road for performance when wet.	Nil.
Top Beverley Road – slk 9.78 to 11.78 (Note: constructed by the Shire of York not contractors)	Insufficient curve super elevation and culvert not wide enough.	Culvert to be extended.	\$4,000

Intersection of Berry Brow Road and Great Southern Highway	Minor issues only not needing rectification.	Nil.	Nil
		Total	\$76,000

Officers are recommending the following to facilitate the recommended works as outlined above:

- Utilise \$10,000 of the budgeted transfer to the Road Reserve in the current financial year to fund the additional signage identified.
- Include the remaining works (\$66,000) in the 2019/20 financial year budget with funds sourced from the Road Reserve to be undertaken in that financial year.
- The remaining funds being transferred to the reserve (\$204,000) to remain in the road reserve to fund any future issues identified.

In the absence of any written direction otherwise, it could be argued that the contractor was required to construct the roads in question in accordance with the RFT and therefore to the ARRB standards. Consequently, Officers are recommending that legal advice is sought in regard to the contractual obligations of SPA and the Shire for constructing the roads to the required standard.

Issues in relation to overall improvements to tender processes at the Shire.

It is clear that the scope of the work required in the tender was too large and complex. There were too many parcels of work included in one tender. The works should have been undertaken as a series of tenders in manageable parcels.

Furthermore, the tender also attempted to provide a mixture of shire staff and contractors on some works to “upskill” and “train” the outside workforce. The concept of working in partnership using Shire equipment and personnel was poorly explained, hard for contractors to price, and harder for Officers to assess.

This led to an external party (Howson Technical) being added to the tender evaluation panel and process. The issue with this is that no evidence can be found of obtaining the required number of quotes in accordance with the Shire’s Procurement Policy for this engagement. This is a breach of the Shire’s Procurement Policy and is outlined in more detail later in this report.

In addition to the complexity and scale of the scope of this tender, given the other priorities at the time, the organisation didn’t have the capacity for other members of the Executive to be on the assessment panel. The involvement of another member of the Executive Team might have ensured that some of the governance issues surrounding the tender were identified and rectified earlier. This involvement occurred with the tender for capital works undertaken in the 2017/18 financial year with the Executive Manager Corporate and Community Services being on the tender assessment panel.

In hindsight, with these organisational limitations at the time, the scope of the tender should have been reduced to what could reasonably be expected to be achieved during this timeframe.

The tender documentation also included no requirements for measurement of performance. There was no requirement for contractors to provide “as constructed” drawings and no mechanism to hold this to account. Although this was a requirement identified in the assessment report to Council, this was not passed on formally to contractors. It was later identified in a response to a technical query however, there is no evidence of this being confirmed and followed up with the contractors and therefore drawings were not provided.

The Shire also has no mechanism to review payment milestones for large contracts by parties with segregation of purchasing responsibility. This means that there is limited checking and accountability for the works completed other than the responsible Senior Officer indicating goods are received and payment can be made. Sometimes, invoices are also presented to the CEO for co-signing however, there is no formal process in place for this, no checklist of issues to review and consider and no reconciliation of payments made.

Improvements were made to this process with the tender conducted in the 2017/18 financial year which resulted in the CEO obtaining independent advice on the works completed prior to authorising payment.

Officers are recommending a process be prepared and presented to the audit committee to improve this arrangement. This may also require changes to the procurement policy to effect this change.

In summary, there have been many organisational improvements to the tender process since this tender was undertaken in the 2016/17 financial year as a result of the Regulation 17 review and overall improvements to governance in the organisation. These include:

- Given limited organisational resources, WALGA tender services are now used for complex and large tenders. The Shire has the capacity to conduct small tenders however it lacks the organisational resources to effectively manage tenders for large and or complex works (ie Waste Tender currently being undertaken by WALGA on a fee for service basis).
- Internal control improvements have been made to ensure compliance with the Procurement Policy.
- Designs for the roads are now included as part of the tender documentation in line with the Talis Report. Although the 2017/18 works only included "Draft not for construction drawings", this was an improvement on the previous tender and it is planned that final drawings will be included in the future.
- A process has been developed and implemented to manage variations in contracts. This procedure provides for variations to be approved at various levels in the organisation depending upon the value. Variations to contracts over 10% value are required to be presented to Council for approval. This should assist with any issues with the contract being escalated.
- The involvement of two members of the Executive Team on the tender assessment panel is now required.

Notwithstanding these improvements this review is recommending the following further improvements are made in tender processes:

- The requirement for "As Constructed Drawings" be included in future tenders to enable assessment of the works completed.
- Process for review and approval of milestone payments for large contracts.

Furthermore, as identified later in this report, Officers are also recommending that a review of the Shire's procurement be undertaken against the industry report issued by the Auditor General on Local Government Procurement.

Other issues for consideration

The following issues have also been identified through the process of this review for consideration by the Audit Committee:

1. **Lack of detailed records associated with the tender.** Overall, there is a lack of detailed records associated with the tender which makes reviewing processes difficult. Improvements are required for future tenders of this nature which are expected to come from the Procurement review issued by the Auditor General as outlined previously in the report.
2. **Non-Compliance with purchasing policy.** There are examples where there is a lack of recorded information to demonstrate the purchasing policy was complied with. This is particularly the case in regard to the engagement of Howson Technical to undertake the design of the roads to be upgraded.

The purchasing policy requires that for this amount of work, three quotes (either written or verbal) are required to be obtained, stating:

“Obtain at least three verbal or written quotations, recommendation to purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this policy.”

The EMIDS indicated in an email to Howson Technical that he proposed to use the prices from other tenderers to obtain the three required quotes. The email which relates to this matter is attached for the Committee’s review at Appendix 1. Although attempts were made to seek a breakdown of prices from all four tenderers, only one tenderer provided this detail. The price received from Howson Technical was cheaper than the price in that tender. Howson Technical was engaged by the EMIDS.

However, there is no record of a third quote being obtained or a rationale to explain the steps undertaken. The Officer could have proposed to have the third quote being a non-response from one of the tenderers or obtained verbal quote from another supplier, however this is not adequately recorded or explained.

The review also identified that there were a number of examples when purchase orders for the engagement of Howson Technical were raised after invoices had been received. It should be noted that this was not limited to the engagement of Howson Technical but an issue across the organisation in the 2016/17 financial year.

This was identified in the Audit Regulation 17 review conducted by Moore Stephens in May 2017 and adopted by the Audit Committee in August 2017. The Audit Regulation 17 Review Report made recommendations for further training and controls to be put in place across the organisation which has occurred. An update on this matter was reported to the Audit Committee in July 2018 outlining the improvements made and noting that Moore Stephens indicated significant improvement on this matter during the interim audit in April 2018.

Officers are proposing however, that the Procurement Policy is reviewed and amended to include a clause relating to consequences for non-compliance which may include disciplinary action in accordance with the Shire’s Code of Conduct.

3. **Conflict of interest perceptions.** Concerns have been raised about the Shire engaging Howson Technical to be on the assessment panel and undertake the design for the road construction and upgrade works.

Officers are satisfied that this is not a conflict of interest as can be seen from the email engaging Howson Technical to do both parcels of work. This occurred on the same day, therefore prior to Howson Technical undertaking the review of the tenders. Howson Technical then went on to review the tenders and prepare a report which was presented to and approved by Council at the tender award.

There is a clear written intent by the EMIDS at the time to remove the design elements from the tenderers’ responsibility at the commencement of the process, i.e. prior to the tender assessment by Howson Technical.

It could have been a potential conflict of interest if Howson Technical had assessed the tenders, then recommended that the design elements be removed and then was awarded the work.

Arguably, there is merit in having the company preparing the design part of the evaluation panel to assess the tenders as they have detailed knowledge of the scope of the works.

It is also noted that Howson Technical submitted a price to undertake project management of the works which would have provided the entire suite of services, however this was not accepted by the Shire of York as it was considered there was sufficient in-house expertise and capacity.

Therefore, notwithstanding the issues raised regarding compliance with the Procurement Policy identified above, based upon the information available at this time, officers are satisfied with the engagement of Howson Technical to undertake the design.

OPTIONS

Having considered the review of the tender as outlined in this report, the Committee and Council have the following options in regard to this matter:

- Utilise funds budgeted to be transferred to the road reserve to undertake the mitigation works outlined above on the roads in question to ensure the Shire's risks are managed.
- Obtain legal advice to determine if the contractor has any responsibility to rectify the issues associated with the three roads in question.
- Refer any of these issues identified as part of this review to the Public Sector Commission or other agency if they believe that misconduct or corruption has or may have occurred.
- Determine that the issues identified in this review or other matters are complex and involve many people in the organisation and therefore an independent review should also be undertaken by an external party.

