



**City of Belmont**

# **Attachments**

## **Standing Committee (Audit and Risk) Meeting**

**Held  
28 October 2019**



# **Standing Committee (Audit and Risk)**

**Item 11.2 refers**

## **Attachment 1**

**Proposed Audit Plan - 2020**

# City of Belmont

## Proposed 2020 Audit Plan

City of Belmont

### Audit Plan - 2020

#### Legend

OSA	ABEF Organisational Self Assessment (Conducted 3 yearly - due 2020)
CAR	Statutory Compliance Audit
BI	Business Improvement Review
E	Integrated Management System (QHSE) External Audit - SGS
IMS	Integrated Management System (QHSE) Internal Audit
F	Financial Auditors

2020												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Tier 1	BMS Review											
Tier 2	System Procedures											
Tier 3	Corporate & Governance	CAR	CAR			E				OSA	IMS	
	Finance	CAR	CAR	F		E				F OSA	IMS	
	Governance	CAR	CAR			E				OSA	IMS	
	Information Technology	CAR	CAR			E				OSA	IMS	
	Infrastructure Services	CAR	CAR			E				OSA	IMS	
	City Facilities and Property	CAR	CAR			E				OSA	IMS	
	City Projects	CAR	CAR			E				OSA	IMS	
	Design & Assets	CAR	CAR			E				OSA	IMS	
	Infrastructure Development	CAR	CAR			E				OSA	IMS	
	Parks and Environment	CAR	CAR			E				OSA	IMS	
	Works	CAR	CAR			E				OSA	IMS	
	Development & Communities	CAR	CAR			E				OSA	IMS	
	Community Placemaking	CAR	CAR			E				OSA	IMS	
	Economic and Community Development	CAR	CAR			E				OSA	IMS	
	Safer Communities	CAR	CAR			E				OSA	IMS	
	Planning Services	CAR	CAR			E				OSA	IMS	
	Executive Services	CAR	CAR			E				OSA	IMS	
	CEO Office	CAR	CAR			E				OSA	IMS	
	People and Organisational Development	CAR	CAR			E				OSA	IMS	

NOTE: 1. This plan is indicative on the impact of the audit schedule, as such all parts of the organisation may be identified for audit though this will depend on possible random sampling or statutory requests.

2. Internal Focus Audits and Operational Comparisons are not identified on the Audit Plan as they are carried out as required.



# **Standing Committee (Audit and Risk)**

**Item 11.3 refers**

## **Attachment 2**

### **Draft Annual Financial Report**

**CITY OF BELMONT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**CITY OF BELMONT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Belmont

### Report on the Audit of the Financial Report

#### **Opinion**

I have audited the annual financial report of the City of Belmont which comprises the Statement of Financial Position as at 30 June 2019, 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 City of Belmont:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 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 City 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 annual 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 annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996, 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 City 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 annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the City'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 City.

The Council is responsible for overseeing the City'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 annual 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 annual 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 annual 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 City'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 City'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 annual 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 annual financial report, including the disclosures, and whether the annual 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.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the City of Belmont for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual 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 annual financial report to confirm the information contained in this website version of the annual financial report.

DON CUNNINGHAME  
ACTING DEPUTY AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
November 2019

**CITY OF BELMONT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**SCHEDULE 2**

**Form 1                      [Reg. 51]**

**Local Government Act 1995**

**Local Government (Financial Management) Regulations 1996**

**STATEMENT BY CEO**

The attached financial report of the City of Belmont for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the City of Belmont at 30 June 2019 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            day of October 2019

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**John Christie**  
**Chief Executive Officer**

## CITY OF BELMONT

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME BY PROGRAM

## FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Actual \$	2018 Actual \$	2019 Budget \$
<b>REVENUE</b>				
Governance		391,190	402,984	479,195
General purpose funding		51,558,277	49,459,203	51,255,307
Law, order and public safety		286,543	349,499	331,732
Health		194,032	241,727	199,500
Education and welfare		1,873,205	2,140,139	2,092,406
Housing		190,498	445,720	399,000
Community amenities		6,901,060	6,421,968	6,827,161
Recreation and culture		488,100	579,332	464,639
Transport		676,496	683,867	363,528
Economic services		377,236	423,802	370,400
Other property and services		248,228	298,225	165,450
		<b>63,184,865</b>	<b>61,446,466</b>	<b>62,948,318</b>
<b>EXPENSES</b>				
Governance		8,778,278	8,828,431	8,107,950
General purpose funding		1,882,572	1,765,150	2,734,211
Law, order and public safety		3,343,499	3,181,155	3,427,341
Health		1,122,938	1,090,854	1,260,858
Education and welfare		4,445,133	4,474,003	4,251,521
Housing		703,903	529,299	395,223
Community amenities		8,423,887	8,469,504	8,703,621
Recreation and culture		13,860,903	13,722,285	15,286,503
Transport		14,048,721	8,958,015	8,651,138
Economic services		2,772,635	2,751,315	2,455,957
Other property and services		3,146,806	3,055,796	3,051,949
		<b>62,529,275</b>	<b>56,825,807</b>	<b>58,326,269</b>
<b>FINANCE COSTS</b>				
Recreation and culture		662,452	112,281	684,697
Other property and services		21,584	30,637	21,279
Law, order and public safety		2,718	124,055	Nil
		<b>686,754</b>	<b>266,973</b>	<b>705,976</b>
		<b>(31,164)</b>	<b>4,353,686</b>	<b>3,916,073</b>
Gain/(loss) on disposal of assets	17(a)	(203,689)	(2,068,731)	Nil
Non-operating grants, subsidies and contributions	2(a)	10,551,287	3,984,468	10,488,403
<u>General purpose funding</u>				
Fair value adjustments to assets through profit or loss	15	Nil	380,000	Nil
Fair value adjustments to financial assets through profit or loss	8	20,503	154,668	Nil
Change in equity - associate	9	1,042,427	1,237,024	Nil
<b>NET RESULT</b>		<b>11,379,364</b>	<b>8,041,115</b>	<b>14,404,476</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	20	(18,347,301)	7,370,499	Nil
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>(18,347,301)</b>	<b>7,370,499</b>	<b>Nil</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(6,967,937)</b>	<b>15,411,614</b>	<b>14,404,476</b>

Notes to and forming part of the accounts are included on pages 11 to 66.

## CITY OF BELMONT

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME BY NATURE AND TYPE

## FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Actual \$	2018 Actual \$	2019 Budget \$
<b>REVENUE</b>				
Rates	3	47,433,299	45,785,840	47,938,638
Operating grants, subsidies and contributions	2(a)	3,565,221	4,156,750	3,022,302
Fees and charges	2(a)	9,375,066	9,006,598	9,541,177
Interest earnings	4	2,300,866	1,954,021	2,054,911
Other revenue	2(a)	510,413	543,257	391,290
		<b>63,184,865</b>	<b>61,446,466</b>	<b>62,948,318</b>
<b>EXPENSES</b>				
Employee costs		24,219,976	23,251,282	25,142,218
Materials and contracts		27,027,343	21,533,358	22,236,909
Utility charges		1,074,629	1,116,976	1,204,143
Depreciation on Non-current assets	17(b)	8,196,645	8,298,957	7,830,388
Interest expenses / finance costs	2(b),33	686,754	266,973	705,976
Insurance expenses		391,029	523,210	542,143
Other expenses		1,619,653	2,102,024	1,370,468
		<b>63,216,029</b>	<b>57,092,780</b>	<b>59,032,245</b>
		<b>(31,164)</b>	<b>4,353,686</b>	<b>3,916,073</b>
Profit on asset disposals		62,271	78,333	Nil
Loss on disposal of assets		(265,960)	(2,147,064)	Nil
Total profit/(loss) on disposal of assets	17(a)	(203,689)	(2,068,731)	Nil
Non-operating grants, subsidies and contributions	2(a)	10,551,287	3,984,468	10,488,403
Fair value adjustments to assets through profit or loss	15	Nil	380,000	Nil
Fair value adjustments to financial assets through profit or loss	8	20,503	154,668	Nil
Change in equity - associate	9	1,042,427	1,237,024	Nil
<b>NET RESULT</b>		<b>11,379,364</b>	<b>8,041,115</b>	<b>14,404,476</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	20	(18,347,301)	7,370,499	Nil
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>(18,347,301)</b>	<b>7,370,499</b>	<b>Nil</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(6,967,937)</b>	<b>15,411,614</b>	<b>14,404,476</b>

**CITY OF BELMONT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2019 Actual \$	2018 Actual \$	2019 Budget \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	4	12,690,444	7,203,892	1,530,453
Trade and other receivables	5(a)	2,790,426	1,836,125	2,017,403
Other current assets	6	2,297,153	1,712,709	2,138,806
Inventories	7	213,457	215,205	234,086
Other financial assets	8(a)	13,638,377	49,624,906	51,626,000
<b>TOTAL CURRENT ASSETS</b>		<b>31,629,857</b>	<b>60,592,837</b>	<b>57,546,748</b>
<b>NON-CURRENT ASSETS</b>				
Trade and other receivables	5(b)	408,401	374,155	433,803
Other financial assets	8(b)	41,371,170	21,496,137	Nil
Investments accounted for using the equity method	9	22,117,430	21,286,872	19,990,184
Property, plant and equipment	15	285,725,241	285,733,268	308,867,063
Infrastructure	16	266,123,748	264,275,763	285,672,296
<b>TOTAL NON-CURRENT ASSETS</b>		<b>615,745,990</b>	<b>593,166,195</b>	<b>614,963,346</b>
<b>TOTAL ASSETS</b>		<b>647,375,847</b>	<b>653,759,032</b>	<b>672,510,094</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	11(a)	5,986,184	4,277,142	7,101,939
Provisions	11(b)	5,098,750	5,447,748	5,535,516
Borrowings	10	850,551	794,822	705,692
Other liabilities	13(a)	1,111,030	1,052,750	85,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,046,515</b>	<b>11,572,462</b>	<b>13,428,147</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	10	13,956,689	14,662,381	13,956,689
Provisions	11(c)	460,158	651,331	661,283
Other liabilities	13(b)	61,050	53,486	50,021
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>14,477,897</b>	<b>15,367,198</b>	<b>14,667,993</b>
<b>TOTAL LIABILITIES</b>		<b>27,524,412</b>	<b>26,939,660</b>	<b>28,096,140</b>
<b>NET ASSETS</b>		<b>619,851,435</b>	<b>626,819,372</b>	<b>644,413,954</b>
<b>EQUITY</b>				
Reserves	19	58,574,632	54,016,812	46,679,576
Revaluation surplus	20	384,080,391	402,427,692	406,463,937
Accumulated Surplus		177,196,412	170,374,868	191,270,441
<b>TOTAL EQUITY</b>		<b>619,851,435</b>	<b>626,819,372</b>	<b>644,413,954</b>

**CITY OF BELMONT**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 Actual \$	2018 Actual \$	2019 Budget \$
<b>RESERVES - INVESTMENT / CASH BACKED</b>				
Balance as at 1 July		54,016,812	45,880,202	54,076,856
Amount transferred from accumulated surplus		4,557,820	8,136,610	(7,397,280)
Balance as at 30 June	19	58,574,632	54,016,812	46,679,576
<b>REVALUATION SURPLUS</b>				
Balance as at 1 July		402,427,692	395,057,193	406,463,937
Revaluation adjustments of property, plant, equipment and infrastructure		(18,347,301)	7,370,499	Nil
Balance as at 30 June	20	384,080,391	402,427,692	406,463,937
<b>TOTAL RESERVES</b>		<b>442,655,023</b>	<b>456,444,504</b>	<b>453,143,513</b>
<b>ACCUMULATED SURPLUS</b>				
Balance as at 1 July		170,374,868	170,470,363	169,468,685
Net result		11,379,364	8,041,115	14,404,476
Net transfers to cash reserves		(4,557,820)	(8,136,610)	7,397,280
Balance as at 30 June		177,196,412	170,374,868	191,270,441
<b>TOTAL EQUITY</b>		<b>619,851,435</b>	<b>626,819,372</b>	<b>644,413,954</b>

**CITY OF BELMONT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

		2019 Actual \$	2018 Actual \$	2019 Budget \$
	Note			
<b>Cash flows from operating activities</b>				
Payments				
Employee costs		(24,166,122)	(23,614,820)	(24,865,127)
Materials and contracts		(25,162,483)	(21,529,252)	(22,220,138)
Insurance expenses		(391,029)	(523,210)	(542,143)
Utilities		(1,074,629)	(1,116,976)	(1,204,143)
Interest		(661,156)	(165,149)	(700,297)
Goods and services tax		(4,308,142)	(2,437,826)	Nil
Other expenses		(2,394,492)	(1,497,263)	(1,355,562)
Receipts				
Rates		46,853,406	45,678,441	47,938,638
Operating grants, subsidies and contributions		3,565,221	4,156,750	2,957,107
Fees and charges		9,790,139	8,856,847	9,524,878
Interest income		2,330,039	1,921,655	2,054,911
Goods and services tax		3,918,038	1,966,683	Nil
Other revenue		510,413	543,257	412,093
<b>Net cash from operating activities</b>	22	<b>8,809,203</b>	12,239,137	12,000,217
<b>Cash flows from/(used) in investing activities</b>				
Receipts of non-operating grants and contributions		9,596,634	3,984,468	10,488,403
Term deposits redeemed		76,427,304	91,555,267	92,793,959
Investments in term deposits		(60,140,636)	(113,832,900)	(70,396,679)
Purchase of property, plant, equipment and infrastructure		(29,423,685)	(13,384,961)	(46,973,726)
Proceeds from sale of property, plant and equipment		893,293	7,822,096	2,602,208
<b>Net cash used in investing activities</b>		<b>(2,647,090)</b>	(23,856,030)	(11,485,835)
<b>Cash flows from/(used in) financing activities</b>				
Repayments of borrowings		(675,561)	(1,091,522)	(675,561)
Proceeds from borrowings		Nil	15,000,000	Nil
Self supporting loan principal receipt		Nil	937,592	6,545
<b>Net cash from/(used in) financing activities</b>		<b>(675,561)</b>	14,846,070	(669,016)
Net increase/(decrease) in cash held		5,486,552	3,229,177	(154,634)
Cash held at the beginning of the reporting period		7,203,892	3,974,715	1,685,087
<b>Cash and cash equivalents held at the end of the reporting period</b>	21	<b>12,690,444</b>	7,203,892	1,530,453

**CITY OF BELMONT**  
**RATES SETTING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	2019 Actual \$	2018 Actual \$	2019 Budget \$
<b>INCOME STATEMENT</b>			
<b>Operating Expenses</b>			
Employee costs	24,219,976	23,251,282	25,142,218
Materials and contracts	27,027,343	21,533,358	22,236,909
Utility charges	1,074,629	1,116,976	1,204,143
Depreciation on Non-current assets	8,196,645	8,298,957	7,830,388
Loss on disposal of assets	265,960	2,147,064	Nil
Interest expenses / finance costs	686,754	266,973	705,976
Insurance expenses	391,029	523,210	542,143
Other expenses	1,619,653	2,102,024	1,370,468
	<b>63,481,989</b>	<b>59,239,844</b>	<b>59,032,245</b>
<b>Operating Revenue (excluding rates)</b>			
Operating grants, subsidies and contributions	3,565,221	4,156,750	3,022,302
Profit on asset disposals	62,271	78,333	Nil
Fees and charges	9,375,066	9,006,598	9,541,177
Interest earnings	2,300,866	1,954,021	2,054,911
Other revenue	510,413	543,257	391,290
	<b>15,813,837</b>	<b>15,738,959</b>	<b>15,009,680</b>
<b>Net result excluding rates</b>	<b>(47,668,152)</b>	<b>(43,500,885)</b>	<b>(44,022,565)</b>
<b>Adjustment for non cash items</b>			
Depreciation	8,196,645	8,298,957	7,830,388
Employee provisions	113,543	(99,564)	77,091
Adjustment for non-current rates debtors	(26,682)	(10,799)	Nil
(Profit)/loss on sale of assets	203,689	2,068,731	Nil
<b>Funds demand from operations</b>	<b>(39,180,957)</b>	<b>(33,243,560)</b>	<b>(36,115,086)</b>
<b>Capital items</b>			
Non-operating grants, subsidies and contributions	10,551,287	3,984,468	10,488,403
Acquisition of property plant, equipment and infrastructure	(29,423,685)	(13,384,961)	(47,029,427)
Proceeds from sale of assets	893,292	4,044,823	2,602,208
Loan principal repayments	(675,561)	(1,091,522)	(675,561)
Proceeds from borrowings	Nil	15,000,000	Nil
Self supporting loan principal receipt	Nil	937,592	6,545
	<b>(18,654,667)</b>	<b>9,490,400</b>	<b>(34,607,832)</b>
<b>Reserves</b>			
Transfer to reserve	(8,359,262)	(9,789,870)	(3,939,364)
Transfer from reserve	3,801,442	1,653,260	11,336,644
<b>Net Transfer</b>	<b>19 (4,557,820)</b>	<b>(8,136,610)</b>	<b>7,397,280</b>
Opening Position - Surplus (Deficit)	26 19,364,577	5,468,507	15,887,000
Closing Position - Surplus (Deficit)	26 4,404,431	19,364,577	500,000
<b>Amount to be made up from rates</b>	<b>3 (47,433,299)</b>	<b>(45,785,840)</b>	<b>(47,938,638)</b>



## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**1. BASIS OF PREPARATION**

The significant policies which have been adopted in the preparation of these financial statements are:

a) **Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards, *Local Government Act 1995* and accompanying regulations.

Accounting policies which have been adopted in the preparation of the financial report have been consistently applied unless stated otherwise. The report has also been prepared on an accrual basis under the convention of historical cost accounting as modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and liabilities.

**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, the City 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 the City.

**Critical Accounting**

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 this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

b) **The Local Government Reporting Entity**

The financial statements forming part of this report have been prepared on the basis of 3 funds (Municipal, Reserve and Trust Funds). For the purposes of reporting the Municipal authority as a single unit, all transactions and balances in respect to these Funds have been eliminated. Certain monies held in the Trust Fund have been excluded from the consolidated financial statements, but a separate statement of those monies appears at Note 13 to the Financial Report. Included within the financial statements are those transactions that relate to the Belmont Trust that are further explained in Note 14.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

**2. REVENUE AND EXPENSES**a) **Revenue****Grant Revenue**

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

	2019 Actual	2018 Actual	2019 Budget
	\$	\$	\$
<b>Non-Operating Grants, Subsidies and Contributions</b>			
General purpose funding	566,062	126,964	Nil
Law, order & public safety	98,368	16,479	Nil
Education & welfare	Nil	102,792	25,000
Community amenities	269,775	467,918	300,000
Recreation & culture	5,529,635	166,136	6,621,568
Transport	4,068,605	2,614,425	3,522,993
Economic services	Nil	489,754	Nil
Other property & services	18,842	Nil	18,842
	<b>10,551,287</b>	<b>3,984,468</b>	<b>10,488,403</b>
<b>Operating Grants, Subsidies and Contributions</b>	\$	\$	\$
Governance	159,232	103,603	192,500
General purpose funding	902,621	835,425	381,680
Law, order & public safety	81,231	78,657	75,532
Health	Nil	Nil	Nil
Education & welfare	1,625,350	1,915,584	1,902,721
Housing	Nil	214,651	Nil
Community amenities	Nil	Nil	500
Recreation & culture	57,031	168,256	45,091
Transport	672,024	683,476	363,528
Other property & services	67,731	157,097	60,750
	<b>3,565,221</b>	<b>4,156,750</b>	<b>3,022,302</b>

**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 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 32. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**2. REVENUE AND EXPENSES (Cont.)**

	2019 Actual \$	2018 Actual \$	2019 Budget \$
<b><u>Fees and Charges</u></b>			
Governance	11,765	14,177	10,400
General purpose funding	927,711	911,996	915,975
Law, order & public safety	197,224	264,183	248,500
Health	179,723	223,612	183,000
Education & Welfare	230,988	187,320	162,000
Housing	190,498	231,069	399,000
Community amenities	6,883,451	6,353,701	6,823,661
Recreation & culture	346,675	337,143	356,041
Transport	Nil	Nil	Nil
Economic services	356,729	422,497	369,100
Other property & services	50,303	60,899	73,500
	<b>9,375,066</b>	<b>9,006,598</b>	<b>9,541,177</b>

**Other Revenue**

Other Revenue comprises:

Reimbursements	471,884	502,679
Miscellaneous/Other	38,529	40,578
	<b>510,413</b>	<b>543,257</b>

**b) Expenses****Auditors Renumeration**

Audit of the financial report	55,000	43,000
Audit of grant acquittals	1,500	2,700
	<b>56,500</b>	<b>45,700</b>

**Interest Expenses (finance costs)**

Borrowings (refer note 33)	686,754	266,973	705,976
	<b>686,754</b>	<b>266,973</b>	<b>705,976</b>

**Debts Written Off**

Debts totalling \$8,823.95 were written off during the reporting period to 30 June 2019.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

**3. RATING INFORMATION****Minimum Rates**

The minimum payments for 2018/19 have again been set to ensure the minimum level of service required is adequately funded. Minimum payments serve other key purposes in relation to encouraging owners of vacant land to develop the site for whichever purpose it is zoned. This process further complements the State Government initiative of promoting urban infill and arresting the urban sprawl that burdens the State's ability to provide Infrastructure Assets.

The following rates in the dollar applied to each property in the differential rate categories where a minimum rate was not applied. For additional details refer to the Statement of General Purpose Funding.

	Rate in \$	Minimum \$	Total Properties
RESIDENTIAL	0.052423	825	18,370
COMMERCIAL	0.061639	975	1,101
INDUSTRIAL	0.061807	995	461

**Differential Rating**

The *Local Government Act 1995* empowers a council to impose different rates in the dollar for different land zonings and different rates for improved or vacant land within a zoning. This power is provided to help local authorities with particular rating difficulties and to achieve better rating equity between different land use zonings.

For the purposes of this rating system, a land zone is a Town Planning Scheme Zone made under the *Planning and Development Act 2005* or a Zone made under Council's Planning By-laws.

Council may also apply an existing zone rate to land which is lawfully used for a non conforming use in another zone. In such cases, Council must formally declare that the land be categorised in that zone for the purpose of imposing the more appropriate rate. Within zones, land which is either improved or vacant may be rated differently. It should be noted that where, during the rating year, land is rezoned, the Council cannot issue an amended rate notice reflecting that change.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**3. RATING INFORMATION (Cont.)****Residential Rate**

The Residential Rate forms the basis of the differential rates relativities. The relativities are in place to provide Council with the flexibility to address any shifts from one rating category to another that it considers is too severe and should be phased in, or to recognise a differing level of service required by a particular rating category.

The residential rating category is also deemed to have the least capacity to pay. However, Council is committed to increasing the Residential Rate base through its City of Opportunity Marketing Strategy. This has resulted in considerable growth that is broadening the base and in turn, evenly distributing the overheads of maintaining the infrastructure of the City. There are continuing positive signs of redevelopment that have resulted in healthy growth that should continue into the foreseeable future.

**Commercial Rate**

Many of the reasons stated for the Industrial Rate apply to the Commercial Rate, however to a lesser degree. Certainly the location to the airports and rail terminal attract business and therefore more traffic to Belmont, however the vehicle traffic would be generally lighter and therefore not as great an impact on Council's road network.

**Industrial Rate**

Council has identified that the location of both the airports and the rail freight terminal has encouraged industry to locate within the City of Belmont. The result of this is large volumes of heavy vehicle traffic movements within the City and therefore an accelerated deterioration of roads.

Greater expenditure of Council's revenues is also required on services such as Health, Building and Town Planning.

The minimum payment is considered reasonable given the industrial properties will generally be serviced by and have access to a reasonable standard of infrastructure provided by the Council. It should also be seen as an incentive to develop any vacant lots that are zoned industrial.

**Specified Area Rates**

There were no specified area rates for the current reporting period.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**3. RATING INFORMATION (Cont.)****Discounts and Incentive Schemes**

The City of Belmont offers a 5% discount on rates paid in full by 17 September 2018 (35 days after issue of notice) or in the case of pensioners if the appropriate percentage of rates levied is paid by 17 September 2018. Payment must include any arrears and does not apply to the separate Rubbish Charge.

The total cost of the 5% discount to the City for 2018/19 is \$1,653,588 (Budget \$1,623,250, Prior Year \$1,548,116).