IMPLICATIONS TO CONSIDER

Consultative

In conducting this review, the following organisations have been consulted:

- WALGA
- Public Sector Commission
- Office of the Auditor General
- Crime and Corruption Commission

Strategic

The Council's Corporate Business Plan identifies Local Government Procurement and Contract Management as a priority organisational development initiative in the 2018/19 financial year.

The Auditor General has undertaken a focus audit on Local Government Procurement, a copy of which is attached at Appendix 2 to this report. This focus audit has identified that all local governments audited did not meet the expectations of the Auditor General's Office. The following are the recommendations from this report:

Recommendations

All LGs, including those not sampled in this audit, should review their policies, processes and controls against the focus areas of our audit in Appendix 1.

Each LG we audited should provide an action plan to address this recommendation, table it with their Council, and make it available on their website, as per the Local Government Act 1995.

Officers are recommending that as part of addressing this development initiative in the Corporate Business Plan, Officers review policies, processes and controls against the focus areas in line with the recommendations above and present a report on this matter to a future meeting of the Audit and Risk Committee.

This will be a review across all aspects of the issues identified including a process for cross checking and endorsing payments for large contracts.

Policy Related

Procurement Policy F1.2

Financial

The independent review of the road works undertaken cost the Shire \$18,935 (ex GST).

An allocation of \$280,000 was budgeted to be placed in the Road Reserve as part of the 2018/19 financial year budget to fund any mitigation works resulting from this tender review.

Officers are recommending:

- Utilise \$10,000 of the budgeted transfer to the Road Reserve in the current financial year to fund the additional signage identified.
- Include the remaining works (\$66,000) in the 2019/20 financial year budget with funds sourced from the Road Reserve to be undertaken in that financial year.
- The remaining funds being transferred to the reserve (\$204,000) remain in the road reserve to fund any future issues identified.

Legal and Statutory

Section 3.57 of the **Local Government Act 1995** relates to the need to conducting tenders:

3.57. Tenders for providing goods or services

- (1) *A local government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods or services.*
- (2) *Regulations may make provision about tenders.*

Part 4 – Provision of goods and services in the **Local Government (Functions and General) Regulations 1996** provides more detail in regard to conducting tenders for local government.

Risk Related

This report identifies that the Shire failed to manage a number of risks. The strategies outlined in this report are designed to manage future risks in regard to road construction for the Shire.

Workforce

The mitigation works outlined in this report can be undertaken within existing workforce allocations. Some works may be undertaken by external contractors.

VOTING REQUIREMENTS

Not applicable.

RECOMMENDATION

That the Audit Committee recommends that Council:

1. Approves:
 - (a) Utilising \$10,000 of the proposed transfer to Road Reserve 49 for expenditure in the current financial year to fund the additional signage identified for Quellington Road Job Number 700601 and Talbot Road Job Number 7003.
 - (b) Including as part of the draft 2019/20 financial year budget \$66,000 from Road Reserve 49 to complete the works identified in this report.
 - (c) Keeping the remaining funds in the Road Reserve 49 (\$204,000) to fund any future issues identified.
2. Requests the CEO to obtain legal advice to determine if the contractor has any responsibility to rectify the issues associated with the three roads in question constructed as part of this contract.
3. Requests the CEO review the Shire's procurement policies, practices and procedures in accordance with the recommendation made by the Auditor General and present a report to a future meeting of the Audit and Risk Committee for consideration of any recommended improvements to be made.

COMMITTEE RECOMMENDATION**Moved: Cr Denese Smythe****Seconded: Cr Jane Ferro****That the Audit Committee recommends that Council:**

- 1. Approves:**
 - (a) Utilising \$10,000 of the proposed transfer to Road Reserve 49 for expenditure in the current financial year to fund the additional signage identified for Quellington Road Job Number 700601 and Talbot Road Job Number 7003.**
 - (b) Including as part of the draft 2019/20 financial year budget \$66,000 from Road Reserve 49 to complete the works identified in this report.**
 - (c) Keeping the remaining funds in the Road Reserve 49 (\$204,000) to fund any future issues identified.**
- 2. Requests the CEO to obtain legal advice to determine if the contractor has any responsibility to rectify the issues associated with Talbot, Quellington and Spencers Brook roads in question constructed as part of this contract.**
- 3. Requests the CEO to review the Shire's procurement policies, practices and procedures in accordance with the recommendation made by the Auditor General and present a report to a future meeting of the Audit and Risk Committee for consideration of any recommended improvements to be made.**

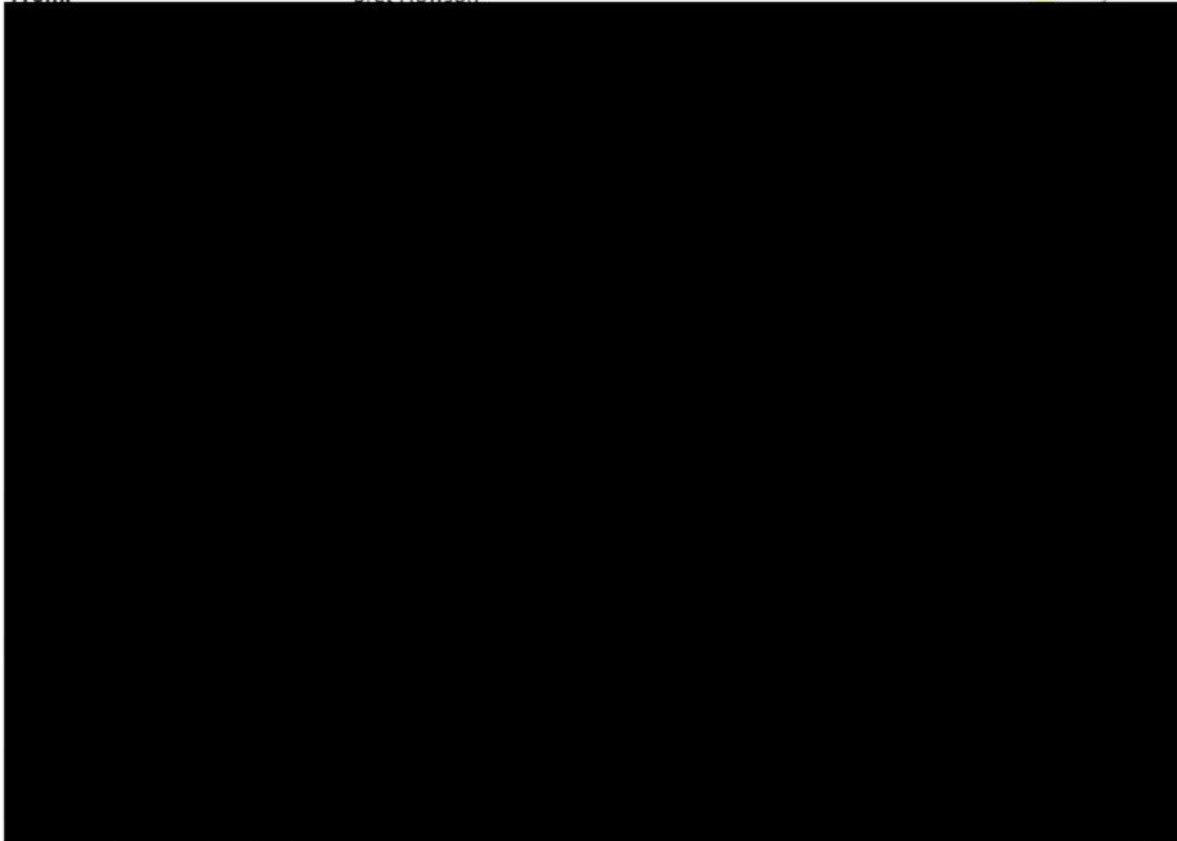
CARRIED: 7/0

Reason – To clarify names of the roads in the motion

(6)

Records

From: Bret Howson

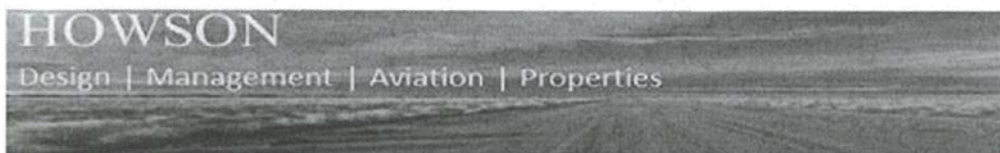


From: Bret Howson [REDACTED]
Sent: Friday, 16 December 2016 2:51 PM
To: Paul Crewe <emids@york.wa.gov.au>
Cc: Allan Rourke <worksmanager@york.wa.gov.au>
Subject: RE: Capital Works Program (Tender 01-1617)

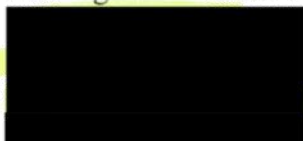
Excellent, thanks Paul.