**Instalments and Interest****Late Payment of Rates**

- 11% penalty interest rate for overdue rates.
- \$124,623 (Budget \$99,500, Prior Year \$113,721)

**Instalment Options**

4 instalments

- 17 September 2018
- 19 November 2018
- 21 January 2019
- 22 March 2019

**Cost of 4 Instalment Program**

- 5.5% instalment interest rate
- \$20.00 administration fee

**2 Instalments**

- 17 September 2018
- 21 January 2019

**Cost of 2 Instalment Program**

- \$20 administration fee

**Income for Instalment Program**

- Instalment Interest \$135,695 (Budget \$137,900, Prior Year \$135,874)
- Administration Fee \$126,030 (Budget \$122,155, Prior Year \$120,350)

**Interim and Back Rates**

Interim and back rates levied during 2018/19 totalled \$130,472 and were comprised as follows:-

	<b>2019</b>		<b>2018</b>	
	<b>Actual</b>		<b>Actual</b>	
	<b>\$</b>		<b>\$</b>	
	<b>Interim</b>	<b>Back</b>	<b>Interim</b>	<b>Back</b>
<b>Residential</b>	<b>157,088</b>	<b>4,617</b>	406,289	41,747
<b>Commercial</b>	<b>(37,952)</b>	<b>(3,622)</b>	642,153	(4,569)
<b>Industrial</b>	<b>9,859</b>	<b>482</b>	(27,368)	(238)
	<b>128,995</b>	<b>1,477</b>	1,021,075	36,940

The above table includes residential minimum payments of \$20,821 and (\$5,933) of interims and back payments respectively.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**3. RATING INFORMATION (Cont.)**

	<b>2019 Actual \$</b>	<b>2019 Valuations \$</b>	<b>2018 Actual \$</b>	<b>2019 Budget *</b> <b>\$</b>
<b><u>General Rate</u></b>				
<b>Residential</b>				
13,764 assessments				
GRV rate in \$: 0.052423	<b>15,665,730</b>	298,832,734	15,055,848	15,622,785
- Interims and back rates	<b>161,705</b>		448,036	388,653
-Less Discount	<b>(456,426)</b>		(427,866)	(448,052)
<b>Commercial</b>				
920 assessments				
GRV Rate in \$: 0.061639	<b>9,134,922</b>	148,200,364	8,491,726	9,154,663
- Interims and back rates	<b>(41,574)</b>		637,584	93,311
-Less Discount	<b>(286,105)</b>		(257,677)	(280,856)
<b>Industrial</b>				
453 assessments				
GRV rate in \$: 0.061807	<b>8,472,410</b>	137,078,483	8,216,323	8,302,271
- Interims and back rates	<b>10,341</b>		(27,606)	159,920
-Less Discount	<b>(257,923)</b>		(233,368)	(253,191)
<b><u>Minimum Rate</u></b>				
<b>Residential</b>				
GRV number of assessments 4,606 at \$825 each	<b>3,799,950</b>	65,512,770	3,672,390	3,809,850
-Less Discount	<b>(98,930)</b>		(97,910)	(97,115)
<b>Commercial</b>				
GRV number of assessments 181 at \$975 each	<b>176,475</b>	1,452,560	170,880	176,475
-Less Discount	<b>(5,056)</b>		(5,328)	(4,964)
<b>Industrial</b>				
GRV number of assessments 8 at \$995 each	<b>7,960</b>	87,219	7,840	7,960
-Less Discount	<b>(199)</b>		Nil	(195)
<b>Payments in Lieu of Rates</b>	<b>11,698,967</b>		10,660,932	11,846,000
-Less Discount	<b>(548,950)</b>		(525,967)	(538,877)
<b>Total General Rates Levied</b>	<b>47,433,299</b>	651,164,130	45,785,840	47,938,638

\* The discount for rates fully paid by the due date is now netted against rates revenue rather than as a separate expense which has resulted in a budget reallocation between other expenses and rates.

## SIGNIFICANT ACCOUNTING POLICIES

Rates

Rates are recognised as revenues when the local government obtains control over the assets comprising the rates. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**4. CASH AND OTHER FINANCIAL ASSETS**

The following restrictions have been imposed by regulations or other external requirements.

	Note	2019 Actual \$	2018 Actual \$	2019 Budget \$
Administration Building Reserve		227,491	221,312	226,739
Aged Accommodation - Homeswest Reserve		764,030	751,751	858,704
Aged Community Care Reserve		546,612	Nil	Nil
Aged Persons Housing Reserve		1,096,572	1,343,125	1,264,877
Aged Services Reserve		1,026,515	1,128,140	1,158,883
Ascot Waters Marina Maint. and Redev. Reserve		985,741	958,966	931,271
Belmont District Band Reserve		39,472	35,481	39,421
Belmont Oasis Refurbishment Reserve		3,990,074	3,881,697	3,983,995
Belmont Trust Reserve		1,668,994	1,636,968	1,429,336
Building Maintenance Reserve		5,355,458	5,230,744	5,353,340
Car Parking Reserve		59,700	Nil	Nil
District Valuation Reserve		207,056	123,605	207,687
Election Expenses Reserve		109,708	87,271	109,457
Environment Reserve		27,240	26,500	27,242
Faulkner Park Ret. Vill. Owner Maint. Reserve		434,935	423,122	468,410
Faulkner Park Ret. Vill. Buy Back Reserve		2,230,344	2,169,765	2,350,342
History Reserve		240,673	224,408	240,350
Information Technology Reserve		1,325,514	1,344,782	1,139,715
Land Acquisition Reserve		9,095,689	9,535,146	11,330,690
Long Service Leave Reserve - Funded Programs		151,790	90,936	104,167
Long Service Leave Reserve - Salaries		1,875,732	1,656,974	1,814,896
Long Service Leave Reserve - Wages		466,789	441,406	436,220
Miscellaneous Entitlements Reserve		779,940	893,561	936,130
Parks Development Reserve		142,715	278,070	Nil
Plant Replacement Reserve		933,234	909,585	617,103
Property Development Reserve		20,288,140	16,799,981	7,962,343
Public Art Reserve		287,940	189,645	194,723
Ruth Faulkner Library Reserve		44,263	43,061	44,195
Streetscapes Reserve		474,229	461,348	473,751
Urban Forest Strategy Reserve		111,987	108,945	111,815
Waste Management Reserve		2,017,415	1,631,589	1,438,093
Workers Compensation/Insurance Reserve		1,568,643	1,388,931	1,425,681
	19	58,574,632	54,016,812	46,679,576
Loan monies unspent		Nil	12,494,375	Nil
Grant funds unspent as at 30 June	32	870,714	1,390,299	Nil
Total restricted funds		59,445,346	67,901,486	46,679,576



## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**4. CASH AND OTHER FINANCIAL ASSETS (Cont.)**

	Note	2019 Actual \$	2018 Actual \$	2019 Budget \$
<b>Cash and cash equivalents</b>				
Cash at bank and on hand		4,670,102	4,203,892	1,530,453
Term Deposits		8,020,342	3,000,000	Nil
		<b>12,690,444</b>	7,203,892	1,530,453
<b>Other Financial Assets</b>				
Deposits (>3 months)	8(a)	13,638,377	49,624,906	51,626,000
Deposits (>12 months)	8(b)	41,195,999	21,496,137	Nil
		<b>54,834,376</b>	71,121,043	51,626,000
Restricted		59,445,346	67,901,486	46,679,576
Unrestricted		8,079,474	10,423,450	6,476,877
		<b>67,524,820</b>	78,324,935	53,156,453
<b>Investment and interest earnings</b>				
Interest on other financial assets		2,054,453	1,838,610	
Interest on cash and short term deposits		246,413	115,411	
Total return		<b>2,300,866</b>	1,954,021	
Investment income by municipal fund		793,204	687,919	465,000
Investment income on reserve funds		1,507,662	1,266,102	1,589,911
Total Return		<b>2,300,866</b>	1,954,021	2,054,911

## SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**5. TRADE AND OTHER RECEIVABLES**

	Note	2019 Actual \$	2018 Actual \$
a) <b>Current</b>			
Rates and other levies		980,583	1,005,537
Trade debtors		819,668	230,517
GST Receivable		990,174	600,071
		<b>2,790,426</b>	<b>1,836,125</b>
b) <b>Non-current</b>			
Deferred rates and Emergency Services Levy		363,791	329,545
Loan (community group)		44,610	44,610
		<b>408,401</b>	<b>374,155</b>

## 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.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

Classification and subsequent measurement

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. Trade receivables are held with the objective to collect contractual cashflows and give rise to cashflows representing solely payments of principal and interest. These are therefore classified and measured at amortised cost using the effective interest rate method. Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value.

**6. OTHER CURRENT ASSETS**

	2019 Actual \$	2018 Actual \$
<b>Current</b>		
Other accrued income	1,944,123	1,404,659
Prepayments	353,030	308,050
	<b>2,297,153</b>	<b>1,712,709</b>

## SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**7. INVENTORIES**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Stores inventory	<b>213,457</b>	215,205
	<b>213,457</b>	<b>215,205</b>

## SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories are valued 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.

**8. OTHER FINANCIAL ASSETS**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
a) <b>Current</b>		
Other financial assets at amortised cost - term deposits	<b>13,638,377</b>	49,624,906
	<b>13,638,377</b>	<b>49,624,906</b>
b) <b>Non-Current</b>		
Other financial assets at amortised cost - term deposits	<b>41,195,999</b>	21,496,137
Financial assets at fair value through profit and loss previously classified as investments accounted for using the equity method:		
- Units in Local Government House Trust (note 9)	<b>175,171</b>	154,668
	<b>41,371,170</b>	<b>21,650,805</b>

## SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 25.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**Associates

The City is a participant in the Eastern Metropolitan Regional Council (EMRC). The City's interest in the EMRC calculated by the EMRC as at 30 June 2019 is 11.31% representing its share of net assets of \$22,117,430. The City has voting rights of 1/6th and the interest in the assets and liabilities of the EMRC is as follows:

	Note	2019 Actual \$	2018 Actual \$
Interest in Associates as at 30 June		22,117,430	21,286,872
Represented by Share of Associates :			
<u>EMRC:</u>			
Revenue		42,510,894	39,351,664
Net Result		8,245,723	11,243,892
Total Comprehensive Income		8,245,723	10,902,243
<u>Financial Position:</u>			
Current Assets		107,716,368	100,898,164
Non-Current Assets		99,466,539	95,174,159
Total Assets		<u>207,182,907</u>	<u>196,072,323</u>
Current Liabilities		7,175,888	5,146,182
Non-Current Liabilities		4,493,417	3,658,262
Total Liabilities		<u>11,669,305</u>	<u>8,804,444</u>
Net Assets		<u>195,513,602</u>	<u>187,267,879</u>
Change in equity		1,042,427	1,237,024
Revaluation Surplus movement	20	(57,201)	(95,004)
Dividends received from associate		Nil	Nil

## SIGNIFICANT ACCOUNTING POLICIES

Interest in Associate

An associate is an entity over which the City has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The City's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the City's share of net assets of the associate since the acquisition date. In addition, the City's share of the profit or loss of the joint venture is included in the City's profit or loss.

Other Investments

The City has 10 units amounting to \$175,171 based on the Local Government House Trust's most current audited Financial Statements at 30 June 2018. These have been reclassified as other financial assets at fair value through profit or loss.

The City also holds a minor interest in jointly controlled assets (land and buildings) with the Housing Authority for aged accommodation purposes. Included in Property, Plant and Equipment the total value of the City's share of jointly controlled assets at 30 June 2019 is \$2,400,795 (2018: \$2,518,489).

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**10. BORROWINGS**

The City currently has the following principal outstanding on loans borrowed for various capital works and land acquisition purposes.

	2019 Actual \$	2018 Actual \$	2019 Budget \$
<b>Current</b>			
Interest on loans accrued	144,859	119,261	5,679
Loan liability	705,692	675,561	705,692
	<b>850,551</b>	<b>794,822</b>	<b>711,371</b>
<b>Non-Current</b>			
Loan liability	13,956,689	14,662,381	13,956,689
	<b>14,807,240</b>	<b>15,457,203</b>	<b>14,668,060</b>
<b>Total Borrowings</b>			
	<b>14,807,240</b>	<b>15,457,203</b>	<b>14,668,060</b>
Loans raised during year (Note 33)	Nil	15,000,000	Nil
Unspent balance of borrowings	Nil	12,494,375	Nil

All borrowings made by the City are secured over the general funds of the City of Belmont.

## SIGNIFICANT ACCOUNTING POLICIES

Financial Liabilities

Financial liabilities are recognised at fair value when the City 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. Refer Note 25.

**11. PAYABLES & PROVISIONS**

	2019 Actual \$	2018 Actual \$
<b>(a) Trade and other payables (Current)</b>		
Creditors	658,277	930,856
Accrued Expenses	5,076,756	2,948,441
Salaries and wages accrued	251,152	397,845
	<b>5,986,184</b>	<b>4,277,142</b>

## SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

They represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**11. PAYABLES & PROVISIONS (Cont.)**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>(b) Provisions (Current)</b>		
Provision for annual leave	<b>2,417,788</b>	2,334,754
Provision for long service leave	<b>2,494,031</b>	2,189,316
Other leave provisions	<b>186,931</b>	182,960
Other provisions	<b>Nil</b>	740,718
	<b>5,098,750</b>	<b>5,447,748</b>

<b>(c) Provisions (Non-current)</b>		
Provision for long service leave	<b>460,158</b>	651,331
	<b>460,158</b>	<b>651,331</b>

Annual 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:

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Within 12 months of the end of the reporting period	<b>2,044,809</b>	1,904,090
More than 12 months after the end of the reporting period	<b>372,979</b>	430,665
	<b>2,417,788</b>	<b>2,334,754</b>

Long service leave liabilities due or payable have been classified as current where 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:

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Within 12 months of the end of the reporting period	<b>372,666</b>	438,432
More than 12 months after the end of the reporting period	<b>2,581,523</b>	2,402,215
	<b>2,954,189</b>	<b>2,840,647</b>

## SIGNIFICANT ACCOUNTING POLICIES

**Employee benefits****Short-term employee benefits**

Provision is made for the City'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 services, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**11. PAYABLES & PROVISIONS (Cont.)****Other long-term benefits**

The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of the 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 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 City's obligations for long-term employee benefits are presented as non-current provisions in this statement of financial position, except where the City 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 City 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.

**12. CAPITAL AND LEASE COMMITMENTS AND ENTITLEMENTS**

As at 30 June, the City had the following operating lease commitments expenditure outstanding.

**Operating lease payable details**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Not longer than 1 year	<b>72,130</b>	84,402
Longer than 1 year and not longer than 2 years	<b>55,024</b>	67,825
Longer than 2 years and not longer than 5 years	<b>Nil</b>	55,024
Longer than 5 years	<b>Nil</b>	Nil
	<b>127,154</b>	<b>207,251</b>

Operating lease expenditure relates to the leasing of cardio vascular gym equipment that is used in the Belmont Oasis. The implied interest rate and average lease life are 0.98% and 0.77 years respectively.

As at 30 June the City had the following operating lease commitments for which the City was the lessor.

**Operating lease receivable details**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Not longer than 1 year	<b>400,284</b>	369,169
Longer than 1 year and not longer than 2 years	<b>152,542</b>	315,993
Longer than 2 years and not longer than 5 years	<b>313,042</b>	259,941
Longer than 5 years	<b>206,423</b>	29,494
	<b>1,072,292</b>	<b>974,597</b>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**12. CAPITAL AND LEASING LEASE COMMITMENTS (Cont.)**

Operating lease revenue is receivable from tenants in property owned by City of Belmont. Leases have an average lease term of 2.5 years and an implicit interest rate based on CPI.

## 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 City, are classified as finance leases. Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

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

**Capital Works Contract Commitments**

As at 30 June, the City had the following contracted capital works commitments outstanding.

	<b>2019</b>	2018
	<b>Actual</b>	Actual
	<b>\$</b>	\$
Not longer than 1 year	<b>18,922,062</b>	35,379,281
Longer than 1 year and not longer than 2 years	<b>Nil</b>	5,748,521
Longer than 2 years and not longer than 5 years	<b>Nil</b>	Nil
Longer than 5 years	<b>Nil</b>	Nil
	<b>18,922,062</b>	41,127,802

Significant decrease relates to the construction contract of the new community centre.



## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**13. OTHER LIABILITIES**

<b>(a) Other Liabilities (Current)</b>	Note	<b>2019</b> Actual \$	2018 Actual \$
Total funds (bonds/deposits/trust funds) held		<b>1,585,747</b>	1,566,705
Less trust funds (not under the City's control)		<b>(1,474,760)</b>	(1,466,577)
		<b>110,987</b>	100,128
Income received in advance		<b>783,764</b>	762,065
Other Liabilities		<b>7,983</b>	605
Emergency Services Levy		<b>208,296</b>	189,952
		<b>1,111,030</b>	1,052,750
<b>(b) Other Liabilities (Non-Current)</b>			
Emergency Services Levy (Deferred)		<b>61,050</b>	53,486
		<b>61,050</b>	53,486

Funds over which the City has no control and which are not included in the financial statements are as follows:

	<b>2019</b> Actual \$	2018 Actual \$
BCITF Levy	<b>100,567</b>	20,261
Building Services Levy	<b>97,923</b>	52,586
Cash In Lieu Of Public Open Space	<b>1,276,270</b>	1,240,134
Unclaimed/Surplus Cash	<b>Nil</b>	700
Cash In Lieu Of Carparking (i)	<b>Nil</b>	59,700
Department of Planning Fees	<b>Nil</b>	196
Cash In Lieu Of Public Art (i)	<b>Nil</b>	93,000
Total trust funds (not under the City's control)	<b>1,474,760</b>	1,466,577

(i) In previous years these deposits were held as trust funds. From this year all deposits not required by legislation to be held in trust are included in Reserves (note 19).

**Summary of Trust Funds Held**

<b>(a) BCITF Levy</b>		
Opening balance	<b>20,261</b>	12,627
Receipts	<b>362,660</b>	500,539
Payments	<b>(282,354)</b>	(492,905)
Balance at 30 June	<b>100,567</b>	20,261
<b>(b) Building Services Levy</b>		
Opening balance	<b>52,586</b>	11,661
Receipts	<b>284,241</b>	378,932
Payments	<b>(238,904)</b>	(338,007)
Balance at 30 June	<b>97,923</b>	52,586

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**13. OTHER LIABILITIES (Cont.)**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Cash In Lieu Of Public Open Space</b>		
Opening balance	<b>1,240,134</b>	1,207,318
Receipts	<b>36,136</b>	32,816
Payments/Transfers	<b>Nil</b>	Nil
Balance at 30 June	<b>1,276,270</b>	1,240,134
<b>(d) Unclaimed Monies</b>		
Opening balance	<b>700</b>	730
Receipts	<b>Nil</b>	Nil
Transfers	<b>(700)</b>	(30)
Balance at 30 June	<b>Nil</b>	700
<b>(e) Cash in Lieu of Carparking</b>		
Opening balance	<b>59,700</b>	59,700
Receipts	<b>Nil</b>	Nil
Transfers to Reserve	<b>(59,700)</b>	Nil
Balance at 30 June	<b>Nil</b>	59,700
<b>(f) Department of Planning Fees</b>		
Opening balance	<b>196</b>	155
Receipts	<b>36,909</b>	32,014
Payments	<b>(37,105)</b>	(31,973)
Balance at 30 June	<b>Nil</b>	196
<b>(g) Cash in Lieu of Public Art</b>		
Opening balance	<b>93,000</b>	60,000
Receipts	<b>Nil</b>	33,000
Transfers to Reserve	<b>(93,000)</b>	Nil
Balance at 30 June	<b>Nil</b>	93,000
<b>Total Trust funds held</b>	<b>1,474,760</b>	1,466,577

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**14. BELMONT TRUST**

The City of Belmont is a trustee for lot 49 Great Eastern Highway and lot 5 Stoneham Street held in Ascot. The effect of the Trust Deed is that the City holds the trust property (land) for the charitable purpose of public recreation and enjoyment for the people that reside in the City of Belmont.

The Belmont Trust is not a separate legal entity and it cannot own property in its own name. Instead the land is held by the City as the sole trustee. The Trust's assets, liabilities, income and expenditure are consolidated in the City's own financial statements. However to ensure that any financial benefits generated by the Trust are managed in accordance with the Trust Deed, assets, liabilities, income and expenditure will be separately recorded.

During the year ending 30 June 2019 the Belmont Trust incurred expenditure of \$13,193 to maintain the land and fund legal services while interest income of \$45,220 was earned. Net funds were transferred to the Belmont Trust Reserve (note 19(i)) which had a balance of \$1,668,994 at the end of the financial year.

As at the reporting date the Trust land is recognised as a Non-Current Asset under Property, Plant and Equipment at a fair value of \$31.725 million.

**15. PROPERTY, PLANT AND EQUIPMENT**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Land (Freehold) at:</b>		
Independent valuation (level 2)	<b>165,631,900</b>	182,902,000
Additions after valuation	<b>Nil</b>	400,000
	<b>165,631,900</b>	<b>183,302,000</b>
<b>Buildings at:</b>		
Independent valuation (level 3)	<b>101,654,546</b>	101,815,337
Additions after valuation	<b>2,807,640</b>	2,376,073
Less: accumulated depreciation	<b>(14,165,558)</b>	(12,775,298)
	<b>90,296,628</b>	<b>91,416,114</b>
<b>Furniture &amp; equipment at:</b>		
Management valuation (level 3)	<b>7,431,857</b>	5,203,482
Additions after valuation	<b>77,080</b>	2,157,838
Less: accumulated depreciation	<b>(6,997,733)</b>	(6,564,735)
	<b>511,204</b>	<b>796,586</b>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**15. PROPERTY, PLANT AND EQUIPMENT (Cont.)**

	2019 Actual \$	2018 Actual \$
<b>Plant and machinery at:</b>		
Management valuation (level 3)	8,464,879	2,814,585
Additions after valuation	422,082	6,307,466
Less: accumulated depreciation	(4,186,903)	(3,601,080)
	<u>4,700,058</u>	<u>5,520,972</u>
<b>Work in Progress - Cost</b>	24,585,451	4,697,596
<b>Total Property, plant and equipment</b>	<u>285,725,241</u>	<u>285,733,268</u>

**Fair Value Measurements****Land**

The City's land (freehold) was revalued as at 30 June 2019 by independent valuers.

Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes which are restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

**Buildings**

The City's buildings including other structures were revalued as at 1 July 2016 using the cost approach by independent valuers. This required estimating the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been using level 3 valuation inputs.

**Furniture and Equipment & Plant and Machinery**

The City's Furniture and Equipment and Plant and Machinery were revalued at 1 January 2019 by management having regard for their current replacement cost (level 2 inputs), condition assessment, residual values and estimated useful life (level 3 inputs). Although level 2 inputs were also used, given the significance of the level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using level 3 inputs.

The revaluation resulted in neither an increase or decrease in the net value of the respective asset classes. Consequently no adjustment was recognised in other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**15. PROPERTY, PLANT AND EQUIPMENT (Cont.)**

<b>Movements in Carrying Amounts</b>	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
<b>(a) Land</b>	<b>\$</b>	<b>\$</b>
Opening Balance	183,302,000	186,048,000
Additions	620,000	400,000
Disposals (at cost/valuation)	Nil	(3,146,000)
Net revaluations	(18,290,100)	Nil
Closing Balance	<u>165,631,900</u>	<u>183,302,000</u>
<b>(b) Buildings</b>		
Opening Balance	91,416,114	93,833,526
Additions	423,927	757,121
Transfers from work in progress	7,640	136,149
Disposals (at cost/valuation)	(160,793)	(2,353,385)
Disposals (accum. depreciation)	61,009	494,542
Depreciation expense	(1,451,269)	(1,451,838)
Closing Balance	<u>90,296,628</u>	<u>91,416,114</u>
<b>(c) Furniture and equipment</b>		
Opening Balance	796,586	1,189,346
Additions	205,512	316,630
Transfers from work in progress	9,431	Nil
Disposals (at cost/valuation)	(67,327)	(2,138,855)
Disposals (accum. depreciation)	67,327	2,030,853
Depreciation expense	(500,324)	(601,389)
Closing Balance	<u>511,204</u>	<u>796,586</u>
<b>(d) Plant and machinery</b>		
Opening Balance	5,520,972	5,613,393
Additions	1,219,403	1,525,489
Disposals (at cost/valuation)	(1,454,493)	(1,513,269)
Disposals (accum. depreciation)	555,287	624,912
Depreciation expense	(1,141,109)	(729,553)
Closing Balance	<u>4,700,058</u>	<u>5,520,972</u>
<b>(e) Work in progress</b>		
Other Improvements	83,314	9,431
Building construction - general	24,502,137	4,688,165
<b>Total non current work in progress</b>	<u>24,585,451</u>	<u>4,697,596</u>
<b>Total property, plant and equipment</b>	<u>285,725,241</u>	<u>285,733,268</u>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**16. INFRASTRUCTURE**

	2019 Actual \$	2018 Actual \$
<b>Reserves improvements</b>		
Independent valuation (level 3)	21,250,000	21,604,000
Additions after valuation	3,049,516	1,088,073
Less: accumulated depreciation	(11,119,593)	(10,208,753)
	<b>13,179,922</b>	<b>12,483,320</b>
<b>Road network - infrastructure at:</b>		
Independent valuation (level 3)	187,626,132	187,626,132
Additions after valuation	8,893,478	5,485,581
Less: accumulated depreciation	(46,162,456)	(43,766,396)
	<b>150,357,153</b>	<b>149,345,317</b>
<b>Footpath network - infrastructure at:</b>		
Management valuation (level 3)	21,174,019	21,174,019
Additions after valuation	1,394,426	536,126
Less: accumulated depreciation	(10,334,460)	(9,817,347)
	<b>12,233,985</b>	<b>11,892,798</b>
<b>Drainage network - infrastructure at:</b>		
Management valuation (level 3)	86,684,610	86,684,610
Additions after valuation	1,479,766	673,507
Less: accumulated depreciation	(25,884,385)	(24,943,034)
	<b>62,279,990</b>	<b>62,415,083</b>
<b>Parks and gardens - turf at:</b>		
Management valuation (level 3)	22,826,376	22,826,376
Less: accumulated depreciation	Nil	Nil
	<b>22,826,376</b>	<b>22,826,376</b>
<b>Carparks at:</b>		
Management valuation (level 3)	6,099,488	6,099,488
Additions after valuation	29,827	Nil
Less: accumulated depreciation	(1,750,661)	(1,668,095)
	<b>4,378,654</b>	<b>4,431,393</b>
<b>Work in progress</b>		
Cost	867,668	881,475
Less: Accumulated Depreciation	Nil	Nil
	<b>867,668</b>	<b>881,475</b>
<b>Total Infrastructure</b>	<b>266,123,748</b>	<b>264,275,763</b>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**16. INFRASTRUCTURE (Cont.)****Fair Value Measurements**

The City's roads, footpaths, drains and carparks were revalued as at 1 July 2017 by management. An independent asset management consultant also reviewed the road valuation and had previously reviewed the valuation inputs for all other respective asset types that were again used with the exception of unit rates that were updated.

The City's Reserve Improvements were revalued as at 1 July 2017 using the cost approach by independent valuers. The City's Parks and Gardens - Turf was revalued as at 30 June 2018 using the cost approach by management.

The valuations required estimating the replacement cost for each asset type by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While unit rates based on area could be supported from market evidence (level 2) other inputs (such as useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been using level 3 valuation inputs.