I'll get started on this one on Monday.

Regards
Bret.



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From: Paul Crewe [mailto:emids@york.wa.gov.au]
Sent: Friday, 16 December 2016 11:55 AM
To: Bret Howson
Cc: Allan Rourke <worksmanager@york.wa.gov.au>
Subject: RE: Capital Works Program (Tender 01-1617)

Hi Brett,

I am happy to sign off on the following scope of works as listed below:

Our submission for Assessment of Tender 001-1617.

- Removal any works the Shire staff can do and suggest separate program of works
- Remove survey and design. Arrange separately during January
- Remove all seal works and use WAGLA preferred panel to complete in January
- Remove purchase of materials where more economical for shire to purchase.
- Recommend appointment of tender or panel of tenderers.
- Prepare program for delivery of works.

\$5,900+GST

I think if the call is made to undertake the resealing works through the WALGA panel, this is something Allan and I can do in January, for a Feb Construction of which I am hoping Allan can oversee and manage.

I am very prepared to consider the design element as listed below:

Our submission for Project Management of survey and design works in January.

We will arrange survey (to be paid for by Shire) and complete all design works, to avoid services and land acquisitions and balance earthworks. We will provide a bill of quantities for purchasing of materials (separate from tender 01-1617)

- Cut Hill Road
- Quellington Road
- Spencers Brook Road
- Talbot Road
- Top Beverley Road
- Berry Brow intersection
- Waterfall road Culvert

\$28,600+GST

However, as we need 3 quotes for this, I am hoping to use the design element the contractors have allowed for as their quotes to undertake the works. I am hoping if you are able to assist the Shire with the Tender assessments we can scope their design fee from the Tender documentation and then engage you as representing best value for money to undertake these works. This will prove that I have sought best value for money for the Shire (and avoid seeking 3 quotes for the works as design is included in the Tender prices)

I am confident that Allan and I can oversee the construction works, so I am not sure we require your services for this last element of the proposal.

If we could receive the proposals for the Design of the cemetery and a 2 stage Drainage plan for York (Town site East as the first stage and West as the second stage following the mid-year fin review) it would be appreciated.

Regards

Paul Crewe

Executive Manager
Infrastructure and Development Services



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Email: emids@york.wa.gov.au
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From: Bret Howson [REDACTED]
Sent: Friday, 16 December 2016 11:28 AM
To: Paul Crewe <emids@york.wa.gov.au>
Subject: Capital Works Program (Tender 01-1617)

I166054

Hi Paul,

Thank you for our meeting yesterday. I can confirm the following proposal.

Our submission for Assessment of Tender 001-1617.

- Removal any works the Shire staff can do and suggest separate program of works
- Remove survey and design. Arrange separately during January
- Remove all seal works and use WAGLA preferred panel to complete in January
- Remove purchase of materials where more economical for shire to purchase.
- Recommend appointment of tender or panel of tenderers.
- Prepare program for delivery of works.

\$5,900+GST

Our submission for Project Management of Reseal program in January.

- Prepare scope of request quotations from WAGLA preferred panel
- Assess and recommend award works
- Arrange and supervise purchase and delivery of aggregate
- Supervise works.

\$19,800+GST

Our submission for Project Management of survey and design works in January.

We will arrange survey (to be paid for by Shire) and complete all design works, to avoid services and land acquisitions and balance earthworks. We will provide a bill of quantities for purchasing of materials (separate from tender 01-1617)

- Cut Hill Road

- Quellington Road
- Spencers Brook Road
- Talbot Road
- Top Beverley Road
- Berry Brow intersection
- Waterfall road Culvert

\$28,600+GST

Our submission for Project Management of construction works.

- Cut Hill Road
- Quellington Road
- Spencers Brook Road
- Talbot Road
- Top Beverley Road
- Berry Brow intersection
- Waterfall road Culvert

\$67,000+GST

All travel is included, however accommodation will be additional if required.

Progress invoices will be submitted on the 15th and 30th of each month. Payment terms are 14days.

Thank you for the opportunity to quote for this work

Kind regards
Bret.



Striving for Excellence in World Class Project Management



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Western Australian Auditor General's Report



Local Government Procurement



Report 5: October 2018-19

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Local Government Procurement

Report 5
October 2018-19



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

LOCAL GOVERNMENT PROCUREMENT

This report has been prepared for Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. Narrow scope performance audits have a tight focus and generally target compliance with legislation, public sector policies and accepted good practice.

The audit objective was to determine if local governments have effective procurement arrangements in place.

I wish to acknowledge the cooperation of staff at the local governments included in this audit.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
11 October 2018

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Auditor General's overview

I am pleased to present this performance audit on aspects of local government procurement that require close attention.

Local governments in Western Australia manage more than \$40 billion in community assets and spend over \$4 billion annually on community infrastructure and services such as roads and footpaths, public halls, recreation facilities and rubbish collection.

Good procurement practices centred around the principles of probity, accountability and transparency are key to managing procurement risks and the delivery of good outcomes for ratepayers. When procurement processes are not followed, or local governments are seen not to be acting in the best interests of their communities, they face reputational damage and expose themselves to the risk of fraud and misconduct. Unfortunately, there are numerous recent reports from integrity agencies which highlight the very real consequences when procurement activities in the public sector are not managed effectively.

My report highlights weaknesses in procurement controls, processes and documentation across the 8 local governments we audited, as well as the need for them to build procurement capability to give staff the knowledge and skills to effectively carry out their jobs. These generally reflect areas for improvement identified in our previous audit reports about State Government entities as well as other public reports.

Some local governments disagreed with the significance of a number of control weaknesses identified. Local governments considered that a finding was not worthy of a 'significant' rating if the control weakness did not result in a breach of regulations or the audit did not find evidence of wrongdoing. While legislation places minimum specific requirements on local governments, they still need to ensure they have strong internal controls and good governance. Controls prevent things going wrong and are particularly important in financial management processes, where there is an inherent risk of financial misappropriation. I welcome discussion on this matter and am pleased all local governments have committed to amending their policies and procedures and improving internal controls over purchases, where required.

The findings from this audit have helped me identify areas worthy of future audit attention. Fostering enhanced understanding in the local government sector about the importance of strong internal control frameworks, around not only procurement, but over a wide range of areas, including information system security and regulatory functions, will be prioritised in our future work. I encourage all local governments to review their procurement practices against the focus areas of this audit.



Executive summary

Introduction

The objective of this audit was to assess the effectiveness of procurement arrangements at 8 local government entities (LGs) of varying sizes in both metropolitan and regional Western Australia.

Background

There are currently 148¹ LGs in WA. The population and geographical spread of each LG varies significantly, from small regional LGs like the Shire of Sandstone with a population of around 90, to large metropolitan LGs like the City of Stirling with a population of around 220,000.

LGs in WA employ around 15,000 people and manage more than \$40 billion in community assets. In 2016-17, the total expenditure across all Western Australian LGs was over \$4 billion.

Procurement activities in LGs are primarily governed by the Local Government (Functions and General) Regulations 1996 (the Regulations). The Regulations require LGs to have policies for purchases that are expected to be less than \$150,000. LGs develop their own policies, which are required to cover things like the form (verbal or written) and minimum number of quotes that must be obtained, and how procurement information will be recorded and retained.

For purchases over \$150,000, the Regulations set specific requirements for public tender. These include advertising, acceptance and rejection of tender applications, notification of outcomes, and maintaining a tenders' register.

The Regulations also allow for exemptions from the public tender process, these include, but are not limited to:

- certain emergency situations
- if a contract is to be awarded through auction (with Council approval)
- if goods and services are obtained through the WA Local Government Association's (WALGA) Preferred Supplier Program – a program of suppliers that have been pre-qualified to supply certain goods and services. WALGA members, of which most LGs are, can access the program.

LGs that are members of WALGA can also access a procurement toolkit that includes purchasing and contract management templates. LGs that use WALGA services are still required to meet their own policy and probity requirements and comply with the Regulations.

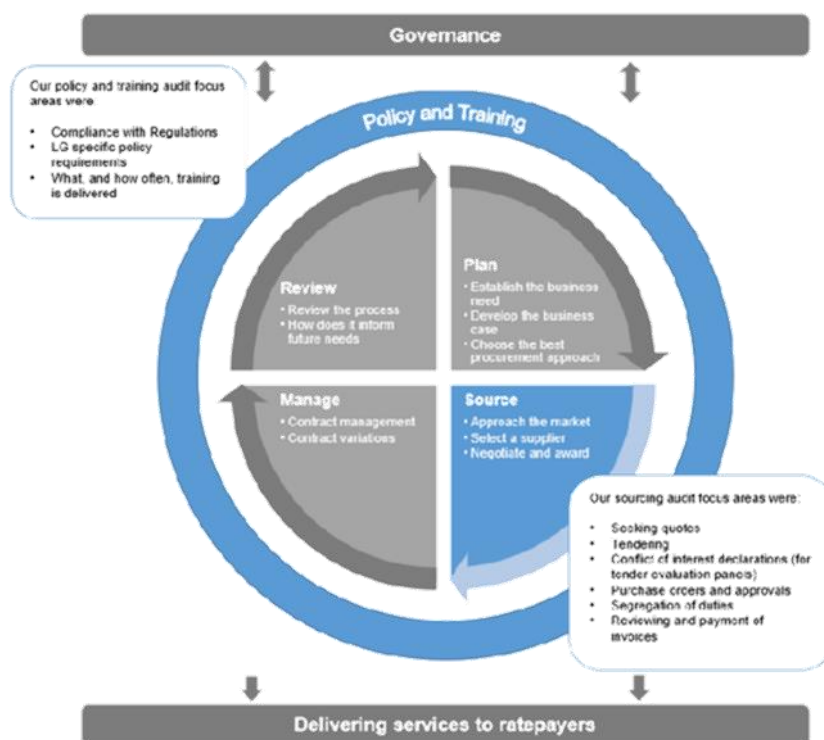
There are a number of procurement processes and controls that help reduce broader procurement risks and support value for money (Figure 1). Some of these are covered in Regulations, others are based on sound practice.

Due to a variety of factors affecting the way that LGs procure, we did not expect to find identical procurement practices across the LGs included in our audit. The audit therefore required significant judgement when assessing proper procurement practices. However, we did expect them to meet the principles of the *Local Government Act 1995* which places obligations on councils to oversee the allocation of the LG's finances and resources, and for determining the LG's policies, as well as for LGs to keep proper accounts and records.

¹ This includes 137 LGs, 2 Indian Ocean territories and 9 regional councils.

Furthermore, LGs are required to establish efficient systems and procedures for financial management which includes procurement.

Our audit focus areas are set out in Appendix 1. We reviewed the processes and controls used by LGs, but we did not review if procurement decisions attained the best value for money or outcomes for LG communities.



Source: OAG, with blue shading showing areas within audit scope

Figure 1: Procurement framework

Audit conclusion

All 8 local governments we reviewed had shortcomings in their procurement practices, most related to weak procurement controls, processes and documentation for tendering, purchase orders and approvals, and reviewing invoices and payment. However, we did not identify any evidence of misconduct.

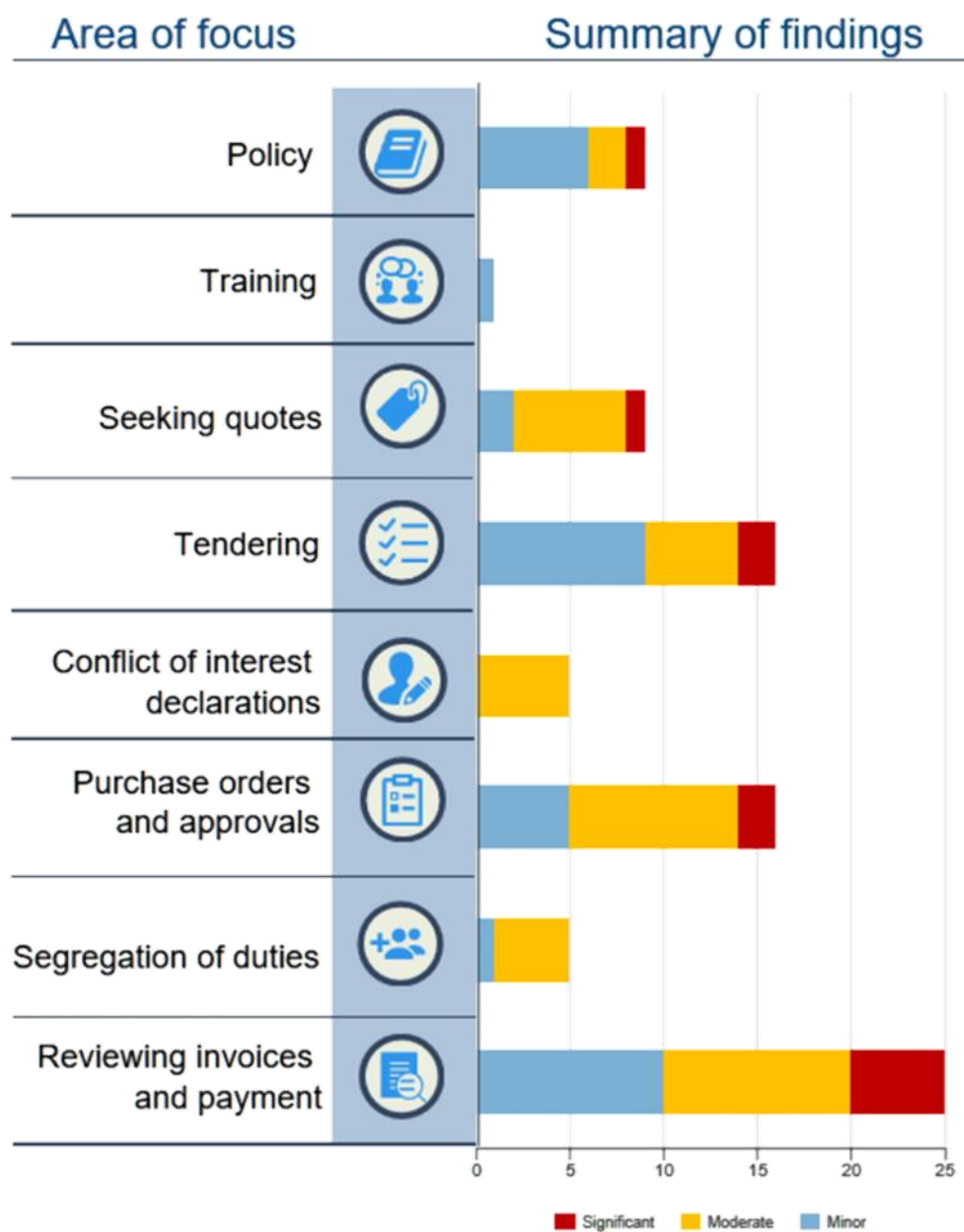
Local governments varied in how well they complied with legislation and their own procurement policies. While local government's policies broadly met regulatory requirements, they need to do more to monitor procurement controls and the effectiveness of processes. We saw no notable difference in the effectiveness of controls between the regional and metropolitan, and the small and large local governments we examined.

Having policies and controls that are appropriate, and monitoring their effectiveness is essential if local governments, and the ratepayers that they serve, are to have confidence in local government procurement activities. Procurement practices that focus solely on minimum compliance with legislation are unlikely to provide local governments with the oversight and control they need to address risks and ensure value for money in their procurement.

The issues identified in this audit are relatively simple to fix. By addressing them, governance of this important local government function can be strengthened.

Summary

We reported 86 detailed findings across the 8 LGs. This included 11 significant findings across 5 LGs, and 41 moderate and 34 minor across all 8 LGs. Figure 2 shows the findings against all our audit focus areas.