<b>Movements in Carrying Amounts</b>	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reserves improvements</b>		
Opening Balance	<b>12,483,320</b>	11,943,851
Additions	<b>1,644,844</b>	905,717
Transfers from work in progress	<b>316,599</b>	182,356
Disposals (at cost/valuation)	<b>(354,000)</b>	(484,500)
Disposals (accum. depreciation)	<b>256,011</b>	372,148
Net revaluations	<b>Nil</b>	653,198
Depreciation expense	<b>(1,166,851)</b>	(1,089,450)
Closing Balance	<b>13,179,922</b>	12,483,320
<b>(b) Road network - infrastructure</b>		
Opening Balance	<b>149,345,317</b>	136,015,457
Additions	<b>2,890,769</b>	4,824,946
Transfers from work in progress	<b>517,127</b>	660,635
Net revaluations	<b>Nil</b>	10,753,553
Depreciation expense	<b>(2,396,060)</b>	(2,909,274)
Closing Balance	<b>150,357,153</b>	149,345,317

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**16. INFRASTRUCTURE (Cont.)**

	<b>2019 Actual \$</b>	<b>2018 Actual \$</b>
<b>(c) Footpath network - infrastructure</b>		
Opening Balance	<b>11,892,798</b>	13,097,493
Additions	<b>813,195</b>	536,126
Transfers from work in progress	<b>45,106</b>	Nil
Net revaluations	<b>Nil</b>	(1,246,909)
Depreciation expense	<b>(517,113)</b>	(493,912)
Closing Balance	<b>12,233,985</b>	11,892,798
<b>(d) Drainage network - infrastructure</b>		
Opening Balance	<b>62,415,083</b>	66,149,849
Additions	<b>803,615</b>	666,088
Transfers from work in progress	<b>2,644</b>	7,419
Net revaluations	<b>Nil</b>	(3,480,486)
Depreciation expense	<b>(941,351)</b>	(927,787)
Closing Balance	<b>62,279,990</b>	62,415,083
<b>(e) Parks and gardens - Turf</b>		
Opening Balance	<b>22,826,376</b>	22,783,443
Net revaluations	<b>Nil</b>	42,933
Closing Balance	<b>22,826,376</b>	22,826,376
<b>(f) Carparks</b>		
Opening Balance	<b>4,431,393</b>	3,783,933
Additions	<b>29,827</b>	Nil
Net revaluations	<b>Nil</b>	743,214
Depreciation expense	<b>(82,566)</b>	(95,754)
Closing Balance	<b>4,378,654</b>	4,431,393



## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**16. INFRASTRUCTURE (Cont.)**

	2019 Actual \$	2018 Actual \$
<b>(g) Work in progress</b>		
<b>Non Current</b>		
Road construction	793,967	517,127
Footpath construction	61,548	45,106
Drainage construction	932	2,644
Reserves improvements	11,220	316,599
<b>Total non current work in progress</b>	<b>867,668</b>	<b>881,475</b>
<b>Total Infrastructure</b>	<b>266,123,748</b>	<b>264,275,763</b>

## SIGNIFICANT ACCOUNTING POLICIES

Property, Plant, Equipment and Infrastructure

Each class of fixed assets within either 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 where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are 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 City 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 and no more than five 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 asset classes are credited as a revaluation surplus in equity. Decreases that offset previous increases of the same asset class are recognised against the revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Any accumulated depreciation at the date of revaluation and the gross carrying amount of the asset is restated to the revalued amount of the asset.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**16. INFRASTRUCTURE (Cont.)**

## AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

## Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), the City 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. No such Crown Land is operated by the City.

**17. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)****a) ASSET DISPOSALS**

	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Land</b>			
Net book value of disposals	Nil	3,146,000	1,100,000
Proceeds on disposal	Nil	3,150,000	1,100,000
Profit/(loss) on disposal	Nil	4,000	Nil
<b>Buildings</b>			
Net book value of disposals	99,785	1,858,843	Nil
Proceeds on disposal	Nil	Nil	Nil
Profit/(loss) on disposal	(99,785)	(1,858,843)	Nil
<b>Furniture, fixtures and equipment</b>			
Net book value of disposals	Nil	108,001	Nil
Proceeds on disposal	4,500	Nil	Nil
Profit/(loss) on disposal	4,500	(108,001)	Nil
<b>Plant and machinery</b>			
Net book value of disposals	899,208	888,357	1,502,208
Proceeds on disposal	888,792	894,822	1,502,208
Profit/(loss) on disposal	(10,416)	6,465	Nil
<b>Reserve Improvements</b>			
Net book value of disposals	97,989	112,352	Nil
Proceeds on disposal	Nil	Nil	Nil
Profit/(loss) on disposal	(97,989)	(112,352)	Nil
<b>Net profit/(loss)</b>	<b>(203,689)</b>	<b>(2,068,731)</b>	<b>Nil</b>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**17. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Cont.)**

a) ASSET DISPOSALS (Cont.)	2019	2018	2019
	Actual	Actual	Budget
	\$	\$	\$
<b>Gain/(Loss) by Program/Function</b>			
Governance	3,573	(22,504)	Nil
General purpose funding	Nil	(2,078)	Nil
Law, order & public safety	(2,802)	(10,247)	Nil
Health	2,869	8,523	Nil
Education & welfare	7,694	(1,880,521)	Nil
Housing	Nil	Nil	Nil
Community amenities	5,892	5,017	Nil
Recreation & culture	(199,014)	(198,816)	Nil
Transport	(37,064)	16,684	Nil
Economic services	6,229	2,933	Nil
Other property & services	8,933	12,278	Nil
	<b>(203,689)</b>	<b>(2,068,731)</b>	<b>Nil</b>
b) DEPRECIATION EXPENSE	2019	2018	
	Actual	Actual	
	\$	\$	
<b>Depreciation Expense by Asset Class</b>			
Buildings	1,451,269	1,451,838	
Furniture and equipment	500,324	601,389	
Plant and machinery	1,141,109	729,553	
Reserves improvements	1,166,851	1,089,450	
Road network - infrastructure	2,396,060	2,909,274	
Footpath network - infrastructure	517,113	493,912	
Drainage network - infrastructure	941,351	927,787	
Carparks	82,566	95,754	
	<b>8,196,645</b>	<b>8,298,957</b>	

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**17. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Cont.)**

	2019 Actual \$	2018 Actual \$
<b>Depreciation Expense by Program/Function</b>		
Governance	384,948	446,299
General Purpose Funding	10,247	13,005
Law, order & public safety	251,444	210,614
Health	59,203	64,932
Education & welfare	116,161	125,322
Housing	87,520	87,520
Community amenities	23,769	26,829
Recreation & culture	2,115,972	2,055,709
Transport	4,822,144	4,940,665
Economic services	218,960	215,348
Other property & services	106,276	112,713
	<b>8,196,645</b>	<b>8,298,957</b>

## SIGNIFICANT ACCOUNTING POLICIES

Depreciation of Property, Plant, Equipment and Infrastructure

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.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. No changes were made during the 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.

Major depreciation periods are:

Buildings - Floor	40 - 150 years
Buildings - Envelope	40 - 150 years
Buildings - Fit-out	15 - 100 years
Buildings - Roof	40 - 150 years
Buildings - Other	10 - 50 years
Furniture & Equipment - General	3 - 7 years
Furniture & Equipment - Artwork	50 years
Plant - Motor Vehicles	5 years
Plant - Other	3 - 15 years
Roads/Carparks - Formation	Not depreciated
Roads/Carparks - Paving	40 - 150 years
Roads/Carparks - Kerbing	40 years
Roads/Carparks - Surfacing	20 years
Infrastructure - Footpaths	20 - 50 years
Infrastructure - Drainage	77 - 100 years
Infrastructure - Parks and Gardens	10 - 50 years
Infrastructure - Turf on Parks	Not depreciated

Following a revaluation the accumulated depreciation at the date of revaluation and the gross carrying amount of the asset is restated to the revalued amount of the asset.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

**18. TOTAL ASSETS****TOTAL ASSETS CLASSIFIED BY FUNCTION/ACTIVITY**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
General purpose funding	<b>162,386,981</b>	178,432,217
Governance	<b>3,377,343</b>	3,418,285
Law, order & public safety	<b>753,747</b>	861,388
Health	<b>3,741,461</b>	3,722,427
Education & welfare	<b>5,199,385</b>	5,281,418
Housing	<b>6,201,327</b>	6,212,333
Community amenities	<b>25,695,344</b>	5,834,226
Recreation & culture	<b>71,444,199</b>	71,099,094
Transport	<b>245,350,422</b>	245,540,348
Economic services	<b>17,621,627</b>	17,498,434
Other property & services	<b>37,589,301</b>	38,138,198
Finance & borrowing	<b>172,069</b>	99,884
Other - unallocated	<b>67,842,642</b>	77,620,780
	<b><u>647,375,847</u></b>	<b><u>653,759,032</u></b>

**19. RESERVES - CASH/INVESTMENT BACKED****Reserve Account Descriptions****ADMINISTRATION BUILDING RESERVE**

Established for the refurbishment of Council's administration building.

**AGED ACCOMMODATION - HOMESWEST RESERVE**

Established to provide for the long term maintenance of Gabriel Gardens and Orana aged housing units.

**AGED COMMUNITY CARE RESERVE**

Established to fund aged care community services.

**AGED PERSONS HOUSING RESERVE**

Used to manage the surplus/deficit position and capital improvements of Council's aged housing centres.

**AGED SERVICES RESERVE**

Established to fund the provision of aged services within the City of Belmont.

**ASCOT WATERS MARINA MAINTENANCE AND REDEVELOPMENT RESERVE**

Established to provide for the ongoing maintenance and future redevelopment needs of the marina at Ascot Waters.

**BELMONT DISTRICT BAND RESERVE**

Established to provide funds for the replacement and acquisition of instruments for the Belmont District Band.

**BELMONT OASIS REFURBISHMENT RESERVE**

Established to provide funds for the future refurbishment of the Belmont Oasis Leisure Centre.

**BELMONT TRUST RESERVE**

Established to fund costs in relation to the Belmont Trust land.

**BUILDING MAINTENANCE RESERVE**

Established to provide funds for the refurbishment and maintenance of Council's Buildings.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**19. RESERVES - CASH/INVESTMENT BACKED (Cont.)****CAR PARKING RESERVE**

Established to provide funds including those received as cash in lieu for any activities that create or enhance car parks.

**DISTRICT VALUATION RESERVE**

As the valuation of the district takes place every three years, a reserve was established to spread the costs of the revaluation over the three years.

**ELECTION EXPENSES RESERVE**

Established to spread the cost of postal voting over two years as elections are only held every two years.

**ENVIRONMENT RESERVE**

Established to fund environmental programs.

**FAULKNER PARK RETIREMENT VILLAGE BUY BACK RESERVE**

Established to fund the future buy back of the Faulkner Park Retirement Village from existing residents.

**FAULKNER PARK RETIREMENT VILLAGE OWNER MAINTENANCE RESERVE**

Established to provide for the future major maintenance and refurbishment requirements at the Faulkner Park Retirement Village.

**FORESHORE DEVELOPMENT RESERVE**

Established to fund Swan River foreshore development as required.

**HISTORY RESERVE**

Provision for the future costs associated with the acquisition, recording, preservation and display of articles and information associated with the history of the City of Belmont.

**INFORMATION TECHNOLOGY RESERVE**

Established for the replacement of Council's core business hardware and software requirements.

**LAND ACQUISITION RESERVE**

Established for the acquisition and/or redevelopment of land and buildings and receives the proceeds of any land or building sales.

**LONG SERVICE LEAVE RESERVE - FUNDED PROGRAMS**

Established to part fund the long service leave liability of Council's community services HACC funded programs.

**LONG SERVICE LEAVE RESERVE – SALARIES**

Established to part fund the long service leave liability of Council's salaried staff.

**LONG SERVICE LEAVE RESERVE – WAGES**

Established to part fund the long service leave liability of Council's wages staff.

**MISCELLANEOUS ENTITLEMENTS RESERVE**

Established to provide funding for unforeseen expenditures relating to staff and entitlements.

**PARKS DEVELOPMENT RESERVE**

Established to provide for future development of the City's Parks including playgrounds and irrigation.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**19. RESERVES - CASH/INVESTMENT BACKED (Cont.)****PLANT REPLACEMENT RESERVE**

Used to fund the replacement of Council's heavy plant. Funds the shortfall between income generated through plant operation recoveries and replacement costs.

**PROPERTY DEVELOPMENT RESERVE**

Established to fund any Council property development.

**PUBLIC ART RESERVE**

Established to fund future acquisitions of public art for display in the City of Belmont.

**RUTH FAULKNER LIBRARY RESERVE**

Established for capital improvements to Council's library.

**STREETSCAPES RESERVE**

Established to fund shopping centre revitalisation and streetscape enhancements.

**URBAN FOREST STRATEGY RESERVE**

Established to fund the management and retention of the urban forest.

**WASTE MANAGEMENT RESERVE**

Established to fund waste management initiatives and activities.

**WORKERS COMPENSATION/INSURANCE RESERVE**

Established to fund self insurance expenses and major fluctuations in insurance premiums.

<b>Reserve Balances</b>	<b>2019 Actual \$</b>	<b>2018 Actual \$</b>	<b>2,019 Budget \$</b>
<b>(a) Administration Building Reserve</b>			
Opening balance	221,312	215,358	220,563
Transfer from accumulated surplus	6,179	5,954	6,176
Transfer to accumulated surplus	Nil	Nil	Nil
	<b>227,491</b>	<b>221,312</b>	<b>226,739</b>
<b>(b) Aged Accommodation - Homeswest Reserve</b>			
Opening balance	751,751	728,377	792,275
Transfer from accumulated surplus	42,052	23,375	66,429
Transfer to accumulated surplus	(29,773)	Nil	Nil
	<b>764,030</b>	<b>751,751</b>	<b>858,704</b>
<b>(c) Aged Community Care Reserve</b>			
Opening balance	Nil	Nil	Nil
Transfer from accumulated surplus	546,612	Nil	Nil
Transfer to accumulated surplus	Nil	Nil	Nil
	<b>546,612</b>	<b>Nil</b>	<b>Nil</b>
<b>(d) Aged Persons Housing Reserve</b>			
Opening balance	1,343,125	1,497,347	1,388,857
Transfer from accumulated surplus	37,500	41,395	77,227
Transfer to accumulated surplus	(284,053)	(195,617)	(201,207)
	<b>1,096,572</b>	<b>1,343,125</b>	<b>1,264,877</b>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**19. RESERVES - CASH/INVESTMENT BACKED (Cont.)**

	<b>2019 Actual \$</b>	<b>2018 Actual \$</b>	<b>2,019 Budget \$</b>
<b>(e) Aged Services Reserve</b>			
Opening balance	<b>1,128,140</b>	1,097,791	1,127,318
Transfer from accumulated surplus	<b>31,498</b>	30,349	31,565
Transfer to accumulated surplus	<b>(133,122)</b>	Nil	Nil
	<b>1,026,515</b>	1,128,140	1,158,883
<b>(f) Ascot Waters Marina Maintenance &amp; Redevelopment Reserve</b>			
Opening balance	<b>958,966</b>	933,169	955,906
Transfer from accumulated surplus	<b>26,774</b>	25,798	25,365
Transfer to accumulated surplus	<b>Nil</b>	Nil	(50,000)
	<b>985,741</b>	958,966	931,271
<b>(g) Belmont District Band Reserve</b>			
Opening balance	<b>35,481</b>	31,607	35,429
Transfer from accumulated surplus	<b>3,991</b>	3,874	3,992
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>39,472</b>	35,481	39,421
<b>(h) Belmont Oasis Refurbishment Reserve</b>			
Opening balance	<b>3,881,697</b>	3,777,273	3,875,482
Transfer from accumulated surplus	<b>108,377</b>	104,424	108,513
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>3,990,074</b>	3,881,697	3,983,995
<b>(i) Belmont Trust Reserve</b>			
Opening balance	<b>1,636,968</b>	1,604,836	1,560,599
Transfer from accumulated surplus	<b>45,220</b>	42,092	43,697
Transfer to accumulated surplus	<b>(13,193)</b>	(9,960)	(174,960)
	<b>1,668,994</b>	1,636,968	1,429,336
<b>(j) Building Maintenance Reserve</b>			
Opening balance	<b>5,230,744</b>	5,304,839	5,208,299
Transfer from accumulated surplus	<b>146,042</b>	146,654	145,041
Transfer to accumulated surplus	<b>(21,328)</b>	(220,750)	Nil
	<b>5,355,458</b>	5,230,744	5,353,340
<b>(k) Car Parking Reserve</b>			
Opening balance	<b>Nil</b>	Nil	Nil
Transfer from trust funds	<b>59,700</b>	Nil	Nil
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>59,700</b>	Nil	Nil



## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**19. RESERVES - CASH/INVESTMENT BACKED (Cont.)**

	<b>2019 Actual \$</b>	<b>2018 Actual \$</b>	<b>2,019 Budget \$</b>
<b>(l) District Valuation Reserve</b>			
Opening balance	<b>123,605</b>	42,432	124,209
Transfer from accumulated surplus	<b>83,451</b>	81,173	83,478
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>207,056</b>	123,605	207,687
<b>(m) Election Expenses Reserve</b>			
Opening balance	<b>87,271</b>	148,333	87,020
Transfer from accumulated surplus	<b>22,437</b>	24,101	22,437
Transfer to accumulated surplus	<b>Nil</b>	(85,163)	Nil
	<b>109,708</b>	87,271	109,457
<b>(n) Environment Reserve</b>			
Opening balance	<b>26,500</b>	Nil	26,500
Transfer from accumulated surplus	<b>740</b>	26,500	742
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>27,240</b>	26,500	27,242
<b>(o) Faulkner Park Ret. Vill. Owner Maint. Reserve</b>			
Opening balance	<b>423,122</b>	351,490	393,614
Transfer from accumulated surplus	<b>11,814</b>	71,632	74,796
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>434,935</b>	423,122	468,410
<b>(p) Faulkner Park Retirement Vill. Buy-Back Reserve</b>			
Opening balance	<b>2,169,765</b>	1,980,604	2,231,631
Transfer from accumulated surplus	<b>60,580</b>	189,160	118,711
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>2,230,344</b>	2,169,765	2,350,342
<b>(q) Foreshore Development Reserve</b>			
Opening balance	<b>Nil</b>	Nil	Nil
Transfer from accumulated surplus	<b>Nil</b>	Nil	Nil
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>Nil</b>	Nil	Nil
<b>(r) History Reserve</b>			
Opening balance	<b>224,408</b>	188,205	224,076
Transfer from accumulated surplus	<b>16,265</b>	36,203	16,274
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>240,673</b>	224,408	240,350

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**19. RESERVES - CASH/INVESTMENT BACKED (Cont.)**

	<b>2019 Actual \$</b>	<b>2018 Actual \$</b>	<b>2,019 Budget \$</b>
<b>(s) Information Technology Reserve</b>			
Opening balance	1,344,782	1,011,810	1,343,108
Transfer from accumulated surplus	37,546	332,972	102,607
Transfer to accumulated surplus	(56,815)	Nil	(306,000)
	<b>1,325,514</b>	<b>1,344,782</b>	<b>1,139,715</b>
<b>(t) Land Acquisition Reserve</b>			
Opening balance	9,535,146	6,248,556	9,973,506
Transfer from accumulated surplus	266,221	3,286,590	1,357,184
Transfer to accumulated surplus	(705,677)	Nil	Nil
	<b>9,095,689</b>	<b>9,535,146</b>	<b>11,330,690</b>
<b>(u) Long Service Leave Reserve - Funded Programs</b>			
Opening balance	90,936	94,034	93,051
Transfer from accumulated surplus	60,854	23,450	22,605
Transfer to accumulated surplus	Nil	(26,548)	(11,489)
	<b>151,790</b>	<b>90,936</b>	<b>104,167</b>
<b>(v) Long Service Leave Reserve - Salaries</b>			
Opening balance	1,656,974	1,820,987	1,798,135
Transfer from accumulated surplus	526,083	315,262	350,348
Transfer to accumulated surplus	(307,326)	(479,275)	(333,587)
	<b>1,875,732</b>	<b>1,656,974</b>	<b>1,814,896</b>
<b>(w) Long Service Leave Reserve - Wages</b>			
Opening balance	441,406	494,335	418,293
Transfer from accumulated surplus	124,847	74,410	111,712
Transfer to accumulated surplus	(99,464)	(127,339)	(93,785)
	<b>466,789</b>	<b>441,406</b>	<b>436,220</b>
<b>(x) Miscellaneous Entitlements Reserve</b>			
Opening balance	893,561	990,320	1,051,916
Transfer from accumulated surplus	24,948	127,378	29,454
Transfer to accumulated surplus	(138,570)	(224,136)	(145,240)
	<b>779,940</b>	<b>893,561</b>	<b>936,130</b>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**19. RESERVES - CASH/INVESTMENT BACKED (Cont.)**

	<b>2019</b>	2018	2,019
	<b>Actual</b>	Actual	Budget
	\$	\$	\$
<b>(y) Parks Development Reserve</b>			
Opening balance	278,070	228,634	190,000
Transfer from accumulated surplus	7,764	196,321	5,320
Transfer to accumulated surplus	(143,119)	(146,885)	(195,320)
	<b>142,715</b>	278,070	Nil
<b>(z) Plant Replacement Reserve</b>			
Opening balance	909,585	505,718	591,232
Transfer from accumulated surplus	206,981	541,452	640,043
Transfer to accumulated surplus	(183,332)	(137,585)	(614,172)
	<b>933,234</b>	909,585	617,103
<b>(aa) Property Development Reserve</b>			
Opening balance	16,799,981	13,280,612	16,778,039
Transfer from accumulated surplus	5,173,831	3,519,369	395,188
Transfer to accumulated surplus	(1,685,671)	Nil	(9,210,884)
	<b>20,288,140</b>	16,799,981	7,962,343
<b>(ab) Public Art Reserve</b>			
Opening balance	189,645	135,888	189,419
Transfer from trust funds	93,000	Nil	Nil
Transfer from accumulated surplus	5,295	53,757	5,304
Transfer to accumulated surplus	Nil	Nil	Nil
	<b>287,940</b>	189,645	194,723
<b>(ac) Ruth Faulkner Library Reserve</b>			
Opening balance	43,061	41,902	42,991
Transfer from accumulated surplus	1,202	1,158	1,204
Transfer to accumulated surplus	Nil	Nil	Nil
	<b>44,263</b>	43,061	44,195
<b>(ad) Streetscapes Reserve</b>			
Opening balance	461,348	302,972	460,847
Transfer from accumulated surplus	12,881	158,376	12,904
Transfer to accumulated surplus	Nil	Nil	Nil
	<b>474,229</b>	461,348	473,751
<b>(ae) Urban Forest Strategy Reserve</b>			
Opening balance	108,945	106,014	108,769
Transfer from accumulated surplus	3,042	2,931	3,046
Transfer to accumulated surplus	Nil	Nil	Nil
	<b>111,987</b>	108,945	111,815

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**19. RESERVES - CASH/INVESTMENT BACKED (Cont.)**

	<b>2019</b>	2018	2,019
	<b>Actual</b>	Actual	Budget
	\$	\$	\$
<b>(af) Waste Management Reserve</b>			
Opening balance	<b>1,631,589</b>	1,365,192	1,398,923
Transfer from accumulated surplus	<b>385,826</b>	266,397	39,170
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>2,017,415</b>	1,631,589	1,438,093
<b>(ag) Workers Compensation/Insurance Reserve</b>			
Opening balance	<b>1,388,931</b>	1,351,566	1,386,849
Transfer from accumulated surplus	<b>179,712</b>	37,365	38,832
Transfer to accumulated surplus	<b>Nil</b>	Nil	Nil
	<b>1,568,643</b>	1,388,931	1,425,681
<b>Total Movement</b>	<b>4,557,820</b>	8,136,610	(7,402,584)
<b>TOTAL CASH RESERVES</b>	<b>58,574,632</b>	54,016,812	46,679,576

**20. REVALUATION SURPLUS**

Revaluation Surpluses have arisen on revaluation of the following classes of non-current assets:

	<b>2019</b>	2018
	<b>Actual</b>	Actual
	\$	\$
<b>(a) Land</b>		
Opening balance	<b>186,374,188</b>	186,374,188
Impairment/Revaluation Movement	<b>(18,290,100)</b>	Nil
	<b>168,084,088</b>	186,374,188
<b>(b) Buildings</b>		
Opening balance	<b>65,490,390</b>	65,490,390
Revaluation Movement	<b>Nil</b>	Nil
	<b>65,490,390</b>	65,490,390
<b>(c) Road network - infrastructure</b>		
Opening balance	<b>71,854,029</b>	61,100,475
Revaluation Movement	<b>Nil</b>	10,753,553
	<b>71,854,029</b>	71,854,029

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**20. REVALUATION SURPLUS (Cont.)**

	<b>2019 Actual \$</b>	<b>2018 Actual \$</b>
<b>(d) Footpath network - infrastructure</b>		
Opening balance	7,955,956	9,202,865
Revaluation Movement	Nil	(1,246,909)
	<b>7,955,956</b>	<b>7,955,956</b>
<b>(e) Drainage network - infrastructure</b>		
Opening balance	46,346,919	49,827,405
Revaluation Movement	Nil	(3,480,486)
	<b>46,346,919</b>	<b>46,346,919</b>
<b>(f) Parks and gardens - infrastructure</b>		
Opening balance	16,813,098	16,116,967
Revaluation Movement	Nil	696,130
	<b>16,813,098</b>	<b>16,813,098</b>
<b>(g) Carparks</b>		
Opening balance	2,869,844	2,126,630
Revaluation Movement	Nil	743,214
	<b>2,869,844</b>	<b>2,869,844</b>
<b>(h) Eastern Metropolitan Regional Council</b>		
Opening balance	4,723,267	4,818,271
Revaluation Movement (note 9)	(57,201)	(95,004)
	<b>4,666,066</b>	<b>4,723,267</b>
<b>Total Revaluation Surplus</b>		
Opening balance	402,427,692	395,057,192
Revaluation Movement	(18,347,301)	7,370,499
	<b>384,080,391</b>	<b>402,427,692</b>

**21. NOTES TO THE STATEMENT OF CASH FLOWS****Reconciliation of cash**

For the purposes of the Statement of Cash Flows, the City considers cash to include cash on hand, in banks and short-term deposits with an original maturity of three months or less that are readily convertible to cash. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	<b>2019 Actual \$</b>	<b>2018 Actual \$</b>	<b>2019 Budget \$</b>
Cash at bank	12,685,194	7,198,642	1,525,203
Cash on hand	5,250	5,250	5,250
	<b>12,690,444</b>	<b>7,203,892</b>	<b>1,530,453</b>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**22. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES**

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Net result	<b>11,379,364</b>	8,041,115
Add/(less) non cash items:		
Depreciation	<b>8,196,645</b>	8,298,957
(Profit)/loss on disposal of assets	<b>203,689</b>	2,068,731
Fair value adjustments to assets	<b>(20,503)</b>	(380,000)
Change in equity - associate	<b>(1,042,427)</b>	(1,391,692)
	<b>18,716,768</b>	16,637,111
Changes in operating assets and liabilities:		
* (Increase)/decrease in receivables	<b>(33,895)</b>	(505,159)
(Increase)/decrease in other current assets	<b>(584,444)</b>	86,953
(Increase)/decrease in stores inventory	<b>1,748</b>	4,106
Increase/(decrease) in interest payable	<b>25,599</b>	101,824
Increase/(decrease) in creditors & provisions	<b>1,168,871</b>	(189,590)
Increase/(decrease) in other current liabilities	<b>65,844</b>	88,360
Non-Operating grants, subsidies and contributions	<b>(10,551,287)</b>	(3,984,468)
Net cash from operating activities	<b>8,809,203</b>	12,239,137

\* Excludes non-operating receivables

**23. CREDIT STANDBY ARRANGEMENTS**

The City of Belmont endeavours to maintain its Municipal bank accounts with sufficient funds to ensure that they do not go into overdraft, however, the City has an overdraft facility of:

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft limit	<b>200,000</b>	200,000
Credit Card limit	<b>60,000</b>	60,000
Total Amount of credit unused at balance date	<b>260,000</b>	260,000

**24. TRADING UNDERTAKINGS**

In accordance with Regulation 45 of the Local Government (Financial Management) Regulations 1996, there are no Trading Undertakings conducted in the financial year ended 30 June 2019.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**25. FINANCIAL RISK MANAGEMENT**

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

The City 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 Department under policies approved by the Council.