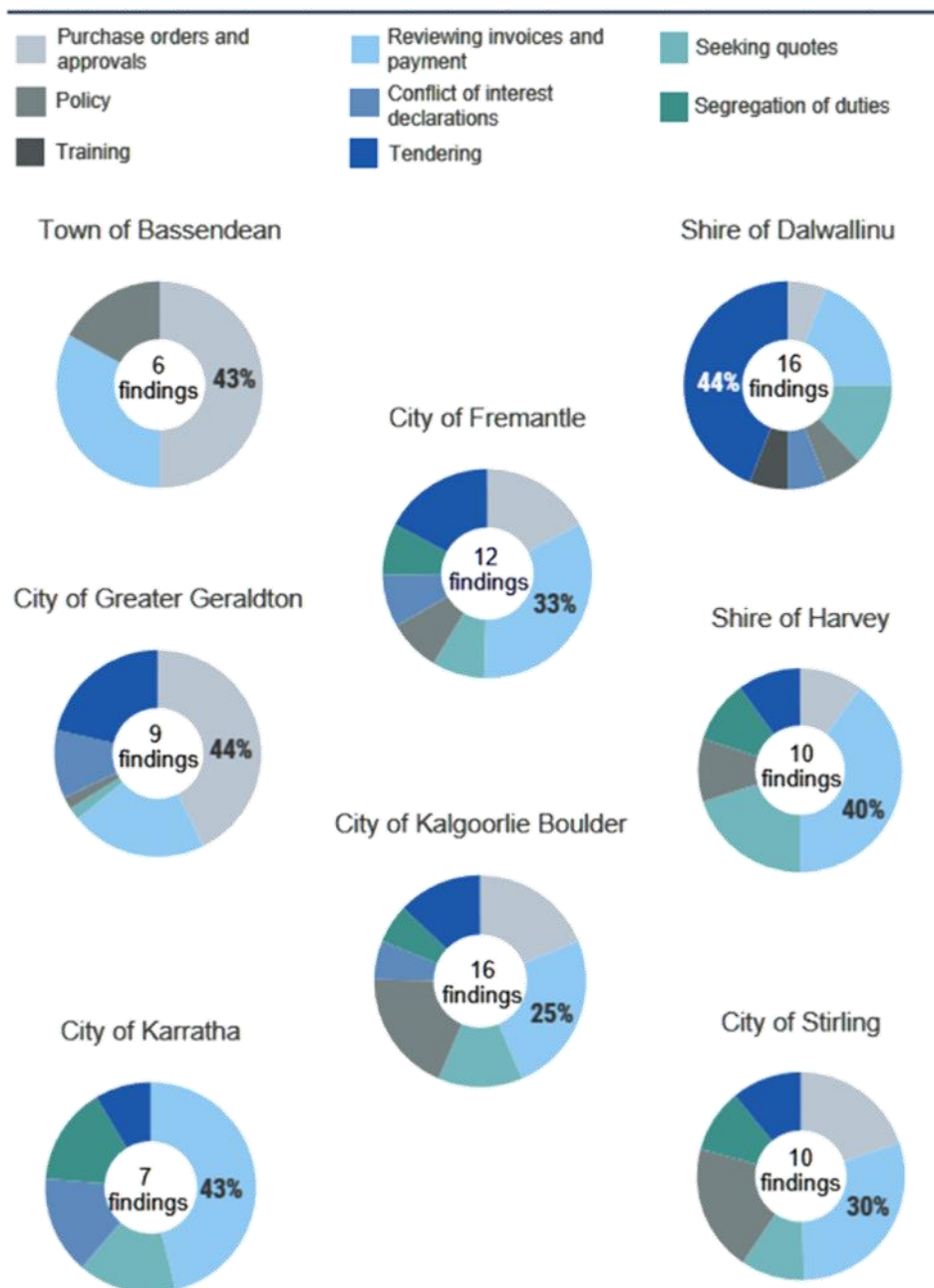


Source: OAG

Figure 2: Summary of key findings

Findings per local government

The issues we identified represent weaknesses in key policy and control principles. Figure 3 shows the breakdown of findings for each of the 8 LGs we reviewed, and shows no specific trends across size or location of the LG.



Source: OAG

Figure 3: Key findings by LG

Recommendations

All LGs, including those not sampled in this audit, should review their policies, processes and controls against the focus areas of our audit in Appendix 1.

Each LG we audited should provide an action plan to address this recommendation, table it with their Council, and make it available on their website, as per the *Local Government Act 1995*.

Response from local governments

Local governments in our sample generally accepted our recommendations and confirmed that, where relevant, they have either amended their policies, procedures or administrative systems or will improve controls for monitoring and managing procurement activities.

Audit focus and scope

The audit objective was to determine if LGs have effective procurement arrangements in place.

The specific lines of inquiry were:

- Have LGs established policies and procedures for procurement of goods and services?
- Is there effective oversight and control of procurement activities?

We visited and reviewed the following LGs:

- Town of Bassendean
- Shire of Dalwallinu
- City of Fremantle
- City of Greater Geraldton
- Shire of Harvey
- City of Kalgoorlie Boulder
- City of Karratha
- City of Stirling.

We assessed LGs against the policy, training, and sourcing audit focus areas shown in Appendix 1. This audit did not review if procurement decisions attained the best value for money or outcomes for LG communities.

At each LG we selected 20 transactions with a value under \$150,000. For these items we reviewed recordkeeping of procurement activities, segregation of duties, quote processes, decision and approval delegations, LG policy and compliance with the Regulations. We also reviewed LGs use of WALGA's Preferred Suppliers as a procurement route, but did not review the arrangements in place at WALGA.

We reviewed a separate sample of 5 tenders from each LG. We assessed them against the requirements in the Regulations, including where and how long they were advertised, how submissions were recorded, if assessments were completed and recorded and if tenderers were notified of outcomes. We also reviewed how LGs recorded and assessed declarations of interests for tender evaluation panels and where applicable, council agendas, minutes and reports.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Assurance Standards ASAE 3500 Performance Engagements. We complied with the independence and other relevant ethical requirements related to assurance engagements. Performance audits primarily focus on the effective management of agency and LG programs and activities. The approximate cost of undertaking and tabling of this audit was \$470,000.

Findings

While all LGs had procurement policies and procedures, they are not always effectively and consistently used

All LGs had policies and training in place to support staff in the procurement process. However, we found examples where LG procurement activity did not comply with their own policies, either because staff did not understand the policy requirements, or the policy did not meet the LG's needs. This included instances where the purchasing method used did not comply with the LG's own policies:

- 5 of the 8 LGs had instances of staff not seeking and recording quotes in line with their own policies
- 2 LGs had purchases that should have gone to tender, but did not.

LGs do not always purchase in line with their own policies

We found 23 purchases across 5 LGs, one of which had 8 instances where staff did not obtain quotes or failed to record them in accordance with their policies. Seeking and recording quotes promotes open and effective purchasing. When LGs do not comply with their own policies it reduces the likelihood they will get value for money and increases the potential for misappropriation of funds.

We also identified 2 purchases at 2 LGs that should have gone to tender, but did not. One LG sought quotes for the purchase from a number of suppliers, but did not tender. The other accepted a quote from a single supplier. Neither process met the tender, or exemption requirements under the Regulations. Tendering for high value purchases supports LGs in understanding the market and encourages open and effective competition for suppliers.

All LGs had procurement policies but there is opportunity to improve

All 8 LGs we reviewed had purchasing policies. At the time of our audit, 1 LG had a high level policy which did not meet the requirements of the Regulations. The LG has since updated its policy to meet requirements.

LGs should review their policies to ensure things like purchasing thresholds and quote requirements reflect current needs. In doing this LGs demonstrate they meet regulatory requirements and their policies are fit for their purpose. The issues identified above, around non-compliance with policy, also highlight an opportunity for LGs to review the appropriateness of their policies. Non-compliance can indicate a lack of understanding by staff, or that policies no longer meet the needs of the LG.

LGs provided staff with procurement training

All 8 LGs provided procurement training to staff. Three LGs delivered procurement training programs that included both induction and set refresher sessions. We found the training content to be sound as it not only covered policy and legislative requirements, process and procedures, but also provided essential context around procurement compliance and probity.

The other 5 LGs provided training at induction, through on-the-job activities or as a result of policy updates. We found this training covered policy requirements, but provided less context around procurement risks and individual accountability. These LGs also lacked a clear approach to providing refresher training.

The Corruption and Crime Commission's 2015 *Report on Misconduct Risk in Local Government Procurement*² (CCC report) identified inadequate training as one of the risks common to procurement related misconduct in LGs. Structured training and regular refresher training helps LGs manage this risk and reduce the number of instances of non-compliance with LG policies.

LGs need better procurement oversight and controls

We found weaknesses in key controls around approvals, segregation of duties, and checking of invoices at the 8 LGs. This exposes LGs to unnecessary procurement risks, such as improper use of funds or paying for goods and services not received.