The City held the following financial instruments at balance date:

	<b>Carrying Value 2019 \$</b>	<b>Fair Value 2019 \$</b>
<b>Financial Assets</b>		
Cash and cash equivalents	12,690,444	12,690,444
Other financial assets at amortised cost	54,834,376	54,834,376
Other financial assets at fair value through profit and loss	175,171	175,171
Trade and other receivables at amortised cost	2,208,652	2,208,652
	<u>69,908,643</u>	<u>69,908,643</u>

<b>Financial Liabilities</b>		
Trade and other payables	5,986,184	5,986,184
Borrowings	14,807,240	11,095,905
	<u>20,793,424</u>	<u>17,082,089</u>

	<b>Carrying Value 2018 \$</b>	<b>Fair Value 2018 \$</b>
<b>Financial Assets</b>		
Cash and cash equivalents	7,203,892	7,203,892
Other financial assets	71,275,711	71,275,711
Trade and other receivables at amortised cost	1,610,209	1,610,209
	<u>80,089,812</u>	<u>80,089,812</u>

<b>Financial Liabilities</b>		
Trade and other payables	4,277,142	4,277,142
Borrowings	15,457,203	11,091,789
	<u>19,734,345</u>	<u>15,368,931</u>

Fair value is determined as follows:

Cash and Cash Equivalents, Other Financial Assets, Receivables, Payables - estimated to the carrying value which approximates net market value.

Borrowings - estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

**25. FINANCIAL RISK MANAGEMENT (Cont.)****Cash and Cash Equivalents / Other Financial Assets (Investments)**

The City's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. Investments must also comply with statutory and policy requirements. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). The City has an investment policy and the policy is subject to an annual review. Monthly Investment Reports are provided on a quarterly basis setting out the make-up and performance of the portfolio.

Cash and investments are also subject to interest rate risk being the risk that movements in interest rates could affect returns. Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts.

**Impact of a 1% movement in interest rates on cash and investments:**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Equity	67,891	52,088
Statement of Comprehensive Income	67,891	52,088

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

The City manages these risks by applying counterparty limits and maintaining credit quality (i.e. credit ratings) in line with The City's Investment Policy . The City also seeks advice from independent advisers (where applicable) before placing any cash and investments.

The City no longer holds managed fund investments so the investment portfolio is not subject to price risk.

**Receivables**

The City's major receivables comprise rates, 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 paid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment. The amount of rates and annual charges outstanding as at the balance date reflects a collection ratio of 97.98%.

The level of outstanding receivables is monitored against benchmarks for acceptable collection performance. The City makes suitable provision for doubtful receivables as required and carries out credit checks on significant non-rate debtors if required. There are no material receivables that have been subject to a re-negotiation of repayment terms.



## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**25. FINANCIAL RISK MANAGEMENT (Cont.)**

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

Percentage of Trade and Other Receivables	2019	2018
- Current	99.90%	95.01%
- Overdue (in excess of 90 days)	0.10%	4.99%

**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 City 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 City's payables and borrowings (principal and interest) are set out in the Liquidity Table below:

	<b>Due within 1 year \$</b>	<b>Due between 1 and 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b>2019</b>					
Trade and other payables	5,986,184	Nil	Nil	5,986,184	5,986,184
Borrowings	1,361,870	4,674,015	15,723,376	21,759,261	14,807,240
	<u>7,348,054</u>	<u>4,674,015</u>	<u>15,723,376</u>	<u>27,745,445</u>	<u>20,793,424</u>
<b>2018</b>					
Trade and other payables	4,277,142	Nil	Nil	4,277,142	4,277,142
Borrowings	1,375,858	4,873,580	16,885,681	23,135,119	15,457,203
	<u>5,653,000</u>	<u>4,873,580</u>	<u>16,885,681</u>	<u>27,412,261</u>	<u>19,734,345</u>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

**25. FINANCIAL RISK MANAGEMENT (Cont.)****Interest Rate Risk**

The following table details the City's exposure to interest rate risk as at 30 June 2019.

2019			Fixed Interest Rate To Maturity				
	Weighted Average Interest Rate	Variable Interest Rate	Less Than 1 Year	1 To 5 Years	More Than 5 Years	Non Interest Bearing	Total
<b>Financial Assets</b>							
Cash and cash equivalents	1.94%	12,685,194				5,250	12,690,444
Other financial assets at amortised cost	2.86%	Nil	13,463,206	41,371,170			54,834,376
Other financial assets at fair value through profit and loss						175,171	175,171
Rates and other levies	11.00%		980,583				980,583
Deferred rates & ESL	2.26%	363,791					363,791
Trade debtors	N/A					819,668	819,668
		13,048,985	14,443,789	41,371,170	Nil	1,000,089	69,864,033
<b>Financial Liabilities</b>							
Trade and other payables						5,986,184	5,986,184
Other Liabilities						1,172,080	1,172,080
Borrowings	4.53%	Nil	850,551	2,338,438	11,618,252	Nil	14,807,240
		Nil	850,551	2,338,438	11,618,252	7,158,264	21,965,505
<b>2018</b>							
	Weighted Average Interest Rate	Variable Interest Rate	Less Than 1 Year	1 To 5 Years	More Than 5 Years	Non Interest Bearing	Total
<b>Financial Assets</b>							
Cash and cash equivalents	1.96%	7,198,642				5,250	7,203,892
Other Financial Assets	2.67%	Nil	49,624,906	21,496,137			71,121,043
Rates and other levies	11.00%		1,005,537				1,005,537
Deferred rates & ESL	2.72%	329,545					329,545
Trade debtors	N/A					964,777	964,777
		7,528,187	50,630,443	21,496,137	Nil	970,027	80,624,794
<b>Financial Liabilities</b>							
Trade and other payables						4,277,142	4,277,142
Other Liabilities						1,106,236	1,106,236
Borrowings	4.55%	Nil	794,822	2,426,019	12,236,362	Nil	15,457,203
		Nil	794,822	2,426,019	12,236,362	5,383,378	20,840,581

**26. NET CURRENT ASSETS POSITION****Net Current Assets position**

The net current assets position balance carried forward from the previous financial year after adjustment for restricted assets for the purpose of the 2018/19 budget was \$15,887,000.

The actual net current asset position balance shown in the audited financial report as at 30 June 2018 and after adjustment for restricted assets was \$19,364,577.

**Net Current Assets Calculation**

	Note	2019	2018
Total Current Assets		31,629,857	60,592,837
Plus Non-Current Financial Assets that back reserves	8(b)	41,195,999	21,496,137
Less Reserves - Restricted Cash	4	(58,574,632)	(54,016,812)
<b>Total Net Current Assets for closing balance purposes</b>		<b>14,251,224</b>	<b>28,072,162</b>
Total Current Liabilities		(13,046,515)	(11,572,462)
Adjust for LSL (reserve backed)	4	2,494,031	2,189,316
Current portion of long term borrowings	10	705,692	675,561
<b>Total Liabilities for C/B purposes</b>		<b>(9,846,793)</b>	<b>(8,707,585)</b>
<b>Net Current Assets for closing balance purposes</b>		<b>4,404,431</b>	<b>19,364,577</b>

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

**27. FINANCIAL RATIOS**

	2019	2018	2017
<b>Current Ratio</b>	<b>1.27:1</b>	1.51:1	1.50:1
<i>Measures the ability to meet current commitments.</i>			
<i>Basic Standard &gt; 1:1</i>			
<u>Current Assets minus Restricted Assets</u>			
Current liabilities minus liabilities associated with restricted assets			
<b>Debt Service Cover Ratio</b>	<b>6.35</b>	7.99	29.40
<i>Measures capacity to meet annual debt commitments.</i>			
<i>Advanced Standard &gt; 5</i>			
<u>Annual Operating Surplus before Interest and Depreciation</u>			
Principal and Interest			
<b>Own Source Revenue Coverage</b>	<b>0.94</b>	0.98	0.98
<i>Ability to cover costs through Council's own revenue.</i>			
<i>Basic Standard : 0.40 to 0.60</i>			
<u>Own Source Operating Revenue</u>			
Operating Expense			
<b>* Operating Surplus Ratio</b>	<b>-0.39%</b>	3.98%	5.68%
<i>Measure of Council's financial performance.</i>			
<i>Basic Standard : 1% to 15%</i>			
<u>Operating Revenue minus Operating Expense</u>			
Own Source Operating Revenue			
* Operating expense includes a one-off expense of \$3.82m for underground power otherwise the ratio would have been 6.01% for 2019.			
<b>Asset Sustainability Ratio</b>	<b>0.93</b>	1.05	1.09
<i>Measures the extent to which assets are replaced at the end of their useful lives.</i>			
<i>Basic Standard &gt;0.90</i>			
<u>Capital Replacement and Renewal Expenditure</u>			
Depreciation			
<b>Asset Renewal Funding ratio</b>	<b>100%</b>	100%	100%
<i>Measures ability to fund asset renewal as required.</i>			
<i>Basic Standard : 75% to 95%</i>			
<u>NPV of Planned Capital Renewals over 10 years</u>			
NPV of Required Capital Renewals over 10 years			
<b>Asset Consumption Ratio</b>	<b>0.74</b>	0.75	0.72
<i>Extent to which assets have been consumed.</i>			
<i>Basic Standard &gt;0.50</i>			
<u>Depreciated Replacement Cost of Depreciable Asset</u>			
Current Replacement Cost of Depreciable Asset			

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**28. EMPLOYEES NUMBERS**

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Total number of full time equivalent employees at balance date.	<b>232.23</b>	240.40

**29. CONTINGENT LIABILITIES**

The City has sites with possible contamination at 5 Resolution Drive, Ascot and 50 Peachey Ave, Kewdale.

Until the City conducts an investigation to determine the presence and scope of contamination, assesses the risk, and agrees with the respective state government authorities on the need and criteria for remediation, the City is unable to estimate the potential costs associated with the remediation works.

The City has performed an audit of City owned buildings that contain combustible cladding, with the Civic Centre and existing library being the only buildings identified. The City's insurers are aware of this issue and the risk is monitored as part of the City's risk management plans. At this stage the costs associated with any potential remedial work required cannot be reliably estimated.

**30. EVENTS AFTER THE REPORTING DATE**

No events after the reporting date were identified by management that would affect the operations of the City or the results of the City significantly.

**31. RELATED PARTY TRANSACTIONS****Key Management Personnel (KMP) Compensation Disclosure**

The total remuneration paid to KMP, excluding the Elected Members remuneration, during the year are as follows:

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>1,142,631</b>	1,055,318
Post-employee benefits	<b>124,180</b>	112,696
Other long-term benefits	<b>110,028</b>	100,609
Termination benefits	<b>8,846</b>	112,244
	<b><u>1,385,686</u></b>	<b><u>1,380,867</u></b>

**Short-term employee benefits**

These amounts include salaries awarded to KMP except for details in respect of fees and benefits paid to elected members which may be found below.

**Post-employment benefits**

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

**Other long-term benefits**

These amounts represent annual and long service leave benefits accrued during the year.

**Termination benefits**

These amounts represent termination benefits paid to or provided for KMP.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**31. RELATED PARTY TRANSACTIONS (Cont.)****Elected Members Remuneration**

Fees, expenses and allowances paid to elected members in accordance with the provisions of the *Local Government Act 1995* are as follows:

	<b>2019</b>	2018	2019
	<b>Actual</b>	Actual	Budget
	\$	\$	\$
<b><u>Mayor</u></b>			
Local Government Allowance	<b>88,864</b>	88,864	88,864
Annual Meeting Attendance Fees	<b>47,045</b>	47,045	47,045
Information & Communications Allowance	<b>3,500</b>	3,500	3,500
Expense Allowance	<b>Nil</b>	Nil	Nil
	<b>139,409</b>	139,409	139,409
<b><u>Deputy Mayor</u></b>			
Local Government Allowance	<b>22,216</b>	22,216	22,216
Annual Meeting Attendance Fees	<b>31,364</b>	31,364	31,364
Information & Communications Allowance	<b>3,500</b>	3,500	3,500
Expense Allowance	<b>Nil</b>	Nil	Nil
	<b>57,080</b>	57,080	57,080
<b><u>Other Councillors</u></b>			
Annual Meeting Attendance Fees	<b>219,548</b>	211,537	219,549
Information & Communications Allowance	<b>24,500</b>	24,481	24,500
Expense Allowance	<b>Nil</b>	Nil	3,500
	<b>244,048</b>	236,018	247,549
	<b>440,537</b>	432,507	444,038

**Related Parties**

The City's main related parties are as follows:

*1. 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. Also included are close family members of KMP and entities controlled by any KMP or their close family members.

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

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**31. RELATED PARTY TRANSACTIONS (Cont.)****Transactions with related parties**

Normal citizen transactions that have been identified as not requiring disclosure includes rates, rate refunds, hall hire fees and other common fees and charges.

Related party transactions listed below are on normal commercial terms and conditions.

	<b>2019</b>	2018
	<b>Actual</b>	Actual
	\$	\$
<u>Joint Venture Entities:</u>		
Payments made to the EMRC for waste services.	<b>2,989,616</b>	2,285,938
Balances outstanding to the EMRC at balance date.	<b>226,662</b>	103,147
Grant income for the Avon Descent event	<b>20,141</b>	20,000
 <u>Other Entities:</u>		
Payments made to Belmont Retirement Villages Board of Management (BRVBM).	<b>196,178</b>	158,000
Balances outstanding to the BRVBM at balance date.	<b>13,500</b>	Nil
Income received by the City from the BRVBM	<b>94,211</b>	375,221
Balances owing to the City from the BRVBM at balance date.	<b>Nil</b>	Nil

The City of Belmont has two elected members and the CEO on the Board of the Belmont Retirement Villages Board of Management (BRVBM). As the City is represented by three of the seven Board members this would illustrate significant influence although it is not an investee/investor relationship and the City cannot benefit financially from this arrangement. The City makes a contribution to the ongoing management of the Board and receives a percentage of sales income from unit sales within the Faulkner Park Retirement Village that is placed into specific reserves.

**32. CONDITIONS OVER GRANTS/CONTRIBUTIONS**

Grant/Contribution	Opening Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing Balance
	1/07/2017	2017/18	2017/18	30/06/2018	2018/19	2018/19	30/06/2019
	\$	\$		\$	\$	\$	\$
<b>RECREATION</b>							
Club Development/Seniors Sports	105,867	Nil	105,867	Nil	Nil	Nil	Nil
DLGSCI Sporting Facilities	Nil	30,000	Nil	30,000	Nil	30,000	Nil
Sport Australia	Nil	Nil	Nil	Nil	400,000	Nil	400,000
<b>LAW, ORDER AND PUBLIC SAFETY</b>							
Volunteer Emergency Services	Nil	21,435	Nil	21,435	71,731	84,625	8,541
Safer Communities Fund Grant	Nil	Nil	Nil	Nil	98,368	Nil	98,368
<b>TRANSPORT</b>							
NSRF-Road Works	202,471	1,100,000	687,462	615,009	1,579,890	2,194,899	Nil
Bike Boulevard	434,439	691,434	677,793	448,080	1,255,849	1,703,929	Nil
Blackspot Program Project	Nil	232,000	Nil	232,000	Nil	50,691	181,309
MRWA Road Projects	Nil	234,571	190,796	43,775	303,893	165,172	182,496
	742,777	2,309,440	1,661,918	1,390,299	3,709,731	4,229,316	870,714

**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.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**33. BORROWING DETAILS**CITY OF BELMONT - LOAN REPAYMENT SCHEDULE  
FOR THE YEAR ENDED 30 JUNE 2019

Particulars	Issue Date	Original Principal	Interest Rate	Mat Date	Opening Liability	Principal Paid	Budget 2018/19	Interest Expense	Budget 2018/19	Accrued Interest	Closing Liability
<b>OTHER PROPERTY &amp; SERVICES</b>											
Loan No. 181 Waterway Crescent	30/06/10	1,350,000	6.28	05/20	342,204	163,749	163,749	21,584	21,108	3,750	177,944
<b>LAW, ORDER AND PUBLIC SAFETY</b>											
Loan No. 182 SES Building *	28/09/11	1,325,000	5.17	05/26	2,718	Nil	Nil	2,718	Nil	Nil	Nil
<b>NEW LOANS</b>											
<b>RECREATION AND CULTURE</b>											
Loan 183 New Community Centre	01/05/18	15,000,000	4.51	05/38	15,112,280	511,812	511,812	662,452	679,189	141,109	14,629,296
		<b>17,675,000</b>			<b>15,457,203</b>	<b>675,561</b>	<b>675,561</b>	<b>686,754</b>	<b>700,297</b>	<b>144,859</b>	<b>14,807,240</b>

\* Self-supporting loan, wholly reimbursed by FESA.

The Western Australian Treasury Corporation (WATC) is the lender of all loans and no loans have been refinanced.

Interest expense includes the Government Guarantee Fee. The movement in accrued interest for the year ended 30 June 2019 was \$25,598 with \$661,156 paid to the WATC.

**34. MAJOR LAND TRANSACTIONS**

The 2017-2018 financial year includes one Major Land Transaction being a new Community Centre which includes a dedicated area for a Café with the intention to commercially lease the Café. The Café component of the Community Centre is approximately 2.5% (293m<sup>2</sup>) of the total floor area, being 11612 m<sup>2</sup>. Even though the Café is incidental to the primary purpose of the Centre it is considered commercial in nature and as such necessitates compliance to section 3.59 “Commercial Enterprises by local government” of the Act.

**New Community Centre**

A contract for the construction of the New Community Centre was awarded during 2017-2018 with construction expected to be finalised during 2019-2020. The following table provides the funding sources, estimated costs and future budgets for the construction contract.

	2017-2018 Actual	2018-2019 Actual	2019-2020 Budget	Total
Grants	483,754	4,939,590	8,089,294	13,512,638
\$15M Loan (as used)	2,505,625	12,494,375	Nil	15,000,000
Reserves	Nil	1,685,671	8,091,070	9,776,741
* Municipal Fund	Nil	260,537	-260,537	Nil
Total Funding	2,989,379	19,380,173	15,919,827	38,289,379
Annual Construction Cost	2,989,379	19,380,173	15,919,827	38,289,379

\* Municipal Fund will provide funding in 2018-2019 due to the timing of grant income and then be reimbursed in 2019-2020 through the closing balance.

Other known costs associated with the New Community centre includes professional fees for consulting and project management services that are supported by Municipal Funds:

	2017-2018 and Prior Actual	2018-2019 Actual	2019-2020 Budget	Total
Operating and Architectural Costs	1,901,840	518,092	813,047	3,232,979
** Capital Costs - Fitout and Equipment	Nil	Nil	4,147,371	4,147,371
Total	1,901,840	518,092	4,960,418	7,380,350

\*\* Grant funds and reserves totalling \$3.7M have been allocated to largely fund the capital costs.



## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**35. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS**

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies however other changes were assessed as not material and therefore no adjustments were required to the amounts recognised in the financial statements including comparative information which in accordance with AASB 9.7.2.15 continue to be reported under AASB 139.

Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on the City's business model for managing the assets and whether the assets contractual cash flows represent solely payments of principal and interest on the principal outstanding.

The assessment of the City's business model was made as of the date of initial application, 1 July 2018. The assessment of whether the financial assets are held with an objective to collect contractual cash flows solely comprising principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the City. The following are the changes in the classification of the City's financial assets:

- Financial Assets held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- Other financial assets are classified and measured at fair value through profit and loss (Units in Local Government House Trust).

In summary, upon the adoption of AASB 9, the City had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 9 category		
	AASB 139 value	Amortised Cost	FV through P/L
	\$	\$	\$
Held-to-maturity			
- Financial Assets (current)	49,624,906	49,624,906	Nil
- Financial Assets (non-current)	21,496,137	21,496,137	Nil
- Trade and other receivables (current)	1,236,054	1,236,054	Nil
- Trade and other receivables (non-current)	374,155	374,155	Nil
Available for sale financial assets	154,668	Nil	154,668
	<u>72,885,920</u>	<u>72,731,252</u>	<u>154,668</u>

Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. Upon adoption of AASB 9 the effect was assessed as not material, and there no adjustment was made.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**36. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the City for the annual reporting period ending 30 June 2019.

The City's assessment of these new standards and interpretations is set out below:

a) Revenue from Contracts with Customers

The City will adopt AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

	AASB 118 carrying amount 30 June 2019	Reclassification	AASB 15 carrying amount 01 July 2019
	\$	\$	\$
<u>Contract liabilities - current</u>			
Unspent grants, contributions and reimbursements	Nil	8,541	8,541
Adjustment to retained surplus	Nil	8,541	8,541

b) Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the City has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the City will not restate comparatives for prior reporting periods

On adoption of AASB 16, the City will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 is 1.50% resulting in an immaterial movement.

	2019
	\$
Operating lease commitments disclosed as at 30 June 2019	127,154
Lease liability recognised as at 1 July 2019	127,154
Property, Plant and Equipment Increase	127,154
Adjustment to retained surplus	Nil

Note: The discount rate implicit in the lease is only 0.99%

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**36. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Cont.)**

On adoption of AASB 16, the City will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019. Property, plant and equipment increases by \$127,154 on 1 July 2019 and the net impact on retained earnings on 1 July 2019 will be nil.

**c) Income For Not-For-Profit Entities**

The City will adopt AASB 1058 Income for Not-for-Profit Entities (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes will occur to the following financial statement line items:

	<b>AASB 1004 carrying amount 30 June 2019</b>	<b>Reclassification</b>	<b>AASB 15 carrying amount 01 July 2019</b>
Other Liabilities (current)	1,111,030	862,173	1,973,203

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the taxable event occurs the financial liability will be extinguished and the City will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the City to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required or be remeasured at fair value.

The City uses volunteer Services in relation to range of services however although these can mostly be reliably estimated it is likely they would largely be absorbed within the City's current staff resources had they not been donated.

**d) Impact of changes to Retained Surplus**

The impact on the City of the changes as at 1 July 2019 is as follows:

	<b>Adjustments 01 July 2019</b>
Retained surplus - 30 June 2019	177,196,412
Adjustment to retained surplus from adoption of AASB 15	(8,541)
Adjustment to retained surplus from adoption of AASB 16	Nil
Adjustment to retained surplus from adoption of AASB 1058	(862,173)
Retained surplus - 1 July 2019	176,325,698

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**37. OTHER SIGNIFICANT ACCOUNTING POLICIES**

## a) Goods and Services Tax

Revenues, Expenses and Assets are recognised net of the amount of Goods and Services Tax (GST), except:

- i) Where the amount of GST incurred is not recoverable from the taxation office, it is recognised as part of the acquisition of an asset or as part of an item of expense; or
- ii) for receivables or payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation office is included as part of the receivables or payables. Cashflows are included in the Statement of Cash Flows on a gross basis. The GST component arising from investing and financing activities is classified as operating cashflows.

## b) Fair value of assets and liabilities

Fair value is the price that the City 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.

## c) Fair Value Hierachy

When performing a revaluation the City uses a mix of both independent and management valuations. Where appropriate, revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date (Level 1 inputs in the fair value hierarchy).

For land and buildings, fair value will be determined based on the nature of the asset class. For freehold land and non-specialised buildings, fair value will be determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value will be determined having regard for current replacement cost and both observable and unobservable inputs. These include construction costs based on recent contract prices (observable level 2 inputs in the fair value hierarchy), current condition, residual values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset (Level 3 inputs in the fair value hierarchy).