Controls over raising and approving purchase orders could be improved

We saw a range of control weaknesses over purchase orders across all LGs, these included:

- 5 purchase orders across 4 LGs that were approved by staff without the appropriate authority to do so. All LGs maintained lists of the role, position and dollar value limits of staff that are authorised to approve purchase orders. However, these approval limits were not always complied with, which increases the risk that goods or services are procured by someone without the proper experience or authority to determine the best value purchase for the LG.
- 13 instances across 5 LGs where purchase orders were raised after invoices were received. Purchase orders act as an internal approval and control mechanism to proceed with a purchase. These controls are ineffective if purchase orders are raised after goods and services have been received. It is not possible for the LG to determine who approved the initial request for the goods or services, and if they had the proper authority to do so.
- We found a small number of purchase orders at 3 LGs that were raised for \$0 or for a nominal value (e.g. \$0.91) that did not reflect the expected spend. This was despite there being a known budget, quote or existing contracts for many of these items. Purchase orders should be raised for the full, expected amount prior to the purchase being made and approved by someone with appropriate delegation. This increases the likelihood that expenditure will be capped or monitored.

LGs should strengthen processes for checking goods and services when receiving them

We identified 36 invoices across 8 LGs that could not be verified against purchase orders, quotes or contracts. The invoices contained insufficient detail to reconcile them against agreed contract milestones and price schedules, but had still been approved for payment by the LG. The invoices included instances of LGs being overcharged and undercharged. Verifying invoices for payment is an important control to ensure that LGs have received the expected goods and services and that they have been correctly charged.

It is important that even small variances are checked as these are more likely to go undetected for long periods of time. The CCC Report identified supervisors not checking payment processes and work actually done on contracts as common risks to procurement related misconduct.

Sound practice is to ensure that there is evidence to support all transactions and that a clear audit trail exists. This includes documentation for contract payments, any variations, and reviewing supplier invoices for accuracy.

² Corruption and Crime Commission. 2015. *Report on Misconduct Risk in Local Government Procurement*.

LGs had weaknesses in their segregation of duties

Five of 8 LGs had not effectively segregated key steps in the procurement process or had insufficient records to show controls had been followed. For example:

- In 9 of the 20 purchases we reviewed at 1 LG, the same person had approved purchase orders, checked that goods and services had been received, and approved invoices to progress for payment. The 9 purchases totalled less than \$150,000.

Four LGs captured insufficient information for us to independently verify who was receiving goods and services and approving invoices to progress to payment. Without clear records the risk of inappropriate payments is increased and the effectiveness of monitoring controls is reduced.

Stronger controls would include, where possible, the implementation of automated systems that require segregation across the different procurement functions.

Segregation of duties is a key internal control which assumes the risk of two or more people making the same error or colluding to defraud is less than an individual acting alone³. The CCC Report identified failure to separate duties as a risk common to procurement related misconduct. The report cited the example of one person being able to be involved in various stages of organising contracts and authorising payments. Segregating duties is one key way LGs can reduce this risk.

In smaller LGs, where resources are limited and full segregation is more difficult, the increased involvement of other senior staff in checking purchases and controls can mitigate this risk.

While we identified weaknesses in individual segregations, we did not identify any purchases where one person was the sole approver for all steps in the process, including payment.

Procurement decisions and conflict of interest considerations need to be better documented

To ensure accountable and transparent procurement activities LGs need to document key processes. This includes justifying the use of sole supplier exemptions, tendering decisions and potential conflicts of interests.

Exemptions from seeking quotes are regularly used, but are poorly documented and not always justified

All 8 LGs claimed exemptions from procurement policies for purchases we reviewed. Exemptions can improve efficiency in procurement activities, but need to be properly managed and sufficiently justified. They should not be used to avoid testing the market. Of the 8 LGs:

- 5 LGs did not have sufficient records to support sole supplier exemptions, 3 LGs did.
- 1 LG used the sole supplier provisions 5 times for purchases totalling nearly \$150,000 but did not keep records to support these exemptions in line with its own policy. In 1 instance, when we requested support for the use of the sole supplier provision the LG advised that the supplier was an authorised distributor of a product, not that they were a sole supplier.

There are opportunities for LGs to be more transparent and efficient around when exemptions can be applied. For example, 1 LG achieved this by including a list of purchase types that were exempt from policy requirements (e.g. legal fees, utilities). Ideally this list

³ Western Australian Local Government Accounting Manual, Section 7 – Internal Control Framework, p 27.

would be approved by Council. Reporting higher value exemptions to Council, or a committee of Council (such as the Audit Committee) would also improve transparency and accountability. One LG already included this reporting mechanism in its policy.

Recording of tender processes and conflict of interests could be improved

Under the Regulations tenders have a number of specific requirements. We found 7 LGs could improve the information they captured on tender processes, for example:

- proof of when and where tenders have been advertised
- individual tender panel assessments
- sufficient detail in individual panel member workbooks to support awarding of scores.

Complete records provide transparency that tenders are handled and assessed in line with regulatory requirements and the LG's policy. All LGs are required to maintain a Tenders Register and make it available for public inspection. All LGs maintained a public register but only 1 had the information available on its website. Making the register available online can reduce barriers to how the public accesses the information and increase confidence in tender processes.

We found 1 LG did not have a clear record to support why Council did not accept the tender evaluation panel's recommendation. Evaluation panels only make a recommendation to Council, who are not obliged to accept the recommendation. However, keeping a record of Council's reasons for not following a tender panel's recommendation supports the principle of transparent and accountable decision making and the requirement to keep proper records of the affairs of the LG.

We also identified weaknesses in how 5 LGs recorded declarations of interest for tender evaluation panel members. Declaring an interest doesn't automatically exclude someone from taking part in the evaluation process. However, there should be a clear record that a declaration has been made and signed, reviewed by someone with appropriate authority, and assessed as to whether it results in an actual, potential or perceived conflict of interest. The decision made on how to remove or manage the conflict should be clearly recorded. Weaknesses we identified are shown in Figure 4.

Declarations of interest and management of conflicts – Tender panels

Four of the 8 LGs we reviewed had weak processes:

- 2 LGs required panel member declarations of interest, but for some samples none were recorded and for other samples some panel member declarations were retained, but others were missing
- 1 LG had instances of incomplete and unsigned panel member declarations
- 1 LG had 3 instances where panel members had declared interests and they were appropriately recorded. However, it was not clear how the interests were addressed. In all but 1 instance the panel member remained on the evaluation panel.

One LG only required panel members to complete a declaration if a conflict existed. Providing positive assurance by requiring declarations from all panel members is a sound approach that encourages all staff to engage with the process and consider if any real or perceived conflicts of interest exist.

Figure 4: Weaknesses in the management of conflict of interest declarations

Appendix 1: Audit focus areas

The following table shows our audit focus areas. They cover a number of sound procurement practices and controls, and are not intended as an exhaustive list.

Procurement Framework	Focus Area	What we expected to see:
Policy	<i>Policy</i>	<ul style="list-style-type: none"> LGs regularly review policy to assess if value thresholds and quote requirements reflect current needs policies are clear about when and how to apply exemptions
Training	<i>Training</i>	<ul style="list-style-type: none"> LGs provide all staff involved in the procurement process with training in relevant policy and processes training emphasises personal accountability and how probity and transparency relate to procurement LGs provide staff with refresher training
Sourcing	<i>Seeking quotes</i>	<ul style="list-style-type: none"> that business requirements were determined prior to engaging suppliers LG staff used the right purchasing method, as required by their own policies and the Regulations that the use of exemptions was justified and documented
	<i>Tendering</i>	<ul style="list-style-type: none"> that tenders were advertised, opened, assessed and recorded in line with the Regulations documentation was retained to support open, fair and transparent decisions, and show that processes have been followed that a Tenders Register was maintained in line with Regulations
	<i>Conflict of interest</i>	<ul style="list-style-type: none"> that tender evaluation panel members provide positive assurance declarations that declarations were retained and there was a record of how they were assessed and how any conflicts were addressed
	<i>Purchase orders and approvals</i>	<ul style="list-style-type: none"> that purchase orders were raised for the full expected amount of the procurement purchase orders were approved by staff with appropriate authority internal approvals were obtained before goods and services were purchased
	<i>Segregation of duties</i>	<ul style="list-style-type: none"> appropriate segregation of duties across the procurement process
	<i>Reviewing invoices and payments</i>	<ul style="list-style-type: none"> any differences between invoice charges and quoted or contracted rates had been reviewed and appropriately justified goods and services were received and approved by staff with appropriate authority that there were strong controls around payment of suppliers and access to bank accounts documentation was retained to support open, fair and transparent decisions, and show that processes have been followed