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**37. OTHER SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## c) Fair Value Hierachy (continued)

Valuation Techniques

The City 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 City are consistent with one or more of the following valuation approaches:

i) Market approach

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

ii) Income approach

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

iii) 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 City 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.

## d) Impairment of assets

In accordance with Australian Accounting Standards the City'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 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 such as roads, drains, public buildings, etc. that are measured under the revaluation model, no annual assessment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**37. OTHER SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## e) Superannuation

The City contributes to the Local Government Superannuation Scheme, the Occupational Superannuation Fund, and other Choice Funds which are selected by employees. All funds are defined contribution schemes.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## f) Rounding of Figures

All figures shown in this Annual Financial Report, other than a rate in the dollar, are rounded to the nearest dollar.

## g) Comparatives

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

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the financial statements that have a material effect on the Statement of Financial Position, an additional Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

## h) Budget Comparative Figures

Unless otherwise stated, the budget comparatives figure shown in this Annual Financial Report relate to the original budget estimate for the relevant item or disclosure.

## CITY OF BELMONT

## NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**38. ACTIVITIES/PROGRAMS****Statement of Objective**

The City of Belmont is dedicated to effectively and efficiently promote growth, safeguard the health, safety and convenience, and economic and general welfare of the community of the City of Belmont.

**GOVERNANCE**

All costs associated with the elected members of Council, together with all costs associated with the general governance of the district. Includes all costs generated by the full allocation of administration costs in accordance with the principles of Activity Based Costing.

**GENERAL PURPOSE FUNDING**

Includes the cost of collecting rates income and all general purpose funding e.g. Grants Commission Funding.

**LAW, ORDER AND PUBLIC SAFETY**

The control and prevention of fire. Administration of all matters relating to the control of animals, mainly dogs and all general law, order and public safety matters administered by Council's Rangers.

**HEALTH**

The administration of maternal and infant health through child health clinics. The administration of preventative services such as: Immunisation, Meat Inspections, Inspection of food premises and Pest Control.

**EDUCATION AND WELFARE**

The provision of children services, the care of the aged and disabled through Aged and Disabled Services, Senior Citizen Centres and Meals on Wheels. The provision of some pre-school education facilities, but not the delivery of education.

**HOUSING**

The provision of Aged Housing Facilities throughout the district.

**COMMUNITY AMENITIES**

Includes sanitation (household refuse); stormwater drainage; town and regional planning and development; the provision of rest rooms and protection of the environment.

**RECREATION AND CULTURE**

The provision of facilities and support of organisations concerned with leisure time activities and sport. The provision and maintenance of a public library. The provision of a cultural centre and a historical museum.

**TRANSPORT**

Construction and maintenance of streets, roads, footpaths, cycleways and Council Depot. The control of street parking and the control of traffic management of local streets.

**ECONOMIC SERVICES**

The management of local tourism and area promotion. The provision of building approvals and control. Any other economic services.

**OTHER PROPERTY AND SERVICES**

Private works, public work overheads, plant operations. A summary of salaries and wages total costs and any other miscellaneous activities that cannot otherwise be classified in the above.

**CITY OF BELMONT**  
**NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 30 JUNE 2019**

The number of employees of the Council, in bands of \$10,000, entitled to an annual salary of \$100,000 or more is as follows:

<b>Salary range</b>	<b>2019</b>	<b>2018</b>
<b>\$</b>	<b>No.</b>	<b>No.</b>
100,000 - 109,999	3	2
110,000 - 119,999	4	7
120,000 - 129,999	5	1
130,000 - 139,999	2	2
140,000 - 149,999	3	3
150,000 - 159,999	Nil	Nil
160,000 - 169,999	1	5
170,000 - 179,999	5	4
180,000 - 189,999	4	1
190,000 - 199,999	Nil	Nil
200,000 - 209,999	Nil	1
210,000 - 219,999	2	1
220,000 - 229,999	Nil	Nil
230,000 - 239,999	1	1
240,000 - 249,999	Nil	Nil
250,000 - 259,999	Nil	Nil
260,000 - 269,999	1	Nil
270,000 - 279,999	Nil	Nil
280,000 - 289,999	Nil	Nil





# **Standing Committee (Audit and Risk)**

**Item 11.4 refers**

## **Attachment 3**

**OAG Report 28: June 2018-19  
Local Government Building  
Approvals**

# Western Australian Auditor General's Report



## Local Government Building Approvals



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***The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.***

## WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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### **Local Government Building Approvals**



**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

### **LOCAL GOVERNMENT BUILDING APPROVALS**

This report has been prepared for submission to 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 government entities effectively regulate residential building permits.

I wish to acknowledge the cooperation of staff at the local and state government entities included in this audit.

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

CAROLINE SPENCER  
AUDITOR GENERAL  
26 June 2019

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## Auditor General's overview

In 2016, my office tabled a report on the *Regulation of Builders and Building Surveyors* focussed on the Building Commission's (now the Building and Energy Division within the Department of Mines, Industry Regulation and Safety) regulatory functions. This current audit recognises the important role that local government entities have to control building activities in their areas through approval of building permits, and monitoring and enforcement of compliance with those permits.



I was pleased to find that the local government entities reviewed in the audit were properly assessing permit applications against requirements in the *Building Act 2011* and issuing most building permits within the legislated timeframes. The audit also identified opportunities for local government entities to strengthen their controls to reduce the risks of inappropriate permit approvals, and improve the transparency of their building control activities.

It was however disappointing to find that local government entities undertake limited monitoring and inspections of building works, and that compliance issues were not always resolved quickly. The *Building Act 2011* provides local government entities with compliance and enforcement powers that can assist with ensuring buildings comply with permits and are safe, but that also act as a significant deterrent to anyone contemplating non-compliance. However, we found these powers were little used.

I note that the Building and Energy Division is considering regulatory reforms to address compliance and enforcement shortcomings identified in the 2018 Shergold Weir report *Building Confidence*. A key part of this work is the development of a consultation paper with options for independent inspections at key stages of building works. I will watch with interest how state and local government entities and the building industry collaborate to implement measures to protect the quality and safety of homes in WA.

I encourage all local government entities to use Appendix 2 as a guide to improve their building control functions.

# Executive summary

## Introduction

The objective of this audit was to determine if local government (LG) entities effectively regulate residential building permits (permits). The specific lines of inquiry were:

- Do LG entities adequately assess permit applications?
- Do LG entities effectively monitor and enforce compliance with permits?

We audited the following 4 LG entities in metropolitan and regional Western Australia (WA) that had issued a large number of permits, and the Building and Energy Division (formerly the Building Commission) within the Department of Mines, Industry Regulation and Safety:

- City of Albany (Albany)
- City of Gosnells (Gosnells)
- City of Joondalup (Joondalup)
- City of Mandurah (Mandurah).

## Background

A permit is usually required for construction or renovation of any building. This includes new houses, carports and sheds. The permit process is legislated under the *Building Act 2011* (Act). In 2017-18, all LG entities in WA issued around 18,400 permits for residential buildings. Of these, nearly 13,500 related to new houses with a total value of more than \$3.8 billion.

To get a permit, either a certified or an uncertified application must be lodged with the relevant LG entity, along with the fee prescribed in the Building Regulations 2012<sup>1</sup>. A permit can be issued when building plans meet the requirements of the Act, the Building Code of Australia (Code)<sup>2</sup>, and planning and other required approvals. LG entities must assess certified applications within 10 business days and uncertified applications within 25 business days, unless the applicant and the LG entity agree in writing to extend the time. Figure 1 summarises the permit process.

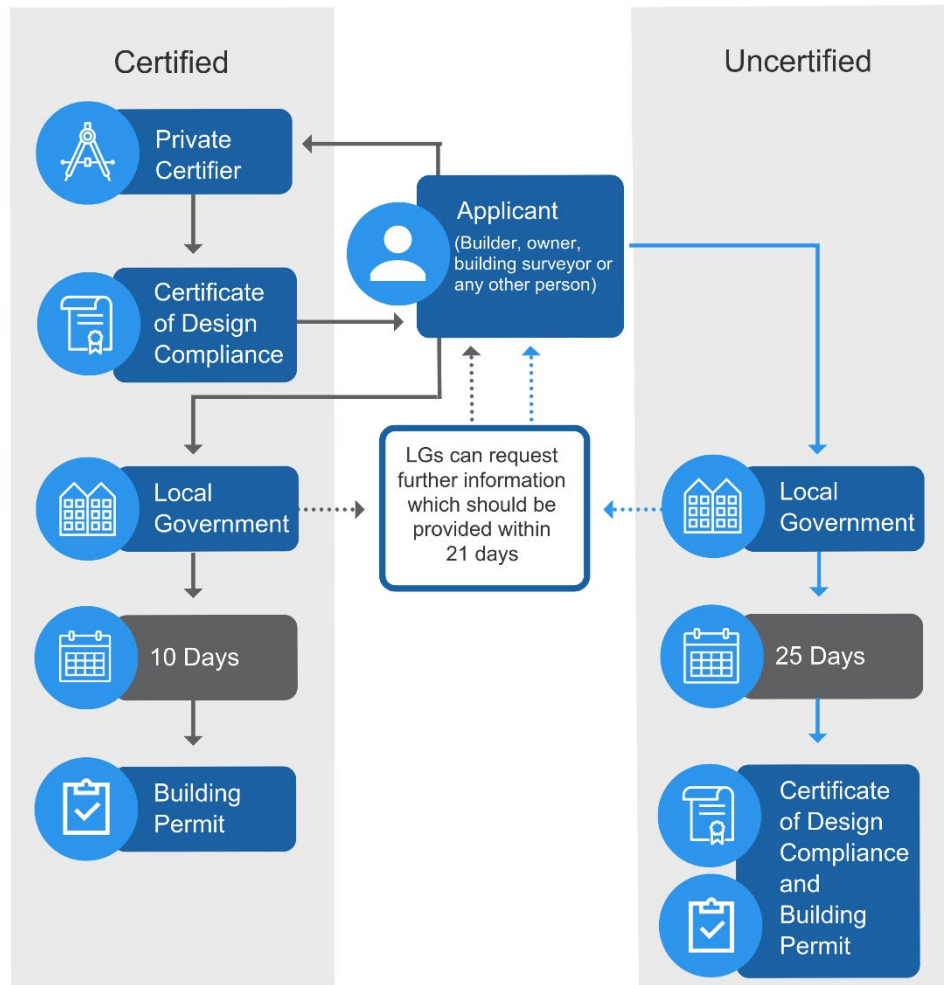
If information in the application is missing or incorrect, LG entities can request information informally (via email or phone), or formally based on the Act's requirements. LG entities can only formally request information and 'pause the clock' for up to 21 days, once. Thereafter, LG entities have the remainder of the 10 or 25 days to process the application.

If LG entities do not meet the timeframes or the agreed extended time, they must refund the application fee, but may still process the application. The clock stops when the permit is issued. A permit is valid for 2 years unless otherwise specified or extended.

<sup>1</sup> A certified application costs 0.19% of the estimated value of building works while an uncertified application costs 0.32%. The minimum fee payable is \$97.70

<sup>2</sup> Sets quality and safety standards for the design and construction of buildings and other structures throughout Australia





Source: OAG

**Figure 1: Building permit process under the *Building Act 2011***

LG entities are required under the Act to keep a public register of permits and records of approved plans for owners and relevant parties to inspect.

Construction in all states and territories is a regulated activity. In WA, the Act gives LG entities the power to monitor and inspect building works to ensure compliance with the permit, but does not mandate any particular level of monitoring or inspections. The Act also provides LG entities with the power to issue building orders to remedy or stop building works, and prosecute builders and owners for non-compliance. Failing to comply with a building order carries a penalty of up to \$50,000 for a first offence and up to \$100,000 and 12 months imprisonment for subsequent offences.

The Building and Energy Division (B&E), supports the functions of the Building Commissioner legislated in the Act. B&E administers the Act and provides advice to LG entities and the building industry. It also regulates builders and surveyors through the issue of licences, monitoring compliance with building laws, and complaint processes. B&E can investigate alleged breaches of building laws, take disciplinary action against builders, and refer building non-compliance matters to LG entities. We audited how B&E regulates builders and surveyors in our 2016 *Regulation of Builders and Building Surveyors*<sup>3</sup> audit.

<sup>3</sup> [Report 12: June 2016: Regulation of Builders and Building Surveyors](#)

Since July 2016, B&E has collected permit information from LG entities such as details of builders, application processing times (including start-pause-stop clock and reasons), permit decisions, and conditions. This information is stored in B&E's Building Permit Database (Permit Database).

## Conclusion

All 4 LG entities in our sample adequately assessed applications and issued nearly all permits within legislated timeframes between July 2016 and June 2018. They also improved timeliness of approvals over the last 4 financial years. However, different approaches to when LG entities started, paused and stopped the clock raise concerns about the accuracy and comparability of these processing times. Key controls to promote transparent and accountable decision-making had also either not been implemented or were not effectively managed.

The LG entities monitored and inspected building projects to identify non-compliance but the limited extent of this work meant they do not confidently know if building works in their area comply with requirements of permits. All LG entities we reviewed relied on complaints from the community and others as the primary means of identifying instances of non-compliance. Resolution of these issues was not always timely with some matters taking years to finalise.

## Key findings

### LG entities adequately assessed permit applications, but could improve their processes

The LG entities assessed permit applications against requirements in the Act. Our review of 100 applications received between July 2016 and June 2018 across the LG entities, found permit processes were followed and decisions recorded in their systems. Permits were issued only when applications contained the required supporting documents and approvals.

However, we identified control weaknesses that could result in applicants receiving preferential treatment, biased decisions and permits that had not been properly authorised. We found:

- none of the LG entities recorded conflicts of interest related to applications. We note staff declare interests annually to comply with the *Local Government Act 1995*, however these did not cover conflicts of interest relating to permits
- at Mandurah, staff could approve and issue permits without being authorised to do so
- Joondalup had 9 different positions, including administration officers and personal assistants, authorised to approve permits.

The LG entities used different processes and interpretations of the Act to receive and assess applications. Builders we spoke with confirmed our observations and told us about the impact of this on their operations. These different practices can limit the consistency and efficiency of approval processes. For example:

- all 4 LG entities provided online application lodgement and tracking facilities, but Joondalup required one-off applicants to apply by e-mail or over the counter
- Gosnells reviewed all certified applications in detail while the other 3 LG entities only checked these applications for completeness. The Act does not require LG entities to check the Certificate of Design Compliance (CDC) or prohibit them from doing so

- Albany paused the clock for informal requests, which is contrary to the Act, and Joondalup stopped the clock after application assessments were complete, but before issuing permits. These practices can provide misleading information on the number of days taken to issue permits. Both LG entities advised they had adopted compliant practices as a result of the audit.

B&E received around \$2.5 million of State funding to deliver an electronic lodgement and assessment system by 2017-18 to standardise the permit approvals processes. However, the system has not been developed. B&E told us that it consulted with large LG entities during the audit and found a lack of support for the system as LG entities had already modified their systems and processes to align with the permit approval requirements of the Act.

### **Most permits were issued on time**

The LG entities issued most permits on time. Between July 2016 and June 2018, about 98% of applications were assessed within the required timeframes. Nearly all had a permit issued. This helps builders and owners to plan building works, and avoid potential losses and delays. We also found the LG entities improved the timeliness of permit approvals in the past 4 financial years.

The LG entities took around 3 times longer to issue permits when they received incomplete and incorrect applications and had to wait for more information from applicants. Most of the LG entities' information requests we reviewed related to:

- missing or inadequate information in the CDC
- home indemnity insurance and other approvals such as owner builder approval, or water services notifications.

Applicants can avoid delays in permit approvals if they submit complete and correct applications.

LG entities provided limited building activity information to B&E, community and industry stakeholders. The limited use of the Permit Database amongst LG entities means comprehensive building data is not collected across the sector. For example, only 8 metropolitan LG entities, including Gosnells, report data online to the Permit Database. A lack of reporting makes it difficult for B&E and other stakeholders to assess performance against legislated permit timeframes and other building control activities.

### **LG entities do not effectively monitor and enforce compliance with permits**

The LG entities monitored and inspected building progress but this work was limited. Albany monitored permit expiry, Gosnells inspected footings, and Joondalup and Mandurah carried out one-off compliance activities on a small sample of building works. None regularly monitor or inspect at other stages of works. This is concerning given B&E's most recent inspection of 337 new houses found that nearly 30% to 50% of key building stages did not satisfactorily comply with building standards. This included non-compliant slab, roof and bushfire area requirements that may lead to future building quality and safety issues.

The LG entities did not always resolve community concerns about building works in a timely manner. Our review of 43 complaints found 6 compliance matters were not resolved in a timely manner across Albany, Joondalup and Mandurah. These 3 LG entities often granted extensions to owners and builders to comply. Albany had 1 matter which took 7 years to resolve.

## Recommendations

Under section 7.12A of the *Local Government Act 1995*, the 4 sampled LG entities are required to prepare an action plan addressing significant matters arising from the audit relevant to their entity. This should be submitted to the Minister for Local Government within 3 months of this report being received by the local government, and published on the LG entity's website within 14 days after giving the report to the Minister. This action plan should address the recommendations below that are relevant to their entity.

1. Albany, Gosnells, Joondalup and Mandurah should:
  - a. require written declarations of interest from assessment staff, and ensure appropriate mitigation action is taken for any conflicts
  - b. improve the transparency of their building control activities by providing information about permits, monitoring and enforcement activities, and building related complaints to B&E, community and industry stakeholders
  - c. develop and implement a risk-based approach to monitor and inspect building works
  - d. improve guidance to staff on how to prioritise and manage building related complaints and enforcement activities to resolve community concerns and non-compliance issues in a timely way.
2. Joondalup and Mandurah should limit the authority and delegation to issue permits only to appropriately trained staff who assess and issue permits.
3. Albany and Joondalup should only start, pause and stop the clock in accordance with the requirements of the Act.
4. B&E should consult further with LG entities and stakeholders:
  - a. on ways to assist LG entities to implement consistent practices
  - b. to determine if it will progress or cease development of the centralised e-lodgement and assessment system.

**Response:** Agreed

**Implementation timeframe:** by December 2019

## **Response from audited local government entities**

All 4 LG entities supported the audit findings and generally accepted our recommendations.

The LG entities advised they intend to implement audit recommendations in the near future, with some already being addressed.

Appendix 3 includes the full responses from the LG entities.

## **Response from the Building and Energy Division**

The Department of Mines, Industry Regulation and Safety's, Building and Energy Division is comfortable with the findings of the report and supports the recommendations.

Appendix 3 includes the full response from B&E.

## Audit focus and scope

The audit objective was to determine if local government (LG) entities effectively regulate residential building permits (permits).

The specific lines of inquiry were:

- Do LG entities adequately assess permit applications?
- Do LG entities effectively monitor and enforce compliance with permits?

The following 4 LG entities were included in the audit:

- City of Albany (Albany)
- City of Gosnells (Gosnells)
- City of Joondalup (Joondalup)
- City of Mandurah (Mandurah).

The audit also included the Building and Energy Division (B&E) within the Department of Mines, Industry Regulation and Safety. We spoke with key staff who deal with coordination, compliance, complaints, the Building Permit Database and policy matters.

The audit focussed on the regulation of permits for new houses and major renovations requiring LG entity approval. We did not review approvals for planning, demolitions and commercial buildings or other building activities like patios, retaining walls and swimming pools. The audit did not assess how builders inspect the quality of their own work.

We audited permit approvals, monitoring and enforcement of compliance with the permits for the 2016-17 and 2017-18 financial years. At each LG entity, we tested 25 permit applications and at least 10 complaints. We also reviewed and assessed:

- policies and procedures for permit approvals, monitoring, complaints and enforcement, and declarations of conflict of interest and gifts
- the timeliness of approving permits against legislated 10 and 25 day timeframes
- monitoring and inspection activities
- enforcement actions
- complaints management.

We also consulted with a range of stakeholders including:

- Master Builders Association
- Housing Industry Association
- WA Local Government Association
- LG Professionals WA
- Building surveyors
- 2 building companies that operate across a number of LG entities in WA.

This performance audit was conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Standard on Assurance Engagements 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 state and local government programs and activities. The approximate cost of undertaking the audit and reporting was \$340,000.

## Findings

### LG entities adequately assessed permit applications, but can improve their processes

All 4 LG entities ensured applications met the Act's requirements before issuing a permit. However, we identified some weak controls which reduce the transparency and accountability of permit decisions. LG entities also receive and assess applications differently which affect the consistency and efficiency of the approvals process.

#### LG entities only issued permits when legislative requirements were met

The LG entities had suitable permit systems and processes in place to receive applications and assess them against requirements in the Act (Appendix 1). Their systems and checklists prompted staff to complete step-by-step checks of all applications. We reviewed 100 permit applications across the 4 LG entities and found processes were followed to check that applications:

- were complete and included plans, fees and other supporting documents such as engineering reports and relevant insurances
- met requirements for any specific conditions like owner builder or health approvals
- had an appropriate bushfire attack level assessment for buildings within a bushfire prone area
- contained correct information on the builder, surveyor and the applicant.

This ensured permits were issued only when applications contained the supporting documents and approvals needed under the Act.

#### Weak controls may lead to inappropriate permit approvals

##### *Conflicts of interest are not recorded and managed transparently*

We found none of the LG entities recorded actual, potential or perceived conflicts of interest that arose when assessing permit applications. LG entities told us that staff only declared conflicts of interest verbally, to their supervisor, who then assigned the application to someone else. As a result, we were not able to determine if conflicts of interest were declared and managed appropriately. It is good practice to record conflicts of interest and actions taken to manage them.

Conflicts of interest may arise for assessment staff when they:

- are in relationships, or familiar with builders or owners. This is more likely when staff live in the local government area or have worked at the LG entity for some time
- have had past grievances with an owner, builder or private surveyor.

We note that LG entity staff complete an annual declaration on conflicts to comply with the *Local Government Act 1995*. However, these declarations did not cover conflicts of interest relating to permits.

Conflicts of interest can lead to biased or improper assessments. During the audit, the LG entities acknowledged these risks and said they would consider processes to record assessed conflicts of interest for each application.



### *Inadequate approval controls increase the risk of unauthorised issue of permits*

Joondalup and Mandurah did not have adequate controls over the issue of permits. We found:

- Joondalup had 9 different positions (including administration officers and personal assistants) authorised to approve permits. Joondalup advised it is reviewing these delegations to remove any unnecessary or excessive delegated authority.
- At Mandurah, permit system users could approve and issue permits without delegated authority to do so. Although Mandurah requires its surveyors to sign a monthly declaration stating they completed the applications, this does not fully mitigate the risk of unauthorised permit approvals in the system.

### **Processes and systems differ across LG entities which leads to inefficiencies**

#### *Applications are lodged differently*

The process to apply for a permit and pay fees varied across the LG entities we reviewed. For example:

- although all the LG entities allowed applicants to submit and track applications online, Joondalup required one-off applicants to apply by email or over the counter
- the LG entities used different ways to pay application fees. Gosnells charged fees via a monthly account, while Joondalup sent email invoices with credit card or BPAY options.

Builders told us that some LG entities did not accept emailed applications and only accepted in person or posted applications, and had different document requirements and payment methods. They spoke about the inefficiencies, confusion and delays this created in applying for permits, particularly for builders who lodge applications across multiple LG entities.

In July 2015, the State provided around \$2.5 million to B&E to develop a centralised e-lodgement system to provide better access and consistency for lodgement and assessment of applications. The system had not been developed despite an implementation date by 2017-18, due to other priorities. B&E discussed its system proposal with 11 LG entities in February 2019, which together issued about 50% of permits in 2017-18. B&E told us that the LG entities were not supportive of the proposal as they had already modified their own systems and processes.

#### *LG entities assessed certified applications with varying rigour, creating uncertainty for applicants*

The LG entities assessed certified applications with varying rigour. Three limited their assessment to a high level review of the completeness of applications, whereas Gosnells sometimes reviewed information, such as the Certificate of Design Compliance (CDC), in more detail when it had concerns about compliance with the Code, or applications contained errors. Builders we spoke with told us about the impact of this on their operations. While we found these different practices reduced the consistency of approval processes across the LG entities it did not impact the timeliness of approvals. Gosnells still assessed most of these applications within the required 10 days. The Act does not require LG entities to check the CDC or prohibit them from doing so.

#### *Two LG entities incorrectly recorded application processing times*

Albany and Joondalup incorrectly paused and stopped the clock when assessing applications. These practices can result in misleading information on the number of days taken to issue permits. We found:



- Albany paused the clock for informal requests. This occurred in 4 of the 25 applications we reviewed. Other LG entities only paused the clock for formal requests, which is consistent with the Act. We found that despite this incorrect practice, Albany issued nearly all permits within 10 and 25 days. Albany told us it no longer pauses the clock for informal requests
- 3 LG entities stopped the clock when they issued the permit. In contrast, Joondalup stopped the clock when the surveyor completed the assessment but issued the permit only after a review of the assessment. In the last 2 financial years in Joondalup, this resulted in a time lag of 0 to 80 days for 1,231 certified applications, with only 17 permits issued after 10 days. Joondalup advised they had discontinued this practice since January 2019.

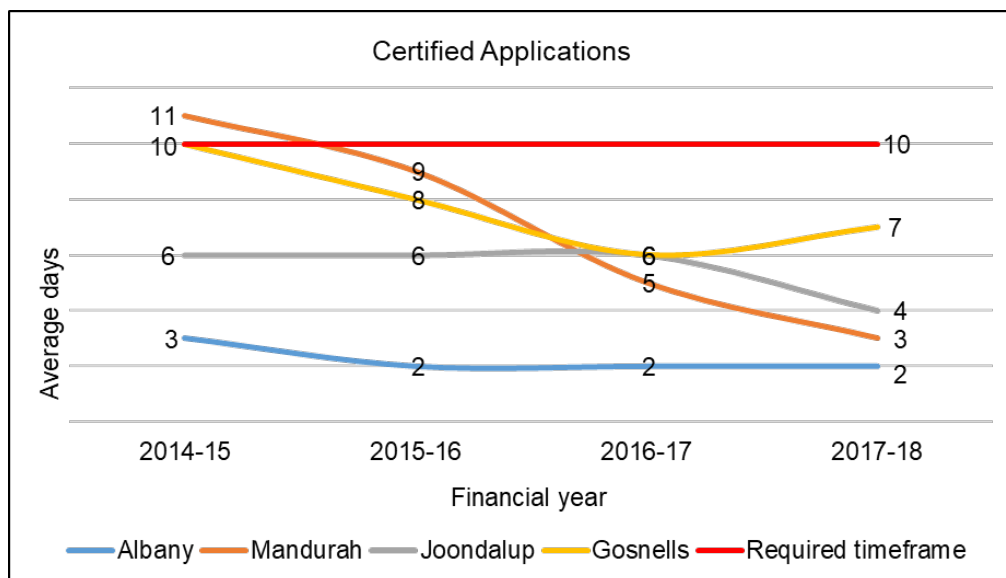
## Most permits were issued on time

### LG entities issued permits in required timeframes

Between July 2016 and June 2018, the LG entities assessed applications and issued most permits within the required timeframes. We calculated the time taken to issue permits and found:

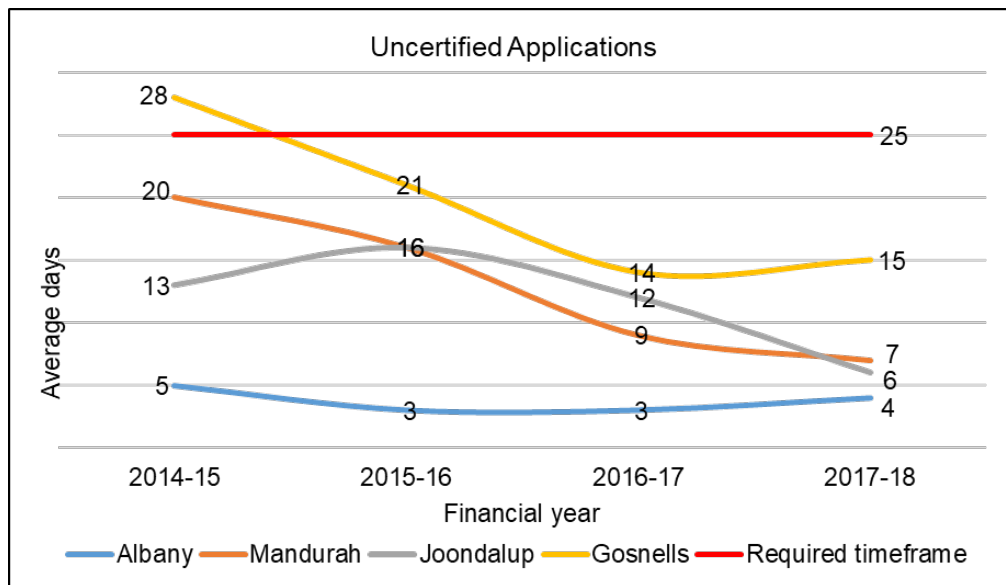
- about 98% of the 3,736 certified applications were assessed within 10 days. Nearly all had a permit issued
- about 98% of the 1,069 uncertified applications were assessed within 25 days. Nearly all had a permit issued.

All LG entities have improved the timeliness of their assessments over the last 4 financial years (Figures 2 and 3). Our review of approved and refused applications showed Albany and Joondalup had relatively consistent assessment times, while Mandurah and Gosnells improved over the last 2-3 years in part due to lower numbers of applications. Between July 2014 and June 2018, the number of applications received by the 4 LG entities declined by 35%.



Source: OAG using data from LG entities

**Figure 2: Average time to assess certified applications**



Source: OAG using data from LG entities

**Figure 3: Average time to assess uncertified applications**

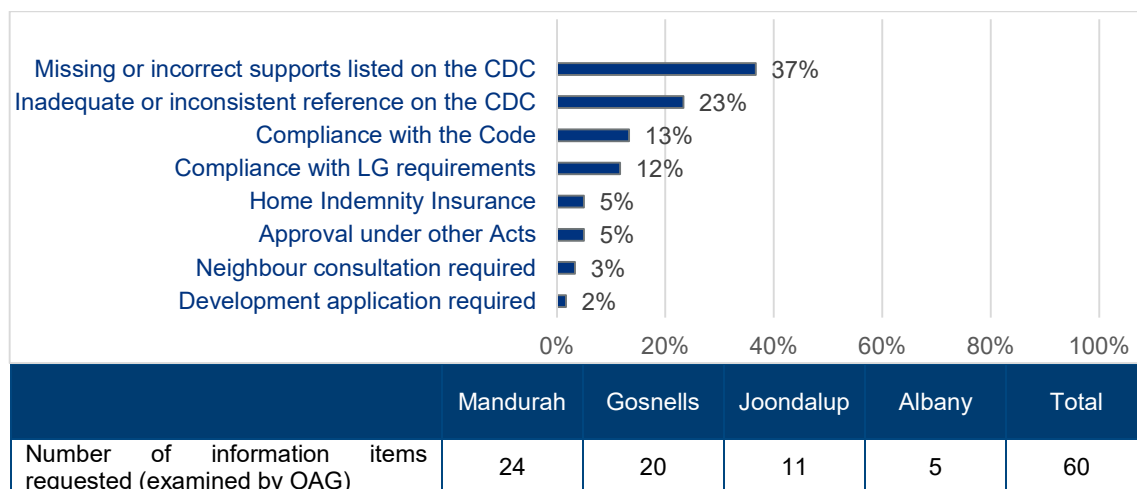
A future rise in building activity could put LG entities who take longer to issue permits at risk of not meeting the timeframes. Delays in issuing permits affect planning of building works and can lead to increased costs for applicants, particularly when they are renting and holding land.

### Incomplete and incorrect applications often result in longer approval times

We found the LG entities took about 3 times longer to issue permits when they had to wait for more information from an applicant to assess an application. Around 75% of the information requests we reviewed related to incomplete or incorrect applications. This meant the majority of applicants could have avoided delays in their permit approvals if they had submitted complete and correct applications.

We reviewed 60 information requests for certified applications (Figure 4) and found:

- 60% related to missing or inadequate supporting information in the CDC
- another 15% related to incomplete applications such as mandatory information on home indemnity insurance or approvals required under building or health legislation.



Source: OAG using information from LG entities

**Figure 4: Reasons for information requests by the LG entities**

In the last 2 financial years the LG entities formally requested more information for around 38% of certified and 47% of uncertified applications. While these requests allowed LG entities to pause the clock for up to 21 days, it did add to the overall elapsed time to process applications.

Some requests for minor administrative errors could be resolved by informal requests (phone or email), which do not pause the clock. For instance, Albany adopted this approach advising us that they found it more efficient and customer-focused. In the last 2 financial years, Albany made fewer formal requests (32%) than the other LG entities (42%).

### **Reporting of permit information could be improved**

All LG entities provided limited permit information to B&E, community and industry stakeholders. B&E's Permit Database aimed to fill this gap by collecting permit information from LG entities in a consistent format and more efficiently, but:

- only 8 metropolitan LG entities including Gosnells report data online to the Permit Database
- another 88 LG entities from regional WA report manually to the Permit Database, however these entities represent only a small proportion of permit approvals.

B&E told us that metropolitan LG entities do not report to the Permit Database because online reporting requires changes to the LG entities' permit systems, and manual reporting was not practical due to the large number of applications they received. A lack of reporting makes it difficult for B&E to assess LG entities' performance against legislated permit timeframes and other building control activities. This also impairs transparency and accountability on this important aspect of regulation by public sector entities.

We also found LG entities could provide more permit information to the community and industry stakeholders. Although all LG entities included the number and value of permits issued in their annual reports, only Mandurah reported the percentage of permits approved within the required timeframes, and none included information on complaints, monitoring or enforcement activities. This meant ratepayers had little information on how LG entities manage and regulate permits.

### **LG entities do not effectively monitor and enforce compliance with permits**

The LG entities carried out limited monitoring, inspections and enforcement to ensure building works complied with permits. They identified most compliance matters through complaints but did not always take timely action to resolve them. The lack of monitoring and appropriate enforcement meant LG entities could not identify and address non-compliant building works or resolve community concerns in an effective and timely way.

Builders must also ensure their work complies with the permit and the Code, and submit a completion certificate to the LG entity within 7 days of finishing building works. Builders are legally responsible for faulty and defective work for up to 6 years after completion.

### **LG entities carry out limited monitoring and inspections of building work**

None of the 4 LG entities had a formal policy or program to monitor and inspect building works, nor did they conduct monitoring or inspections at all key stages of building works. However, we found Albany monitored permit expiry, Gosnells inspected footings, and Joondalup and Mandurah did one-off projects on a small sample of building works (Figure 5). The Act gives LG entities power to monitor and inspect building works to ensure compliance

with permits. However, the Act does not require LG entities to inspect building works at key stages of construction.

The LG entities had not assessed the effectiveness of their existing compliance activities to understand whether they should continue their current work, or allocate resources to other quality and safety risks arising from non-compliance. LG entities advised that resource constraints and their inability to recover costs from current application fees limited the extent of their compliance work. A risk-based monitoring program could help LG entities use their limited resources to target the most serious and likely risks, and thereby provide better assurance that houses are well built and safe to live in.



**Gosnells** is the only LG entity that requires footings inspections. In the last 2 financial years, they inspected 760 sites.



**Albany** actively worked with owners and builders to ensure permits were extended before they expired. They use geographic information system data and site visits to assess the status of construction and compliance with permits.



**Mandurah** did a one-off compliance project on roof tie downs. They inspected 22 sites and found 86% (19/22) of roof tie downs were non-compliant. Mandurah advised the builders about the defects and did some follow-up inspections.



**Joondalup's** building manager did one-off site visits with surveyors as part of a training exercise. They identified some non-compliance and recorded these as complaints to be followed up by compliance staff.

Source: OAG using information from LG entities

**Figure 5: Examples of monitoring by LG entities**

Each year B&E inspects a small number of building works at key stages of construction. In the last 2 financial years, B&E inspected 337 new houses (1.2% out of nearly 28,500 approvals) and found nearly 30% to 50% of key stages did not satisfactorily comply with the Code or permit. For example, slab, roof and bushfire readiness issues were areas of identified shortcoming. These findings highlight the need for monitoring and inspections of building work to enhance compliance and provide safeguards to the community so that new houses meet quality and safety standards.

During our audit, B&E told us that it is preparing a consultation paper, which considers independent inspections. This will include options on who could do inspections, at what stages of construction, and the fees or costs. Other states, except for South Australia, require independent inspections at 4 to 6 key stages and most use private building surveyors to carry out these inspections. South Australian building law requires LG entities to inspect a certain percentage of building works every year.

## LG entities could improve complaints processes to achieve more timely compliance

While all LG entities properly investigated complaints, they did not always take timely action to resolve community concerns about building works. In our review of 43 complaints about matters including building without a permit, deviation from the approved plans, and dangerous state of a building or structure, we found:

- 6 compliance matters across Albany, Joondalup and Mandurah took between 8 months and 7 years to be resolved. These LG entities often allowed builders and owners extensions to the required compliance time. Albany had 1 matter which commenced in 2011 and was resolved in 2018
- 10 complainants were not advised of the outcome. This sometimes led to follow up complaints for matters that were already being dealt with. Not advising complainants of the outcome is likely to result in a perception of unsatisfactory customer service and ineffective regulation.

Timely and appropriate enforcement action by LG entities deters non-compliance and sends a strong message to builders and owners who do not comply with permits. In the last 2 financial years Gosnells, Joondalup and Mandurah issued 24 building orders, of which 20 were issued by Gosnells. In the same period, the 3 LG entities prosecuted 8 matters. Penalties totalled \$122,000. However, Albany has not issued a building order or prosecuted a matter since the Act was introduced.

LG entities advised that they preferred an informal approach (education and warning letters) to maintain a softer image in the community. They also told us that a lack of resources, staff time and other costs limit their ability to take formal enforcement actions (building orders and prosecution).

## Appendix 1 – Building permit application checklist

### Information required to accompany certified and uncertified applications

Item	Certified	Uncertified
Certificate of Design Compliance	✓	✗
Copy of each technical certificate used by the building surveyor in the Certificate of Design Compliance (if any)	✓	✗
All prescribed authorities have been obtained <sup>4</sup>	✓	✓
Heritage notifications	✓	✓
Water services notifications	✓	✓
Consent/court order for encroachments and/or for work affecting other land	✓	✓
2 copies of final plans (working drawings) and specifications	✓	✓
Evidence of payment of the Building and Construction Industry Training Fund Levy	✓	✓
Evidence of home indemnity insurance/s	✓	✓
Building Services Levy	✓	✓
Building Permit fee	✓	✓
Met the requirements of the relevant local government building permit checklist	✓	✓

Source: OAG using information from B&E

<sup>4</sup> For example, if the building work is defined as 'development' under s.4 of the *Planning and Development Act 2005* each relevant approval under the Act.

## Appendix 2 – Better practice principles

The following table shows key principles on which our audit focused. Our listed expectations are not exhaustive and do not cover all of the *Building Act 2011* (Act) and other compliance requirements.

Regulating building approvals		
Stage	Principle	Our expectation (what we expected to see)
Receive application	Lodgement and payment systems	<ul style="list-style-type: none"> <li>• LG entity website provides adequate guidance to permit applicants.</li> <li>• Online system to lodge and pay for permit applicants.</li> <li>• Ability to track all applications online.</li> </ul>
	Assess application	<ul style="list-style-type: none"> <li>• Policies and procedures which:               <ul style="list-style-type: none"> <li>○ align with current legislation and building codes</li> <li>○ explain the LG entity's interpretation of key terms of the Act</li> <li>○ include guidance for staff to effectively manage permit assessments.</li> </ul> </li> </ul>
	Conflicts of interest	<ul style="list-style-type: none"> <li>• Assess actual, potential or perceived conflicts of interest for each application.</li> <li>• Record whether a conflict of interest exists or not.</li> <li>• Record decisions and actions taken to manage any conflict of interest.</li> </ul>
	Further information requests	<ul style="list-style-type: none"> <li>• Where appropriate, use informal requests (phone or email) to resolve minor administrative errors more quickly.</li> </ul>
	Quality review	<ul style="list-style-type: none"> <li>• Review of assessment by a senior staff member, preferably a building surveyor.</li> </ul>
	Record timeframes	<ul style="list-style-type: none"> <li>• Staff start, pause and stop the clock as required by the Act. Particularly:               <ul style="list-style-type: none"> <li>○ pause clock for formal requests only</li> <li>○ ensure clock is paused only once</li> <li>○ ensure further information provided by the applicant is correct before re-starting the clock</li> <li>○ stop the clock when the permit is issued.</li> </ul> </li> </ul>
Issue permit	Staff delegations	<ul style="list-style-type: none"> <li>• Delegate relevant staff with the authority to approve and issue permits.</li> <li>• Only delegated staff to have access to the permit system's approval and issue tasks.</li> </ul>

Stage	Principle	Our expectation (what we expected to see)
Permit compliance	Monitoring	<ul style="list-style-type: none"> <li>• Policies and procedures explain LG entity's regulatory approach and guidance on how to monitor and inspect building works, for example the nature and extent of possible monitoring and compliance enforcement actions including desktop review and on-site inspections.</li> <li>• Risk-based program for monitoring and inspections. Consider: <ul style="list-style-type: none"> <li>○ compliance risks during permit assessments (e.g. owner builders may lack building experience)</li> <li>○ compliance history of the applicant, builder or surveyor</li> <li>○ results of previous inspections and complaints</li> <li>○ local risks such as site conditions and types of dwelling</li> <li>○ other resources like B&amp;E's website to identify builders and surveyors warned, fined or prosecuted for non-compliance.</li> </ul> </li> </ul>
	Complaints management	<ul style="list-style-type: none"> <li>• Staff guidance on how to assess risks, assign a rating and prioritise complaints.</li> <li>• Timely referral of compliance matters to relevant staff.</li> <li>• Provide feedback to the complainant.</li> </ul>
	Enforcement	<ul style="list-style-type: none"> <li>• Policies and procedures on enforcement.</li> <li>• Consider appropriate enforcement method on a case by case basis: <ul style="list-style-type: none"> <li>○ informal (education, warning letters)</li> <li>○ formal (building order, prosecution).</li> </ul> </li> <li>• Follow up to ensure action is taken to remedy the non-compliance.</li> <li>• Escalate matters to senior staff if previous enforcement action did not achieve compliance.</li> </ul>
Reporting	Performance information	<ul style="list-style-type: none"> <li>• Report permit approvals, monitoring and enforcement data to B&amp;E.</li> <li>• Provide key performance information to relevant stakeholders and the community. This could include information on: <ul style="list-style-type: none"> <li>○ number and value of permit applications received</li> <li>○ time taken to issue permits</li> <li>○ monitoring and inspection activities</li> <li>○ building related complaints</li> <li>○ number of non-compliance issues identified and resolved</li> <li>○ number of building orders and prosecutions.</li> </ul> </li> </ul>

Source: OAG



## Appendix 3 – Full responses from audited entities

### City of Albany

We appreciate both the OAG's acknowledgement of what we are doing well, as well as identifying some improvement opportunities. We were especially proud of our very short turnaround times in relation to the other audited local governments and intend to continue to provide a high level of service to our community.

In relation to the recommendations made, we provide the following comment that we will include in the Action Plan required under 7.12A of the Local Government Act 1995:

#### *City of Albany's specific responses to recommendations*

- 1a. Noted.
- 1b. Subject to privacy considerations, our reporting processes have been modified to comply with these requirements.
- 1c. We will continue to comply with legislative requirements.
- 1d. The City of Albany has a Regulatory Compliance Policy and Guideline to ensure these recommendations are met.
3. The City of Albany agree to this and have implemented processes to immediately comply.

### City of Gosnells

The City views the building control function as critical for ensuring community safety. In this regard, the speed of processing applications should not be a key metric. Instead, the City believes the community expect a vigorous assessment of building applications and the City is pleased that the OAG has recognised this while also noting the City complies with statutory timeframes.

The City notes that mandatory inspections of building construction is not required under current legislation. The City is not opposed to mandatory building inspections, but if this outcome is desired, the function should be self-funded to ensure that the wider community is not asked to pay for a function which has a very specific benefit.

The City acknowledges the dialogue with the OAG during the Performance Audit and is pleased that many of the City's comments have been accepted.

### City of Joondalup

The City of Joondalup ("the City") supports the Office of the Auditor General (OAG) and its responsibility for carrying out performance audits within local governments. Prior to being included as one of the local governments in this audit, the City has found value in reviewing previous OAG reports to determine if any issues affecting other local governments exist at the City and if improvements to the control environment are necessary.

The City appreciates the opportunity to participate in the Local Government Building Approvals Performance Audit and accepts all the recommendations made by the OAG which will be, or already have been implemented to improve the City's systems for assessing building permit applications and build a more effective monitoring and enforcement regime to improve compliance.

The City is always willing to cooperate with any other government entities, including the Building Commission (now known as Building and Energy within the Department of Mines,

Industry Regulation and Safety) and the building industry, to improve the regulation of building permits and introduce a more consistent approach across the entire local government sector for the benefit of all stakeholders.

#### *City of Joondalup's specific responses to recommendations*

- 1a. Written declarations of interest from assessment staff was implemented in April 2019.
- 1b. The City will consider appropriate ways to inform the community and industry on these matters. Permit information is already provided to the Building Commission (Building and Energy). Information on the number, value and type (residential or non-residential) of building permits is already included in the City's Annual Report.
- 1c. As the current fee structure is cost neutral, if this approach is to be progressed there needs to be recognition in the statutory fee structure of the costs that would be incurred in applying this approach.
- 1d. A protocol to provide improved guidance will be developed.
- 2. Agree and implemented. Permits have always been determined by appropriately qualified and trained staff, and this delegation was only to allow for the administrative issuing of permits.

To provide better clarity around the delegation (*Building Act 2011* – Granting Building and Demolition Permit Applications, Building Approval Certificates, Building Certificate Strata, Occupancy Permits) it has been amended to reflect firstly its administrative intent, and secondly by providing a new condition that clarifies the delegation is restricted to administratively granting certificates and permits that have the relevant certifications of building compliance, construction compliance and/or design compliance, as certified and issued by a person meeting the qualification requirements of the Building Services (Registration) Regulations 2011.

Some sub-delegations from the Chief Executive Officer to employees have been removed as they do not form part of the building application approval process.

- 3. Agree and implemented. This practice ceased on 17 January 2019 and the time now being recorded accurately reflects the date a building application is received until the issue of the permit.

#### **City of Mandurah**

In acknowledging the findings and recommendations of this report, the City of Mandurah is broadly supportive of the recommendation to initiate building inspections. However, it is important that, despite the presence of localised activity, this is regulator-driven, consistent across all local governments and proposes a fee structure which enables local governments to recoup the cost of inspections.

## Building and Energy Division

The Department of Mines, Industry Regulation and Safety's Building and Energy Division is comfortable with the findings of the report and supports the recommendations.

### *Building and Energy's specific responses to recommendations*

1. Building and Energy agrees unconditionally with these recommendations 1. a, b, c and d.
2. Building and Energy agrees with recommendations 2 and 3. We suggest the recommendations should apply generally to all local government permit authorities, not just the four audited.
3. As above.
4. Agree with a, and b by December 2019. Building and Energy has been working with local government permit authorities on ways to implement more consistent practices. The goal is to align practices as a first step which will then pave the way for further streamlining of the permit application and approval processes.

In 2015, the former Building Commission published a "Guide to the building approvals process in Western Australia" to assist local government authorities, consumers and the building industry understand the permit application and approval process as prescribed under the Building Act.

Building and Energy will consult with local government permit authorities on the merits of further publications and other mechanisms to improve consistency in these processes.

## Auditor General's Reports

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27	Opinion on Ministerial Notification	20 June 2019
26	Opinions on Ministerial Notifications	19 June 2019
25	PathWest Laboratory Information System Replacement	19 June 2019
24	Verifying Employee Identity and Credentials	19 June 2019
23	Improving Aboriginal Children's Ear Health	12 June 2019
22	Opinions on Ministerial Notifications	5 June 2019
21	Engaging Consultants to Provide Strategic Advice	5 June 2019
20	Information Systems Audit Report 2019	15 May 2019
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2	Young People Leaving Care	22 August 2018
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# **Standing Committee (Audit and Risk)**

**Item 11.5 refers**

## **Attachment 4**

**OAG Report 24: June 2018-19  
Verifying Employee Identity and  
Credentials**

# Western Australian Auditor General's Report



## Verifying Employee Identity and Credentials





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***The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.***

## WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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### **Verifying Employee Identity and Credentials**



**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

### **VERIFYING EMPLOYEE IDENTITY AND CREDENTIALS**

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

This focus area audit assessed whether 8 local government entities had suitable policies and procedures in place for screening new employees, and for monitoring existing employees for changes in their circumstances which may impact their employment.

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

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

CAROLINE SPENCER  
AUDITOR GENERAL  
19 June 2019

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## Auditor General's overview

This focus audit examined controls for verifying the identity and credentials of new employees and monitoring the status of existing employees.

We previously performed this audit in 2015 for state government entities. This report covers a sample of local government entities.

Our audit found that all entities need to improve their practices for screening employees. We identified many instances where local government entities were not checking the identity, right to work in Australia, employment history, qualifications and criminal backgrounds of new and existing employees.

While this audit was not designed to identify individual cases of inappropriate staff appointment, it did reveal significant shortcomings in policy and practices. If not addressed, these control weaknesses could impact the quality of employees in, and the integrity of, the public sector.

These focus audits can be considered as 'hygiene' audits as they give an indication of the health of various management controls. We conduct these audits as an extension of our annual financial audits, using more detailed testing than is required for forming our financial audit opinions.

The findings of these audits are likely representative of issues in other government entities that were not part of our sample. I encourage all entities, and not just those audited, to periodically assess themselves against these risks and controls on an ongoing basis. Our better practice checklist at Appendix 1 has been designed to assist entities to run their own hygiene checks.



## Executive summary

### Background

The activities and functions carried out by local government entities (entities) are diverse and involve a great deal of interaction with local communities. It is therefore essential that they recruit the right people.

Entities need sound, consistently applied employee screening processes to confirm the identity, integrity and academic credentials of potential employees. The screening process usually involves undertaking referee checks, checking criminal backgrounds and verifying employment history and educational qualifications. It is also important that entities continue to monitor employees, to identify changes in their circumstances which may impact their duties. The rigour of the processes may vary depending on the duties of the role and the related risks of employing the wrong person.

We previously performed this audit in 2015 for state government entities and found many instances where identity, qualifications, criminal backgrounds and right to work in Australia were not checked prior to employment.

### Conclusion

All of the 8 entities we audited need to improve their policies and practices for screening employees.

We found many instances where entities did not check the identity, right to work in Australia, employment history, qualifications and criminal backgrounds of employees prior to their commencement. We also found instances where entities did not obtain a working with children check for positions which required it. These findings create a risk that an entity may employ inappropriate or unqualified staff.

Only the Shire of Boyup Brook and the City of Melville were monitoring their employees for all significant changes to their status which could impact their employment.

### What we did

The focus of this audit was to assess if the sampled entities were adequately screening their employees to verify their employment history and performance, to check professional qualifications, to verify an employee's identity and right to work in Australia and, where appropriate, identify and assess criminal records.

We assessed the policies and practices at 8 entities, of varying size and location. We used the following lines of inquiry:

1. Do entities have suitable policies and procedures for screening employees?
2. Did entities adequately screen new employees to verify their identify, check employment history and educational/professional qualifications, and perform risk based criminal record checking?
3. Are entities monitoring existing employees for changes in their status (new criminal convictions or discontinuance of essential qualifications)?

The audit examined whether controls were in place to support good recruitment practices. It was not designed to identify individual cases of inappropriate appointment.

We tested a sample of 306 employees across 8 entities to assess screening practices. Our sample included a mix of new and existing employees.