Auditor General's reports

Report number	2018-19 reports	Date tabled
4	Opinions on Ministerial Notifications	30 August 2018
3	Implementation of the GovNext-ICT Program	30 August 2018
2	Young People Leaving Care	22 August 2018
1	Information Systems Audit Report 2018	21 August 2018
Report number	2018 reports	Date tabled
13	Management of Crown Land Site Contamination	27 June 2018
12	Timely Payment of Suppliers	13 June 2018
11	WA Schools Public Private Partnership Project	13 June 2018
10	Opinions on Ministerial Notifications	24 May 2018
9	Management of the State Art Collection	17 May 2018
8	Management of Salinity	16 May 2018
7	Controls Over Corporate Credit Cards	8 May 2018
6	Audit Results Report – Annual 2017 Financial Audits and Management of Contract Extensions and Variations	8 May 2018
5	Confiscation of the Proceeds of Crime	3 May 2018
4	Opinions on Ministerial Notifications	11 April 2018
3	Opinion on Ministerial Notification	21 March 2018
2	Agency Gift Registers	15 March 2018
1	Opinions on Ministerial Notifications	22 February 2018



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Shire of York

180138-REP-001

Roads Geometry Verification Report

Prepared By:

Chris Coates
Principal



PO Box 2209
BUNBURY WA 6231
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Email: coatescivilconsulting@bigpond.com

Date: August 2018
File Reference: JMD236
Status: Ver B1

Document Control

Revision Number	Date	Revision Description	Author	Client Approval
A	31-7-2018	Draft 1 for client review	CC	
B	2-8-2018	Draft 2 for Shire review	CC	
B1	6-8-2018	Berry Brow Rd site added	CC	

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1.0 Introduction

This report investigates five road sites within the Shire of York local roads network that were reconstructed in 2016. Investigation relates to review of the current geometrical road condition against Main Roads WA current design standards.

1.1 Assessment Methodology

For each site existing road geometry has been fitted to the captured road alignments and crossfalls have been calculated based on feature survey data. Design curve crossfalls and superelevations have been referenced from MRWA Horizontal Curve Tables and a comparison between these plotted on Road Longsection Profiles as attached at Appendix A.

Commentary is then made to identify defects and deficiencies for further assessment and action as required.

All road sites have been assessed based on a posted speed limit of 110km/h. This speed is not achievable at several curves assessed and a note of the indicative design speed has been made at each curve based on the curve radius and design superelevation.

Irrespective of the indicative design speeds noted, all superelevation development lengths have been based on a 110km/h design speed, or at 15 metres length per % change in surface crossfall.

1.2 Terminology

Within this assessment, all road SLK (Straight Line Kilometres) measurements are sourced from the Main Roads WA GPS-SLK website page.

"Left-Hand" (LHS) and "Right-Hand" (RHS) lanes refer to left and right lanes either side of the road centreline when viewed in the direction of INCREASING road SLK.

1.3 Assessment Limitations

Note should be made of the following limitations in the assessments undertaken in this report.

1. The feature survey data obtained for each site consists of road formation cross-sections taken at approximately 20 metre intervals along the road centreline. Any pavement inconsistencies within this 20 metre interval will not be captured by the feature survey data and so may not be assessed in this report.
2. The feature survey data consists of field captured points adjacent to the road centreline and at the edge of bitumen and road shoulders. Any pavement level inconsistencies within the lanes (such as wheel path rutting) will not be captured by the feature survey data and so may not be assessed in this report.

2.0 Top Beverley Road SLK9.78 - 11.78km

Top Beverley-York Road (Road 4330009) section SLK9.78 - 11.78km is situated in gently undulating terrain in open farming country. The start SLK is located approximately 1.9km south of the intersection of Gwambygne Road East.

There is a major creek crossing situated at SLK10.51km.

Refer to sheets 180138-001-001 to 180138-001-003 at Appendix A for Plan-Profile display drawings.

2.1 Geometric Summary

Curves on this road section are summarised as follows:

SLK St (km)	SLK End (km)	Curve Radius (m)	Design Superelevation	Indicative Design Speed (*)
9.96	10.04	256 (L)	6%	70 km/h
10.35	10.48	571 (R)	6%	110 km/h
11.03	11.11	2620 (R)	Adverse	110 km/h
11.11	11.71	374 (R)	6%	90 km/h
11.71	11.27	3120 (R)	Adverse	110 km/h

* Indicative design speeds referenced from MRWA Horizontal Curve Tables for existing curve radii and design superelevations.

2.2 Defects Identification

Deficiencies noted are as follows:

1. SLK9.96-10.04km, LH Curve, the RHS lane (outside of curve) **significantly** fails to achieve design road superelevation.
2. SLK10.35-10.48km, RH Curve, the LHS lane (outside of curve) fails to achieve design road superelevation.
3. SLK 10.60-10.92km, Straight, RH lane has severe lack of pavement crossfall (significant lengths less than 1% crossfall).
4. SLK11.11-11.71km, RH Curve, the LHS lane (outside of curve) fails to achieve design road superelevation.
5. SLK 11.24-11.60km, Straight, RH lane has severe lack of pavement crossfall (significant lengths less than 1% crossfall).

2.3 Summary

A predominant deficiency at this site is lack of adequate superelevation development in curves, particularly in the outside lanes. This presents a risk to traffic being unable to traverse the curves satisfactorily. Being the outside of the curve, there is little room for vehicle correction before vehicles encounter the unsealed gravel shoulder and road verge.

Both main lengths of straight road with flat pavement crossfalls are situated on moderate longitudinal grades so ponding may not be excessive. There is risk though that excessive water will be retained on the road surface, as it will flow along the lanes rather than be shed towards the road edges by the surface crossfall. This can be exacerbated by any pavement rutting which will prevent water shedding towards the road edges. Close inspection for water ponding risk is required at SLK11.54km where there is both minimal transverse longitudinal grade.

3.0 Talbot Road SLK4.40 - 5.90km

Talbot Road (Road 4330003) section SLK4.40 - 5.90km is situated in gently undulating terrain in open farming country. The start SLK is located approximately 3.4km south west of the intersection of Qualen West Road.

The subject road section generally climbs from an east to west direction.

Refer to sheets 180138-002-001 to 180138-002-003 at Appendix A for Plan-Profile display drawings.

3.1 Geometric Summary

There are several multi-radii and reverse curves on this road section. This requires complex road superelevation requirements. These are summarised as follows:

SLK St (km)	SLK End (km)	Curve Radius (m)	Design Superelevation	Indicative Design Speed (*)
4.73	4.80	196 (R)	6%	70 km/h
5.07	5.42	264 (L)	6%	80 km/h
		2823 (L)	3%	110 km/h
		301 (L)	6%	80 km/h
5.52	5.73	316 (R)	6%	80 km/h
		864 (R)	6%	110 km/h
		245 (R)	6%	70 km/h
5.79	5.86	479 (R)	3%	70 km/h
5.86	5.94	770 (L)	3%	90 km/h

* Indicative design speeds referenced from MRWA Horizontal Curve Tables for existing curve radii and design superelevations.

3.2 Defects Identification

Deficiencies noted are as follows:

1. SLK 4.40-4.60km, Straight, RH lane appears to have excessive adverse crossfall. The reason for this anomaly is not known.
2. SLK4.73-4.80km, LH Curve. Some deficiencies in adequate superelevation development prior to the curve tangent points. There appears to be adequate superelevation development through the curve.
3. SLK5.07-5.42km, LH Curve. Some deficiencies in adequate superelevation development prior to the curve tangent points and design superelevations are not achieved through curves. The curve is a series of variable radii broken back curves which can lead to driver difficulty in negotiating the curve safely.

-
4. SLK 5.52-5.73km RH Curve. Adequate superelevation developed on approaches and through curve. The curve is a series of variable radii broken back curves which can lead to driver difficulty in negotiating the curve safely.
 5. SLK 5.79-5.94km, LH & RH Reverse Curves, superelevation development generally adequate given extremely short distances available between and through curves.

3.3 Summary

Crossfalls and superelevation development through the site is generally considered acceptable with the exception of noted locations where superelevation is not developed prior to entering curves.

The main deficiency at this site is the variable radii, broken back and reverse curves, which when combined with vertical geometry and limited sight distances, can lead to difficulty for drivers in accurately positioning their vehicle in their traffic lane and negotiating the curves safely.

4.0 Cut Hill Road SLK0.10 - 1.08km

Cut Hill Road (Road 4330020) section SLK0.10 - 1.08km is situated in gently undulating terrain in open farming country, generally falling along the direction of increasing SLK to the south east. The start SLK is located approximately 0.1 km south of the intersection of Great Southern Highway.

Refer to sheets 180138-003-001 to 180138-003-002 at Appendix A for Plan-Profile display drawings.