We conducted this audit under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. The approximate cost of undertaking the audit and reporting is \$125,000.

The following 8 entities were included in this audit:

Entities
City of Melville (Melville)
City of Subiaco (Subiaco)
Shire of Boyup Brook (Boyup Brook)
Shire of Coolgardie (Coolgardie)
Shire of Dundas (Dundas)
Shire of Williams (Williams)
Town of Claremont (Claremont)
Town of Victoria Park (Victoria Park)

## What did we find?

All 8 entities need to improve their practices in some way, with none of the entities displaying good policies or practices for verifying employee identity and credentials.

### Only 3 entities had policies for verifying employee identity and credentials

Robust employee screening processes and procedures help entities to recruit appropriate staff and ensure that current staff remain suitable for their roles.

Policies and procedures for verifying employee identity and credentials should require checking of claims made by potential employees including their identity, relevant professional qualifications, memberships or licenses, prior work history, right to work in Australia and, where appropriate, criminal background. If there are any specific requirements for a position, such as qualifications or a working with children check, entities should clearly document these requirements in position description forms and these checks should also be part of the recruitment and monitoring processes.

Only Melville, Subiaco and Dundas had policies for verifying employee identity and credentials. Although the policies for these entities covered most requirements, there is scope for them to be improved by mandating a 100-point identity check and requiring periodic checking of staff for changes in their circumstances which may impact their employment.

It is important that recruitment policies and related documentation provide clear guidance to staff on instances where criminal background or working with children checks are required for the position. As noted in our 2015 report, criminal background checks are important for many positions, but not necessarily every position. Each entity needs to consider the need for criminal background or working with children checks based on the duties and risks of the position and the requirements of legislation.<sup>1</sup>

While the majority of entities did not have specific policies and procedures for verifying employee identity and credentials, several had included the requirement for criminal background checks in position description forms. However, at Boyup Brook, Coolgardie and Williams, there was no requirement to perform criminal background checks for important positions. For certain positions, such as senior officers who approve key transactions and positions involving procurement, finance, human resource management and information system management, there should be some level of criminal background checks for potential employees.

Circumstances of individual employees can change over time, and it is therefore important that policies and procedures include requirements to monitor existing employees. This can include, where appropriate, periodic criminal background checks and requesting evidence that staff have maintained their essential qualifications. It is also good practice to require annual declarations from employees advising of any changes in their circumstances.

For the 3 entities with policies for verifying employee identity, only Melville's policy required periodic criminal background checks for positions requiring a criminal background check. In addition, none of the policies required employees to make annual declarations about changes to their status.

---

<sup>1</sup> *Working with Children (Criminal Record Checking) Act 2004*



## There were many instances where staff identity or eligibility to work in Australia was not checked

It is essential to confirm the identity of all new employees. Australian Standard 4811-2006 'Employment Screening' regards this as an essential step in a recruitment process. This should be done prior to their commencement, preferably using a 100-point identity check. It is also important to verify that the potential employee has a right to work in Australia prior to engaging them in paid work.

From our sample of 306 employees, we found 81 instances (26%)<sup>2</sup> where there was no evidence that the entity checked the identity of the staff prior to employment. For a further 198 employees, across all 8 entities, the verification was inadequate because it fell short of the documentation needed for a 100-point check.

Of particular concern was the high percentage (89%) where there was no evidence of checking an applicant's eligibility to work in Australia. This shortcoming applied to every entity in our sample.

We found that most entities had identified the essential qualifications for positions, such as university degrees, first aid certificates or licenses, and clearly articulated these requirements in position description forms. For the regional entities in our sample, our testing confirmed that the entities were verifying that applicants held these essential qualifications prior to their employment. However, at Melville, Victoria Park and Subiaco, we found 54 instances (45%) where there was no evidence of this checking.

## Reference checks were not done for more than half the new employees we tested

Reference or referee reports are an important tool to verify claims made by potential employees about their employment history and experience, and to clarify any uncertainties. In some instances, the checks may reveal information about a potential employee that was not readily apparent from other checks and documentation. They provide useful information about the integrity of applicants and should be a mandatory step in all recruitment procedures.

Entities can perform reference checks in a number of ways, including phone calls, emails or pro-forma forms. While a minimum two reference checks from appropriate referees is advisable, this may not be necessary for all positions. For more senior positions and roles that have significant financial responsibility, two reference checks are highly recommended.

We sampled 153 employees recruited by the entities in the period between 1 July 2015 and 20 September 2018. For more than half our sample (79 employees across all entities), we found there was no evidence that a reference check was performed as part of the recruitment process.

Most of the entities we reviewed had assessed whether a criminal background check was required for the position. However, entities were not consistently performing criminal background checks in line with their policies or position description forms. In total, we found 63 instances at 5 entities<sup>3</sup> where a criminal background check was required, but there was no evidence that it was performed.

<sup>2</sup> City of Melville, City of Subiaco, Shire of Dundas, Town of Claremont, Town of Victoria Park

<sup>3</sup> City of Melville, City of Subiaco, Shire of Dundas, Town of Claremont and Town of Victoria Park

Criminal background checks, before commencement of employment and periodically thereafter, are an important way of identifying employees whose background may represent a risk to the entity, other employees or customers.

## **Some entities were not consistently obtaining working with children checks**

Because of the diverse nature of activities and functions performed by entities, there are a number of positions which involve working with vulnerable people in the community, such as children. The *Working with Children (Criminal Record Checking) Act 2004* and *Working with Children (Criminal Record Checking) Regulations 2005* require people engaged in 'child-related work' to have a working with children check card. While the requirements of the act may not apply to every position involving work with children, we believe it is good practice to perform these checks for these positions.

Melville, Claremont, Boyup Brook, Dundas and Williams had assessed the need for working with children checks and, based on our sample testing, were obtaining these checks as required. Subiaco, Coolgardie and Victoria Park had a small number of instances where management considered a working with children check was required, but there was no evidence that it was obtained.

## **Entities need to improve how they monitor existing employees for changes in their status**

If a position requires an employee to hold a licence, working with children check card, or a professional qualification, entities should regularly monitor whether employees continue to hold the required qualification/clearance. Similarly, if the position requires the employee to have a criminal background check, there should be periodic checks to ensure that there has not been a change in circumstances which could cause a risk to the entity, other employees and customers.

Only Boyup Brook and Melville had procedures in place to regularly monitor employees for all significant changes in their status. Consequently, there is a risk that the other entities may be unaware if there is a change in circumstance, such as a loss of licence, which would affect the employee's capacity to perform their duties.

## Recommendations

Public sector entities should:

1. have approved policies and procedures for verifying employee identity and credentials which cover:
  - using a 100-point identity check
  - criminal background checks, based on the risks associated with the position
  - periodic monitoring of existing employees
2. assess the positions which may require a criminal background or working with children check and ensure that these requirements are clearly documented in position description forms
3. for high risk positions, or positions where there is an ongoing requirement to hold a licence or professional qualification, obtain regular declarations from employees that there is no significant change in their circumstances
4. ensure that sufficient documentary evidence is obtained prior to appointment which supports an employee's
  - identification and right to work in Australia
  - professional qualifications and memberships
  - criminal background or capacity to work with children (where necessary)
5. perform appropriate referee checks for all potential employees and ensure that all employees' reference checks are retained in their employee or recruitment file
6. develop a procedure for monitoring the expiry dates of licences, certificates or working with children checks so that they can be followed up with the employee close to expiry date
7. perform periodic criminal background checks for positions which require it.

Under section 7.12A of the *Local Government Act 1995*, all sampled entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament and for publication on the entity's website. This action plan should address the points above, to the extent that they are relevant to their entity, as indicated in this report.

## Response from entities

The local government entities audited accepted the recommendations and confirmed that where relevant, they either have amended policies and practices or will improve human resource processes.

## Appendix 1: Better practice principles

The following table shows control principles on which our audit focused. They cover a number of practices and controls related to verifying employee identity and credentials which are also recommended in Australian Standard 4811-2006 'Employment Screening'. They are not intended to be an exhaustive list.

Verifying employee identity and credentials	Focus Area	What we expected to see
<b>Policy</b>	Policies and procedures	<ul style="list-style-type: none"> <li>Policy is in place which covers the verification process for all potential employees and the monitoring process for existing employees.</li> </ul>
	Risk Assessment	<ul style="list-style-type: none"> <li>Entities have assessed the risk associated with each position and determined whether a criminal background or working with children check is required.</li> <li>Position description forms clearly document the requirements of each position including any essential qualifications, licences and memberships and whether any criminal background or working with children checks are required.</li> </ul>
<b>Recruitment and Appointment</b>	Qualifications	<ul style="list-style-type: none"> <li>Entities verify essential qualifications, licences and memberships during the recruitment process.</li> </ul>
	Past Work History	<ul style="list-style-type: none"> <li>Referee/reference reports are obtained and reviewed as part of the selection process.</li> </ul>
	Identity and Right to Work	<ul style="list-style-type: none"> <li>Entities check the identity of successful applicants using a 100-point identification check.</li> <li>Entities confirm successful applicants' right to work in Australia by reviewing passports, visas and/or birth certificates.</li> </ul>
	Criminal Background checking	<ul style="list-style-type: none"> <li>Criminal background or working with children checks are obtained (where required) and reviewed by the entity.</li> </ul>
	Recordkeeping	<ul style="list-style-type: none"> <li>Entities retain documentation to demonstrate that they verified the potential employee's qualifications, past work history, identity, right to work in Australia and criminal background prior to the start date.</li> </ul>
<b>Monitoring of Existing Employees</b>	Declarations	<ul style="list-style-type: none"> <li>Employees provide an annual declaration to advise whether there has been a significant change in their circumstance which could impact their employment.</li> </ul>
	Review	<ul style="list-style-type: none"> <li>Entities monitor the expiry date of essential qualifications/licences and follow up with employees close to the expiry date.</li> <li>Where criminal background checks are required for the position, they are re-performed on a periodic basis.</li> </ul>

Source: OAG based on Australian Standard AS 4811-2016 'Employment Screening'

## Auditor General's Reports

Report number	Reports	Date tabled
23	Improving Aboriginal Children's Ear Health	12 June 2019
22	Opinions on Ministerial Notifications	5 June 2019
21	Engaging Consultants to Provide Strategic Advice	5 June 2019
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# **Standing Committee (Audit and Risk)**

**Item 11.6 refers**

## **Attachment 5**

### **Report of the Inquiry into the City of Melville**





Department of  
Local Government, Sport  
and Cultural Industries

# Report of the Inquiry into the City of Melville

Authorised Inquiry under Part 8 Division 1  
of the *Local Government Act 1995* (WA)

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## 1. Introduction

1. The City of Melville sits upon the shore of the Swan River in Perth, Western Australia. It is home to 102,252 people made up of 69,846 electors, living in 41,262 dwellings.
2. The community is represented by a Mayor and 12 Elected Members, voted by residents in four year terms. Elected Members (also known as Councillors and Mayor) represent residents across six wards.
3. The City of Melville covers the suburbs of Alfred Cove, Applecross, Ardross, Attadale, Bateman, Bicton, Booragoon, Brentwood, Bull Creek, Kardinya, Leeming, Melville, Mount Pleasant, Murdoch, Myaree, Palmyra, Willagee and Winthrop.
4. Section 8.3 of the *Local Government Act 1995* (the **Act**) gives the Director General of the Department of Local Government, Sport and Cultural Industries (the **Department**) the authority to inquire into all local governments and their operations and affairs.
5. The Director General may, by written authorisation, authorise a person to inquire into and report on any aspect of a local government or its operations or affairs.
6. On 30 November 2017, the Director General of the Department authorised an inquiry in accordance with section 8.3(2) of the Act. The Terms of Reference directed the inquiry to the following aspects of the City of Melville (City) and its operations and affairs beginning 1 January 2015:
  1. Council's relationship with the City of Melville administration
  2. the adequacy of Council's Policies and Procedures, including, but not limited to:
    - a. the manner in which the City and Council deal with complaints from members of the public
    - b. management of public question time
    - c. public access to information, and
    - d. adherence to Council policies and procedures by the Council and City of Melville administration
  3. Acquisition of land
  4. Any other issues that are determined to be of relevance to the above.
7. This report on the outcome of the Department's inquiry has been compiled in accordance with section 8.13 of the Act by officers of the Department who were authorised to conduct the inquiry (the **Authorised Persons**).
8. In order to perform their functions, the Authorised Persons issued 13 directions to the City under section 8.5 of the Act to provide documents, information or property. The City complied with each of those directions.
9. Four of the directions, issued to the City on 4 and 6 April 2018, required one member of Council and three City staff members to participate in formal records of interview as per section 8.5(a) and (b) of the Act. All required persons complied with this direction and interviews took place on 10, 11 and 20 April 2018. Other persons were informally interviewed during the course of this investigation.
10. The current CEO, Executive Manager Governance and Legal Services, Mayor Russell Aubrey and other councillors both past and present were given an opportunity to comment on this report in draft form before it was finalised. A number of other persons potentially affected by the report were also given relevant parts of it so as they too had an opportunity to comment. Those submissions submitted were considered by the Authorised Persons and form part of this report.
11. A number of persons requested extensions of time to compile a response to this report which were given. The last response was provided to the Authorised Persons on 5 March 2019.

## 2. Statutory framework

12. The Act and associated local government regulations set out the framework for the administration and financial management of local government.
13. Extracts from the *Local Government Act 1995* and associated legislation have been extensively reproduced as it was identified during the investigation that a number of members of the public were not familiar with the legislation applicable to the administration, governance and management of a local government.
14. Division 2, Section 2.5 states “Local governments created as bodies corporate”. Local governments are also deemed to be capable of making decisions in the best interests of its community which on occasions may not reflect the opinions of all residents.
15. The Act and regulations define the roles and responsibilities of the Council, Mayor, Councillors and the Chief Executive Officer (CEO). Relevantly, the Act provides:

### ***2.7. Role of council***

#### *1. The council —*

- a. *governs the local government’s affairs; and*
- b. *is responsible for the performance of the local government’s functions .*

#### *2. Without limiting subsection (1), the council is to —*

- a. *oversee the allocation of the local government’s finances and resources; and*
- b. *determine the local government’s policies.*

### ***2.8. Role of mayor or president***

#### *1. The mayor or president —*

- a. *presides at meetings in accordance with this Act; and*
- b. *provides leadership and guidance to the community in the district; and*
- c. *carries out civic and ceremonial duties on behalf of the local government; and*
- d. *speaks on behalf of the local government; and*
- e. *performs such other functions as are given to the mayor or president by this Act or any other written law; and*
- f. *liaises with the CEO on the local government’s affairs and the performance of its functions.*

#### *2. Section 2.10 applies to a councillor who is also the mayor or president and extends to a mayor or president who is not a councillor.*

## 2.10. Role of councillors

*A councillor —*

- a. *represents the interests of electors, ratepayers and residents of the district; and*
  - b. *provides leadership and guidance to the community in the district; and*
  - c. *facilitates communication between the community and the council; and*
  - d. *participates in the local government's decision-making processes at council and committee meetings; and*
  - e. *performs such other functions as are given to a councillor by this Act or any other written law.*
16. It is important to note that individual elected members have no authority to make decisions or participate in the day-to-day operations of the local government. All authority sits with the Council and that authority is exercised by simple or majority decisions at formal council or committee meetings.
17. As the Mayor and councillors are not involved in operational matters, each local government employs a CEO and other staff for the purposes of day-to-day running of the local government. The CEO is appointed by Council and is the link between Councillors and local government staff. All other local government staff report to the CEO. The Act provides:

### 5.41 Functions of CEO

*The CEO's functions are to —*

- a. *advise the council in relation to the functions of a local government under this Act and other written laws; and*
- b. *ensure that advice and information is available to the council so that informed decisions can be made; and*
- c. *cause council decisions to be implemented; and*
- d. *manage the day to day operations of the local government; and*
- e. *liaise with the mayor or president on the local government's affairs and the performance of the local government's functions; and*
- f. *speak on behalf of the local government if the mayor or president agrees; and*
- g. *be responsible for the employment, management, supervision, direction and dismissal of other employees (subject to section 5.37(2) in relation to senior employees); and*
- h. *ensure that records and documents of the local government are properly kept for the purposes of this Act and any other written law; and*
- i. *perform any other function specified or delegated by the local government or imposed under this Act or any other written law as a function to be performed by the CEO.*

18. Section 5.42 of the Act allows a council to delegate in writing to the CEO the exercise of its powers or the discharge of its duties, subject to some exceptions (e.g. borrowing money, decisions requiring an absolute majority of council members, appointing an auditor).
19. The role of local government staff is determined by the CEO. Section 5.44 of the Act allows the CEO to delegate in writing to any employee of the local government the exercise of any of the CEO's powers or the discharge of any of the CEO's duties, other than the power of delegation. With some qualifications, under section 5.44 the CEO is permitted to delegate a power or duty the exercise or discharge of which was delegated to the CEO by the Council under section 5.42 of the Act.
20. The Act stipulates the definition of a major land transaction and business case requirements.

### **3.59. Commercial enterprises by local governments**

#### *1. In this section —*

*acquire has a meaning that accords with the meaning of dispose;*

*dispose includes to sell, lease, or otherwise dispose of, whether absolutely or not; land transaction means an agreement, or several agreements for a common purpose, under which a local government is to —*

- a. *acquire or dispose of an interest in land; or*
- b. *develop land;*

*major land transaction means a land transaction other than an exempt land transaction if the total value of —*

- a. *the consideration under the transaction; and*
- b. *anything done by the local government for achieving the purpose of the transaction, is more, or is worth more, than the amount prescribed for the purposes of this definition;*

*major trading undertaking means a trading undertaking that —*

- a. *in the last completed financial year, involved; or*
- b. *in the current financial year or the financial year after the current financial year, is likely to involve,*

*expenditure by the local government of more than the amount prescribed for the purposes of this definition, except an exempt trading undertaking;*

*trading undertaking means an activity carried on by a local government with a view to producing profit to it, or any other activity carried on by it that is of a kind prescribed for the purposes of this definition, but does not include anything referred to in paragraph (a) or (b) of the definition of land transaction.*

2. *Before it —*

- a. *commences a major trading undertaking; or*
- b. *enters into a major land transaction; or*
- c. *enters into a land transaction that is preparatory to entry into a major land transaction,*

*a local government is to prepare a business plan.*

3. *The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of —*

- a. *its expected effect on the provision of facilities and services by the local government; and*
- b. *its expected effect on other persons providing facilities and services in the district; and*
- c. *its expected financial effect on the local government; and*
- d. *its expected effect on matters referred to in the local government's current plan prepared under section 5.56; and*
- e. *the ability of the local government to manage the undertaking or the performance of the transaction; and*
- f. *any other matter prescribed for the purposes of this subsection.*

4. *The local government is to —*

- a. *give Statewide public notice stating that —*
  - i. *the local government proposes to commence the major trading undertaking or enter into the major land transaction described in the notice or into a land transaction that is preparatory to that major land transaction; and*
  - ii. *a copy of the business plan may be inspected or obtained at any place specified in the notice; and*
  - iii. *submissions about the proposed undertaking or transaction may be made to the local government before a day to be specified in the notice, being a day that is not less than 6 weeks after the notice is given;*

*and*

- b. *make a copy of the business plan available for public inspection in accordance with the notice.*

5. *After the last day for submissions, the local government is to consider any submissions made and may decide\* to proceed with the undertaking or transaction as proposed or so that it is not significantly different from what was proposed.*

*\* Absolute majority required.*



5a. A notice under subsection (4) is also to be published and exhibited as if it were a local public notice.

6. If the local government wishes to commence an undertaking or transaction that is significantly different from what was proposed it can only do so after it has complied with this section in respect of its new proposal.

7. The local government can only commence the undertaking or enter into the transaction with the approval of the Minister if it is of a kind for which the regulations require the Minister's approval.

8. A local government can only continue carrying on a trading undertaking after it has become a major trading undertaking if it has complied with the requirements of this section that apply to commencing a major trading undertaking, and for the purpose of applying this section in that case a reference in it to commencing the undertaking includes a reference to continuing the undertaking.

9. A local government can only enter into an agreement, or do anything else, as a result of which a land transaction would become a major land transaction if it has complied with the requirements of this section that apply to entering into a major land transaction, and for the purpose of applying this section in that case a reference in it to entering into the transaction includes a reference to doing anything that would result in the transaction becoming a major land transaction.

10. For the purposes of this section, regulations may —

- a. prescribe any land transaction to be an exempt land transaction;
- b. prescribe any trading undertaking to be an exempt trading undertaking.

21. The Act provides a list of information that is to be made available for the public to inspect.

#### **5.94. Public can inspect certain local government information**

A person can attend the office of a local government during office hours and, unless it would be contrary to section 5.95, inspect, free of charge, in the form or medium in which it is held by the local government and whether or not it is current at the time of inspection —

- a. any code of conduct;
  - aa. any regulations prescribing rules of conduct of council members referred to in section 5.104;
  - ab. any register of complaints referred to in section 5.121;
- b. any register of financial interests;
- c. any annual report;
- d. any annual budget;
- e. any schedule of fees and charges;
- f. any plan for the future of the district made in accordance with section 5.56;

- g. *any proposed local law of which the local government has given Statewide public notice under section 3.12(3);*
- h. *any local law made by the local government in accordance with section 3.12;*
- i. *any regulations made by the Governor under section 9.60 that operate as if they were local laws of the local government;*
- j. *any text that —*
  - i. *is adopted (whether directly or indirectly) by a local law of the local government or by a regulation that is to operate as if it were a local law of the local government; or*
  - ii. *would be adopted by a proposed local law of which the local government has given Statewide public notice under section 3.12(3);*
- k. *any subsidiary legislation made or adopted by the local government under any written law other than under this Act;*
- l. *any written law having a provision in respect of which the local government has a power or duty to enforce;*
- m. *any rates record;*
- n. *any confirmed minutes of council or committee meetings;*
- o. *any minutes of electors' meetings;*
- p. *any notice papers and agenda relating to any council or committee meeting and reports and other documents that have been —*
  - i. *tabled at a council or committee meeting; or*
  - ii. *produced by the local government or a committee for presentation at a council or committee meeting and which have been presented at the meeting;*
- q. *any report of a review of a local law prepared under section 3.16(3);*
- r. *any business plan prepared under section 3.59;*
- s. *any register of owners and occupiers under section 4.32(6) and electoral rolls;*
- t. *any contract under section 5.39 and variation of such contract;*
- u. *such other information relating to the local government —*
  - i. *required by a provision of this Act to be available for public inspection; or*
  - ii. *as may be prescribed.*

### **5.95. Limits on right to inspect local government information**

1. A person's right to inspect information referred to in section 5.94 does not extend to the inspection of information —
  - a. which is not current at the time of inspection; and
  - b. which, in the CEO's opinion, would divert a substantial and unreasonable portion of the local government's resources away from its other functions.
2. A person's right to inspect information referred to in section 5.94 does not extend to the inspection of information referred to in paragraph (m), (n), (p) or (u) of that section if the information relates to any debt owed to the local government by a person other than the first mentioned person.
3. Subject to subsection (4), a person's right to inspect information referred to in section 5.94 does not extend to the inspection of information referred to in paragraph (n) or (p) of that section if the meeting or that part of the meeting to which the information refers —
  - a. was closed to members of the public; or
  - b. in the CEO's opinion, could have been closed to members of the public but was not closed.
4. Subsection (3) does not apply in relation to information —
  - a. that is a record of the decisions made at a meeting of a council, a committee or electors; or
  - b. of a kind prescribed as being information that can be inspected by members of the public despite subsection (3).
5. A person's right to inspect information referred to in section 5.94 does not extend to the inspection of information referred to in paragraph (t) of that section if —
  - a. the information relates to a matter other than the salary or the remuneration or benefits payable under the contract; and
  - b. the information is prescribed as being of a private nature.
6. Subject to subsection (7), a person's right to inspect information referred to in section 5.94 does not extend to the inspection of information —
  - a. referred to in a paragraph of that section that is prescribed as being confidential information for the purposes of this subsection; or
  - b. referred to in that section of a type prescribed as confidential for the purposes of this subsection,

for the period of time prescribed in relation to the information.
7. Subsection (6) does not apply in respect of information in relation to a local government if —
  - a. the information is prescribed as information that is confidential but that

*may be available for inspection if the local government so resolves; and*

- b. *the local government has resolved that the information is to be available for inspection.*

8. *A person's right to inspect information referred to in section 5.94 does not extend to the inspection of information referred to in paragraph (m) of that section if the information is information that has been omitted by regulations made under section 4.38 from the electoral roll for the protection of an elector or his or her family.*

### **5.96. Copies of information to be available**

*If a person can inspect certain information under this Division, the person may request a copy of the information and, unless regulations prescribe otherwise, the local government is to ensure that copies are available and that the price at which it sells copies does not exceed the cost of providing the copies.*

- 22. The Act stipulates provisions for public question time.

### **5.24. Question time for public**

1. Time is to be allocated for questions to be raised by members of the public and responded to at —

- a. every ordinary meeting of a council; and
- b. such other meetings of councils or committees as may be prescribed.

2. Procedures and the minimum time to be allocated for the asking of and responding to questions raised by members of the public at council or committee meetings are to be in accordance with regulations.

- 23. The Local Government (Administration) Regulations 1996 (**Administration Regulations**) provide requirements for local governments to facilitate public question time during selected meetings of Council.

### **5. Question time for public, meetings that require prescribed (Act s. 5.24)**

For the purposes of section 5.24(1)(b), the meetings at which time is to be allocated for questions to be raised by members of the public and responded to are —

- a. every special meeting of a council;
- b. every meeting of a committee to which the local government has delegated a power or duty.