4.1 Geometric Summary

Curves on this road section are summarised as follows:

SLK St (km)	SLK End (km)	Curve Radius (m)	Design Superelevation	Indicative Design Speed (*)
0.10	0.14	127 (L)	6%	50 km/h
0.14	0.19	245 (L)	6%	70 km/h
0.19	0.66	33757 (R)	Adverse	110 km/h

* Indicative design speeds referenced from MRWA Horizontal Curve Tables for existing curve radii and design superelevations.

4.2 Defects Identification

Deficiencies noted are as follows:

1. SLK0.10-0.19km, LH Curve, the RHS lane (outside of curve) **significantly** fails to achieve design road superelevation.
2. SLK 0.22-1.08km, Straight, LH lane has severe lack of pavement crossfall (significant lengths less than 1% crossfall).

4.3 Summary

The curve at the northern end of the site has substandard superelevation development on the outside lane. This presents a risk to traffic being unable to traverse the curve satisfactorily. Being the outside of the curve, there is little room for correction before they encounter the unsealed gravel shoulder and road verge. It is acknowledged that there is a major intersection 0.1km to the north of this curve and traffic speeds will be decreasing due to this. Review to ensure adequate signage warning of the curve and intersection may be warranted.

Though there are some lengths of straight road with flat pavement crossfalls that are situated on moderate longitudinal grades, there are significant lengths with nil or minimal longitudinal grade. This presents a risk of water ponding on the road surface and presenting a traffic hazard.

5.0 Quellington Road SLK3.60 - 5.60km

Quellington Road (Road 4330006) section SLK3.60 - 5.60km is situated in gently undulating terrain in open farming country. The start SLK is located approximately 3.6km east of the intersection of Northam-York Road.

The subject road section generally climbs from a west to east direction.

Refer to sheets 180138-004-001 to 180138-004-003 at Appendix A for Plan-Profile display drawings.

5.1 Geometric Summary

There are several multi-radii curves on this road section. These are summarised as follows:

SLK St (km)	SLK End (km)	Curve Radius (m)	Design Superelevation	Indicative Design Speed (*)
4.36	4.75	498 (L)	6%	100 km/h
		286 (L)	6%	80 km/h
		936 (L)	4%	110 km/h
		362 (L)	6%	90 km/h
		366 (L)	6%	90 km/h
4.84	5.12	384 (R)	6%	90 km/h
		306 (R)	6%	80 km/h
		406 (R)	6%	90 km/h
		732 (R)	6%	110 km/h

* Indicative design speeds referenced from MRWA Horizontal Curve Tables for existing curve radii and design superelevations.

5.2 Defects Identification

Deficiencies noted are as follows:

1. SLK4.36-4.75km, LH Curve. Predominant deficiency is lack of adequate superelevation development up to 6%, particularly in the RH (outside) lane. Curve is a series of variable radii broken back curves which can lead to driver difficulty in negotiating the curve safely.
2. SLK 4.84-5.12km RH Curve. Predominant deficiency is lack of adequate superelevation development up to 6%, particularly in the LH (outside) lane. The curve is a series of variable radii broken back curves which can lead to driver difficulty in negotiating the curve safely.

5.3 Summary

A predominant deficiency at this site is lack of adequate superelevation development up to design superelevation crossfalls, particularly in the outside lanes. This presents a risk to traffic being unable to traverse the curves satisfactorily. Being the outside of the curve, there is little room for vehicle correction before vehicles encounter the unsealed gravel shoulder and road verge.

Variable radii, broken back curves can lead to difficulty for drivers in accurately positioning their vehicle in their traffic lane and negotiating the curves safely.

6.0 Spencers Brook Road SLK0.00 - 1.60km

Spencers Brook Road (Road 433004) section SLK0.00 - 1.60km is situated in gently undulating terrain in open farming country. The start SLK is located at the Shire of York LG boundary, approximately 3.7km west of the intersection of Hamersley Siding Road.

Refer to sheets 180138-005-001 to 180138-005-003 at Appendix A for Plan-Profiles drawings.

6.1 Geometric Summary

Curves on this road section are summarised as follows:

SLK St (km)	SLK End (km)	Curve Radius (m)	Design Superelevation	Indicative Design Speed (*)
0.30	0.74	1726 (L)	3%	110 km/h
		874 (L)	4%	110 km/h
		1552 (L)	3%	110 km/h

* Indicative design speeds referenced from MRWA Horizontal Curve Tables for existing curve radii and design superelevations.

6.2 Defects Identification

Deficiencies noted are as follows:

1. SLK 0.40-0.74km, LH Curve, the RHS lane (outside of curve) fails to achieve design road superelevation.
2. SLK 0.74-1.60km, Straight, RH lane has severe lack of pavement crossfall (significant lengths less than 1% crossfall). Combined with flat road grades through this section, there is increased risk of water ponding on the pavement surface.

6.3 Summary

A predominant deficiency at this site is lack of adequate superelevation development up to design superelevation crossfalls, particularly in the outside lanes. This presents a risk to traffic being unable to traverse the curves satisfactorily. Being the outside of the curve, there is little room for vehicle correction before vehicles encounter the unsealed gravel shoulder and road verge.

There are lengths of road with flat pavement crossfalls that are situated on nil or minimal longitudinal grades. This presents an elevated risk of water ponding on the road surface with potential associated traffic hazard.

7.0 Berry Brow Road / Gt Southern Hwy Intersection

Berry Brow Road (Road 433017) section SLK0.00km is located at an intersection onto Great Southern Highway and is situated in gently undulating terrain in open farming country.

Refer to sheet 180138-006-001 at Appendix A for Plan Layout drawing.

7.1 Geometric Summary

No assessment has been made of the geometric layout of the intersection and/or ability of design vehicles being able to traverse the intersection satisfactorily.

The intersection generally falls to the northeast as a projection of the crossfall from the Great Southern Hwy formation.

7.2 Defects Identification

Deficiencies noted are as follows:

1. The intersection in general has adequate crossfall of greater than 3% through the main trafficable areas. Crossfall grades decrease towards the intersection wings, decreasing to 1% at the northern intersection extremity.

7.3 Summary

It would appear that the existing intersection site has good surface crossfall (greater than >2% grade) and the main trafficable areas will drain adequately without water ponding. The only areas of substandard surface grades are at the far extremities of the intersection wings where traffic volumes are relatively low.

8.0 Remediation Methodologies

Potential remediation strategies to rectify discussed geometrical deficiencies are as follows:

1. Develop appropriate road crossfalls and superelevations by use of asphalt correction layers. Alternately ripping of the road surface and reshaping of the basecourse layer (with addition of new pavement materials as required) to achieve design pavement crossfalls and levels.
2. Installation of linemarking and signage to reduce traffic speeds to match existing road geometry. Increased road delineation to highlight curve geometry at curves with variable radii and limited sight distances.

A risk management approach will be required to assess public and shire risk given variables of traffic volumes and vehicle mix, availability of runoff clear zones, potential for water ponding on road surfaces, and cost of remediation treatments.

9.0 Conclusion / Recommendations

Review and assessment of the five Shire of York road sites above against Main Roads WA road design criteria has highlighted several geometrical defects that potentially pose a risk to vehicles using these roads and also to the Shire in terms of management of these assets. Defects found included:

- inadequate superelevation development in curves, particularly in the outside lanes.
- Variable radii (broken back) curves.
- Straight sections of road with minimal pavement crossfall, which when combined with flat longitudinal grades, presents risk of water ponding on the road surface.

A risk management approach will be required to assess requirement for remedial actions based on public and shire risk, for variables of traffic volumes, speeds and vehicle mix, availability of runoff clear zones, potential for water ponding on road surfaces, and cost of remediation treatments.

Appendix A - Site Plan - Profiles

Dwgs 180138-001-001 - 003	Top Beverley Road	SLK9.78 - 11.76km
Dwgs 180138-002-001 - 003	Talbot Road	SLK4.40 - 5.90km
Dwgs 180138-003-001 - 002	Cut Hill Road	SLK0.10 - 1.08km
Dwgs 180138-004-001 - 003	Quellington Road	SLK3.60 - 5.60km
Dwgs 180138-005-001 - 003	Spencers Brook Road	SLK0.00 - 1.60km
Dwg 180138-006-001	Berry Brow Road / Gt Southern Hwy Intersection	

8 QUESTIONS FROM MEMBERS WITHOUT NOTICE

Nil

9 BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

Nil

10 LATE REPORTS

Nil

11 LATE CONFIDENTIAL REPORTS

Nil

12 NEXT MEETING

The next Audit and Risk Committee Meeting will be advised.

13 CLOSURE

The Shire President thanked everyone for their attendance and closed the meeting at 5.14pm.