### **6. Question time for public, minimum time for (Act s. 5.24(2))**

1. *The minimum time to be allocated for the asking of and responding to questions raised by members of the public at ordinary meetings of councils and meetings referred to in regulation 5 is 15 minutes.*

2. *Once all the questions raised by members of the public have been asked and responded to at a meeting referred to in subregulation (1), nothing in these regulations prevents the unused part of the minimum question time period from being used for other matters.*

## **7. Question time for public, procedure for (Act s. 5.24(2))**

1. *Procedures for the asking of and responding to questions raised by members of the public at a meeting referred to in regulation 6(1) are to be determined —*

- a. *by the person presiding at the meeting; or*
- b. *in the case where the majority of members of the council or committee present at the meeting disagree with the person presiding, by the majority of those members,*

*having regard to the requirements of subregulations (2), (3) and (5).*

2. *The time allocated to the asking of and responding to questions raised by members of the public at a meeting referred to in regulation 6(1) is to precede the discussion of any matter that requires a decision to be made by the council or the committee, as the case may be.*

3. *Each member of the public who wishes to ask a question at a meeting referred to in regulation 6(1) is to be given an equal and fair opportunity to ask the question and receive a response.*

4. *Nothing in subregulation (3) requires —*

- a. *a council to answer a question that does not relate to a matter affecting the local government; or*
- b. *a council at a special meeting to answer a question that does not relate to the purpose of the meeting; or*
- c. *a committee to answer a question that does not relate to a function of the committee.*

5. *If, during the time allocated for questions to be raised by members of the public and responded to, a question relating to a matter in which a relevant person has an interest, as referred to in section 5.60, is directed to the relevant person, the relevant person is to —*

- a. *declare that he or she has an interest in the matter; and*
- b. *allow another person to respond to the question.*

### 3. Inquiry findings into the City's Management of Public Question Time

24. Complaints, concerns and criticisms of the City's management of public question time were sent to the Department. There were allegations that the City did not answer questions submitted to Council. During the inquiry period, the City's processes in relation to public question time were reviewed and subsequently explored in depth with relevant findings set out below:

#### 3.1 Adequacy of Council's Public Question Time Policy

25. In accordance with section 5.24 of the Act, time is to be allocated for questions to be raised by members of the public and responded to at every ordinary meeting of a council, and such other meetings of councils or committee as may be prescribed. The procedures and minimum time to be allocated for the asking of and responding to questions raised by members of the public at council or committee meetings are to be in accordance with regulations.
26. Regulations 5, 6 and 7 of the Local Government (**Administration**) Regulations 1996
27. *City Policy CP-014 – Question Time at Committee and Council Meetings (CP-014)*. The City's Policy CP-014 provides a generalised process for submitting questions to Council.
28. In relation to submitting questions, the Policy states:
- In accordance with the Act and Regulations, the minimum time of fifteen minutes will be allocated at the commencement of a meeting prior to the debate of any matter that requires a decision to be made by the Council or the Committee.
  - For the purposes of ensuring that question time is conducted in an orderly and effective manner and to ensure an accurate record of the questions are maintained, questions are to be submitted in writing prior to the commencement of Question Time.
  - The Presiding Member may accept or reject the question, or determine that any complex questions requiring research, be answered in writing following the meeting and included in the Minutes.
  - Questions raised at Committee or Special Meetings of Council must relate to matters relating to the purposes of the meeting or a function of the Committee.
  - In consideration of the limited time available for Question Time, the Presiding Member may limit the amount of questions raised by an individual member of public in order to enable other members of the public to have an equal opportunity to ask their question/s.
29. The City's policy also expressly acknowledges that:

*"Council recognises that Agenda Briefing Forums, as currently structured, are not prescribed meetings within the meaning of the Local Government Act in respect to the matter of Public Question Time. Council, as a matter of policy, allows a public question time at its Agenda Briefing Forums subject to the following requirements;".....*

**Finding 1:** City of Melville policy CP-014 provides some overarching principles, the Authorised Persons considered the Policy at the time of this investigation lacked clear directives that are readily understandable by members of the public, Council and the City.



### 3.2 Adequacy of City's Meeting Procedures regarding Public Questioning Time

30. As of 21 July 2017, the Meeting Procedures Local Law 2017 (Meeting Procedures 2017) came into effect which also addresses Public Question Time under Part 7- Public Participation.
31. The City's previous Meeting Procedures – City of Melville Standing Orders Local Laws 2003 (which did not previously address procedures for questions time) were repealed when the Meeting Procedures Local Law 2017 came into effect.
32. The purpose and effect of the Meeting Procedures 2017 are stated as follows;
  - The Meeting Procedures provide rules for the conduct of meetings of the Council, committee and electors.
  - These Meeting Procedures are intended to result in-
    - Better decision making by the Council and committees;
    - The orderly conduct of meetings dealing with Council business;
    - Better understanding of the process of conducting meetings; and
    - The more efficient and effective use of time at meetings.
33. Under Part 7.8 – *Other procedures for question time for the public*, the Meeting Procedures 2017 states the following points:
  - A member of the public who wishes to ask a question at a meeting, must before the commencement of the meeting submit their question in writing, on the form provided by the local government, to the CEO or his or her representative.
  - The completed form must include-
    - the name and residential or contact address for the person who wishes to ask the question; and
    - the question in a concise and legible form.
  - Unless the presiding member determines otherwise, a question of which prior written notice has been given to the CEO is to be given priority in question time.
  - A question may be taken on notice by the Council for later response.
  - When a question is taken on notice, the CEO is to ensure that –
    - a written response is given to the person who asked the question; and
    - a summary of the response is included in the minutes of the meeting.
  - The presiding member may decide that a question is not to be responded to where –
    - the same or similar question was asked at a previous meeting, a response was provided and the member of the public is directed to the minutes of the meeting at which the response was provided;
    - it is in the form of a statement, provided that the presiding member has taken all reasonable steps to assist the member of the public to rephrase the statement as a question; or
    - the question is offensive or defamatory in nature, or is one, which, if asked by a Member, would be in breach of these Meeting Procedures or any other law.
  - Where an answer to a question is given at a meeting, a summary of the question and the answer is to be included in the minutes.
  - The presiding member may decide that the Council is not required to answer a question that in the opinion of the presiding member is vexatious, frivolous or has been asked to cause detriment to a Council Member or employee, or is insulting or harmful to the Council Member or employee's reputation.

**Finding 2:** The Meeting Procedures 2017 provide more structure than the City's previous policy around the procedures to be undertaken for public question time and therefore is considered adequate at this time.

### 3.3 Circumstances surrounding increased number of questions submitted to Council

34. The City provided the following information demonstrating the increase in questions submitted to Council.

Year	2014	2015	2016	2017
Total questions	131	257	297	737
Ordinary Meeting	80	101	161	461
Special Meeting	19	0	34	60
Agenda Briefing	5	24	36	36
Annual Electors	27	108	42	56
Special Electors	0	24	24	115
Committee	The City advised that they do not have any committees with delegated powers, therefore Committee meetings are not open to the public and do not have public question time.			

Table of questions submitted by members of public to the Council.

35. In November 2016, the City sought legal advice from the City's solicitors. The CEO, during a Record of Interview, explained the reason for seeking this legal advice was to manage the increase in questions during public question time and the impact it was having on the City's resources. The CEO expressed concerns that the City has to balance their resources attending to 107,000 other residents of the City and provide appropriate answers in response to the quantity of questions submitted.
36. On 30 November 2016, the City received legal advice, upon which the City and Council acted upon soon after it was received by adopting the procedure set out below.
37. Questions submitted to Council are received by the City's Governance Team and a determination is made as to whether the questions submitted are for the Council or the administration. Questions for Council are answered by the Mayor prior to the meeting with the assistance of the administration. Those questions are read out and responded to at the meeting and recorded in the minutes.
38. Questions for the administration are distributed to the relevant Directors in the City for responses. The administration then responds to the questions in writing, which can occur before or after the Council meeting, and these responses are not recorded within the minutes of the meeting. The City advised that, in accordance with legal advice that the City has received, the questions submitted to Council that have been determined to be for the administration, are not required to be recorded in the minutes as per regulation 11(e) of the Administration Regulations.
39. The Council did not update policy CP-014, Meeting Procedures or work instructions, nor did the City provide any advice on its website that suggested that the Council/City had



changed the way it in which it managed public question time. The CEO advised the method of managing question time as per received legal advice was in 'test mode' and therefore the policy CP-014, Meeting Procedures and work instructions did not require updating.

40. Following the Ordinary Meeting of Council held on 19 September 2017, Complainant A sought an explanation from the City as to how the questions were and will be handled. The response provided by the City was vague and did not specifically communicate the City's reasons and adoption of a new method being trialled to manage public question time.
41. The explanation provided was not open and transparent and could have been an opportunity for the City to explain why and how the City handles questions, which has been a result of many concerns submitted to the Department.
42. Following two record of interviews with City staff, the City provided some communication regarding its current management of public question time on the City's website. Whilst the Authorised Inquiry was on foot, Council decided to review its policy CP-014 and implemented a new policy on 18 December 2018.

**Finding 3:** The City and Council were not open and transparent regarding the current management of public question time by failing to advise the community of a change in the City's policy.

### 3.4 Allegations regarding breaches of legislation concerning Public Question Time

43. Pursuant to section 5.24 of the Act and regulation 5 of the Administration Regulations, time is to be allocated for questions to be raised by members of the public and responded to at every ordinary meeting of council, every special meeting of a council and every meeting of a committee to which the local government has delegated a power or duty.
44. There were complaints received by the Department from members of the public alleging that questions were not answered by Council.
45. Evidence from the City was obtained by Authorised Persons which confirmed that all questions submitted were responded to by the City. The questions referred to were deemed administrative in nature and therefore responded to in writing by the Administration in the days or weeks following the Council meeting and not recorded in the minutes of the meeting as per the City's legal advice.
46. Some questions directed to the administration were not answered as they would divert a substantial and unreasonable portion of the City's resources away from its other functions, which is permitted for under section 5.95 of the Act.

**Finding 4:** The allegations that Council failed to respond to all questions is unsubstantiated as questions were answered in writing but not recorded in the minutes.

47. It was alleged that on one occasion, the Mayor, as the Presiding Member at the Ordinary Meeting of Council on 19 September 2017, re-opened public question time after discussion of the matter that required a decision by Council, and thereby failed to comply with regulation 7(2) of the Administration Regulations.
48. The Authorised Persons have established that in this instance the Mayor only discovered the question before him after discussion and a decision was made on one matter following public question time. In order to comply with regulation 7(2), this question should have been taken on notice and responded to in writing.

**Finding 5:** The Presiding Member did not comply with regulation 7(2) of the Administration Regulations.

49. Members of the public often include long preambles to their questions and allege that the City does not read them out or include them in the minutes. Under regulation 11(e) of the Administration Regulations, the minutes only need to include a summary of each question raised by members of the public at the meeting and a summary of the response to the question.

**Finding 6:** There is no requirement under the Administration Regulations for the City to read preambles to questions during Council meetings, or to publish preambles to questions in the minutes provided by Council. Therefore no breach of the Administration Regulations has been identified.

### 3.5 Council's adherence to its policies and procedures regarding Public Question Time

50. The policy CP-014 adopted by Council on 18 October 2016 provides some general principles for Council to manage public question time. Although the City has undergone the "test mode" to try and manage the volume of questions submitted, the Council is technically compliant with their own policy.
51. The Meeting Procedures that came into effect on 21 July 2017, provides some further guidelines surrounding the management of public question time. The Council's current method is, in principle, compliant with the Meeting Procedures.
52. The City's internal procedure – *Public Question Time Forms for Council Meetings* provides some basic instructions for staff regarding the management of incoming questions. The Council's current management of question time is technically compliant with the City's internal procedure, however the City should ensure that all staff are aware of the current procedure.
53. It is understood at the time of writing this report that Council has reviewed CP-014 and is awaiting the findings of this inquiry before it is approved.

**Finding 7:** The City and Council are compliant with current policies and procedures. Those policies have now been updated to reflect the way in which public question time is currently managed in practice.

### 3.6 Volume of questions submitted to meetings

54. The Authorised Persons are unaware of any other Local Governments in Western Australia which have received a similar volume and complexity of questions from members of the public to that received by the City in recent years.
55. An example is one set of questions submitted by Complainant A for the Ordinary Meeting of Council on 19 September 2017.
56. On review of the questions submitted, it was calculated that a total of 76 specific questions were requested by the Complainant A in one submission.

57. In general the nature of the questions asked are questions that do not appear to relate to the functions of Council and would have been more appropriately directed to the administration and responded to in detail at a later date.
58. The City advised Complainant A that the information regarding the suppliers, which translates to approximately 60 questions, can be located publicly via minutes and through the City's websites. It is the Authorised Persons' view that this response is proportionate in relation to the amount of questions submitted.
59. This information provided by the City reflects the amount of questions submitted by a small minority, which are often complex and long in nature.
60. The inquiry notes that it is a person's democratic right to ask questions, however it has been highlighted by the City that it is required to manage its resources to ensure that answering questions does not divert an unreasonable proportion of the City's resources from the performance of its functions (s5.95 (1)(b) *Local Government Act 1995*).

**Finding 8:** It is the view of the Authorised Persons that the volume, frequency and complexity of questions submitted to Council by some organisations and individuals is extreme and it would be unreasonable to expect that all questions would be answered within the time permitted under the regulations.

## 4. Inquiry findings into City providing access to information

61. There were allegations regarding the City's adherence to legislation concerning the release of information requested by members of the public.

### 4.1 Information available for public inspection

62. A complaint regarding the City's alleged non-compliance with section 5.94 of the Act was received.
63. On 14 September 2017 at 8:27am, the Complainant A sent an email to the CEO requesting all information concerning the Council's Financial Management, Audit, Risk and Compliance, Government Committee (sic) meetings dating back to January 2012. This was to include notice papers, agendas, minutes, reports, presentation, and other documents that had been tabled at a Council or Committee meeting and/or produced by the City or the Committee. Unless directed otherwise, Complainant A requested this information to be put onto a CD for collection by one of their members by 10am the following day on 15 September 2017.
64. Section 5.94 of the Act allows for a person to attend the office of a local government during office hours (unless contrary to section 5.95) to inspect, free of charge, in the form or medium in which it is held by the local government and whether or not it is current at the time of inspection, the documents and information specified in section 5.94 of the Act.
65. Complainant A's request went beyond the scope of the right to access information under section 5.94, as it required the City to compile information and provide a copy of documents rather than merely seeking to inspect the information in the form or medium in which it was held by the City.
66. Although it is noted that the request to have almost six (6) years' worth of Committee Meeting minutes and associated paperwork downloaded onto a CD within one business day may not be reasonable Complainant A did advise they could be directed otherwise, however the City failed to follow up on this offer.

67. A summary of the correspondence between the City and the Complainant A is outlined below:
- At 12pm, the City (CEO) requested the Complainant A to advise of further details regarding Complainant A so that the City may consider its response.
  - At 3:39pm, the Complainant A responded to the City (CEO) and referred to section 5.94 of the Act.
  - At 8:50am on 15 September 2017, the City again requested the information sought in order to consider a response to the request.
  - At 9:34am, Complainant A wrote to the City requesting the City's reasons for its apparent obstruction/refusal to access to the requested information.
  - At 10:03am, the City invited Complainant A to advise if they have difficulty in responding to the question posed in an earlier email from the City (CEO).
68. The City advised that it has no record of the Complainant A attending the City's office and reviewing the requested documentation.
69. The City explained that its request for further information about Complainant A was a reasonable request, so that the person who would collect the CD from the City's office could be identified. Upon inquiry by the Authorised Officers, the City acknowledged that Complainant A's request for access to information could not be refused merely because further information about Complainant A was not provided.
70. As Complainant A's request went beyond the scope of the right conferred by section 5.94, the City did not act contrary to that section in failing to provide the information requested. However, this example is brought to the attention of the inquiry to highlight that the City could have engaged with Complainant A in a more professional approach.
71. In fact both parties could have been more open with their communication and reconciled their differences in order to achieve the desired result rather than be obstinate in relation to the matter.
72. The Authorised Persons are of the view that the City could have taken the opportunity in the first instance to explain to Complainant A the issues they had with the request as outlined below:
- a. why they sought the further information requested about Complainant A,
  - b. explain that their request did not come within the scope of section 5.94 of the Act,
  - c. explain that Complainant A could arrange an appointment at a time that suits all parties to inspect the information at the City's offices during office hours, or alternatively
  - d. if the City was happy to provide the information on a CD, advise Complainant A the time it will take to process their request.

**Finding 9:** There was no legislative basis for the City to request the identity of Complainant A office bearers prior to the processing of the request for information, and more professional and reasonable efforts should have been made by the City to facilitate this request through more effective means of communication.

**Finding 10:** Complainant A's request to have almost six (6) years' worth of information to be provided on a CD in one business day did not come within the scope of section 5.94 of the Act, and was also considered unreasonable in any event.

## 4.2 Freedom of Information (FOI)

73. Concerns from a Freedom of Information (FOI) applicant were raised regarding the City's handling of FOI requests. In particular, it was alleged that the City refused to provide information requested.
74. The Authorised Persons observed that applications received from the applicant were often very broad and requested a large amount of information. The City has often requested the FOI applicant narrow the scope of the application for access to documents in accordance with the *Freedom of Information Act 1992* (FOI Act).
75. Upon receipt of the City's decision regarding a FOI application, it was observed that the applicant generally requested an internal review of the decision. Upon internal review, the City can either affirm or amend the FOI officer's original decision and City advises that the internal review is conducted by the City's 'Internal Ombudsman' who also fulfils the role of Executive Manager Governance and Legal Services. The applicant often sent the internal reviewer's decision to the Information Commissioner for an external review as allowed for under the FOI Act.
76. Although numerous concerns regarding the City's compliance with the FOI Act have been received by the Department, it is not for the Department nor the inquiry to intervene or make determinations on the City's compliance with the FOI Act as this falls within the Information Commissioner's jurisdiction.

**Finding 11:** The Authorised Persons note that the City has clear processes regarding FOI requests. Any complaints regarding FOI should be sent to the appropriate oversight body being the Information Commissioner.

## 5. Inquiry findings into the City's complaint handling processes

### 5.1 Adequacy of Council's complaint handling policy

77. There is no legislative requirement under the Act for a local government to implement a policy to manage complaints. The City's Council adopted its current policy – *Complaints Management Policy* (CP-101) on 15 November 2016.
78. CP-101 provides the policy's objectives and scope and provides a definition of a complaint. It also includes a Policy Statement which provides the following principles:
  - a. Fairness and objectivity
  - b. Confidentiality
  - c. Data collection
  - d. Remedies and resolution of complaints
  - e. External review
  - f. Reporting to Council
79. The City also has a Customer Charter and Internal Procedure which are recognised by the Authorised Persons to be adequate frameworks.

### 5.2 City's adherence to Policies and Procedures

80. The City provided a register of complaints against City staff during the inquiry period from the City's complaints management system - Pathway. This register demonstrated that the City did action the complaints it received.
81. The Authorised Persons observed that the City appropriately recorded and processed complaints received through the Pathway system.

82. The Authorised Persons reviewed an example which concerned a complaint made by a member of the public to the Deputy Mayor.
83. It was observed that the matter was appropriately dealt with by the City as the following occurred:
  - a. Deputy Mayor asked the A/CEO to acknowledge the complaint which he did
  - b. The complainant replied requiring an independent person to respond
  - c. A/CEO referred him to Ombudsman
  - d. A/CEO asked a staff member to contact witnesses which he did
  - e. Statements were obtained from witness/member of public in attendance and an elected member
  - f. Executive Managers account given
  - g. File notes made of a meeting with the Director Urban Planning

### **5.3 The manner in which the City and Council deal with complaints**

84. Concerns regarding the way in which the City and Council deal with complaints were raised by some members of the public.
85. Complainant B has lodged several complaints that date back to 2012 regarding a personal issue with his property.
86. During the course of the inquiry the policy stated:

For the purposes of this policy, the following is not classified as customer feedback and are out of the scope of this policy:

- Feedback obtained during stakeholder and community engagement processes.
- Queries and requests for specific information.
- Requests for a direct service.
- Matters currently being dealt with or have been previously dealt with by a court, tribunal or external complaints agency.
- Matters that have already been subjected to an Internal review and an outcome has been determined.

87. It is the Authorised Persons belief that the City could convey the contents of its policy to complainants when corresponding to complaints that fit the scope of said policy. This would allow a better understanding of the reasons why some complaints were not dealt with.
88. It was observed that Complainant B sends a large amount of correspondence titled 'COMPLAINT' to the City and the Mayor. (see table at para 102)
89. Attempts have been made by the City to restrict the amount of ongoing complaints received from a small number of individuals.
90. For instance, on 1 April 2015, the CEO wrote to Complainant C advising him that the City has expended extensive resources in addressing his personal requests without new matters being raised. Complainant C was advised that the City will not engage in further correspondence with him on these matters which are regarded as concluded.
91. On 12 November 2015, the CEO wrote to Complainant B advising him that the City has dealt with him regarding a number of issues, such as:
  - a. Instability of dividing masonry fence between his property and a neighbour
  - b. Encroachment of the same fence as well as the retaining wall that supports the fence



- c. The levels of development at complainants property
  - d. Complaints of misconduct levelled against City Officers to Elected Members and various agencies
  - e. Allegations of misfeasance and non-compliance with pool fencing requirements by his neighbour and the City's actions relating thereto
  - f. Allegations against the City and City's officers of non-compliance with orders by the Magistrate's Court and State Administrative Tribunal to produce documents.
92. The CEO highlighted in his correspondence that Complainant B was evidently well aware of his legal rights and had already raised most of these matters with the following agencies:
- a. Department of Local Government and Communities (DLGC)
  - b. State Administrative Tribunal (SAT)
  - c. Federal and State Members of Parliament
  - d. Premier Barnett
  - e. Mayor and Elected Members of the City
  - f. Corruption and Crime Commission (CCC)
  - g. Public Sector Commission (PSC)
  - h. Ombudsman of WA
  - i. Building Commission
93. The CEO acknowledged that the City was currently dealing with Complainant B's issues:
- a. Application to the SAT for a review of the City's decision relating to his building licence
  - b. The City's prosecution against him in the Magistrate's Court
  - c. Complainant B's review application to the FOI Commissioner
94. The CEO acknowledged that the City will continue to deal with these three matters, as directed by the three relevant agencies. He further acknowledged that the City would deal with him on any new matter; however the CEO advised that he has directed his staff to only do so in writing.
95. The CEO provided the following reasons for those restrictions, and for deeming Complainant B to be an unreasonable complainant:
- a. Complainant B's behaviour had become so habitual, obsessive or intimidating that it constituted an unreasonable demand on City's resources
  - b. The CEO was satisfied that the City had dealt with Complainant B's issues and complaints correctly and that no material element of the complaints have been overlooked or inadequately addressed
  - c. All internal review procedures have been exhausted.
96. On 21 April 2017, the CEO wrote to Complainant D acknowledging a number of emails from him relating to his various allegations of misconduct by the Mayor, Elected Members and a number of officers. The CEO advised him that the City and the Mayor would no longer respond to any further correspondence from him relating to past or future allegations concerning elected members and/or officers. He also advised that any correspondence received would be replied to with a comment of 'noted' and filed in the City's records management system. The CEO reiterated that Complainant D could report allegations to appropriate bodies.
97. The CEO further advised Complainant D that the City would continue to interact with him on any matters that did not relate to allegations of misconduct or improper behaviours.

98. In an attempt to resolve the significant amount of incoming correspondence from persons or organisations who directed their correspondence to several City staff officers, the City implemented a system whereby emails from these persons or organisations sent to City staff were centralised to one inbox. The City explained this was a matter of document control to ensure that the issues raised by these persons had been responded to, and that their requests were been managed appropriately by the City.
99. The City provided information to the inquiry that in a one month period (18 April 2018 to 17 May 2018), 94 pieces of incoming correspondence were received from only four persons.
100. The City has confirmed that emails sent to Councillors are not centralised and go directly to the Councillors. All 4 persons who participated in formal ROIs stated emails to Councillors go directly to them and were not stopped by City.
101. The Authorised Persons do not take issue with the way in which the City manages incoming correspondence. However we believe that it would be in the City's best interest if the parties involved were advised that their correspondence would be managed this way and the reasons why were explained to the involved parties to save suspicion and confusion.
102. It is acknowledged that the City is not obliged to explain the internal workings of its processes to manage any incoming correspondence from members of the public. The City stated they did not feel they needed to as the requests from these members of the public would still get answered, and how the City operates in order to provide that answer was not in the interest of the complainants.
103. However, the Authorised Persons believe that communicating the City's reasons for implementing the system and how it operates would have assisted in extinguishing suspicions that the City was trying to hide something.
104. It is acknowledged that the City attempted to communicate ways of managing incoming correspondence from these persons. However, because the City's recent decision was not communicated to Complainant A, the issue was then raised at public question time at the Ordinary Meeting of Council on 20 March 2018.
105. The following question was asked by the Complainant A:

*We have reason to believe the City of Melville administration has screened and is still screening inbound emails and on forwarding emails from Electors and entities to others within the City such as the Mayor and the Executive Manager Governance & Legal Services, please confirm:*

*A) If all councillors are fully aware that their emails are being Screened and on-forwarded;*

*B) When the screening and on-forwarding practise was introduced, why, and who approved it;*

*C) Which Electors and entities have had active alerts and who are those emails on-forwarded to; and*

*D) Does the City apply this same practise to any of its staff?*

#### Response

Emails are not being screened and on forwarded.



106. After the City was questioned on the matter, the City provided an amended response which has been included in the minutes of the 20 March 2018 Ordinary Meeting of Council.

“Amended Response

In response to questions A and B, these are not applicable as emails are not being screened and on forwarded.

In response to question C, the City may decide on the basis of operational criteria that correspondence of a specified class may be managed most effectively by being collated and referred to an appropriate staff member for a response. It would be inappropriate for the City to publish the identities of correspondents to whom this management procedure may apply at any particular time.

The response to question D is no.”

**Finding 12:** It is the Authorised Person’s view that the City should be more open and transparent with each piece of correspondence. Whatever the status of the correspondence, the way in which it is dealt with should be clearly explained to the author.

#### 5.4 Escalation of complaints, not allowing time for City to respond

107. In reviewing incoming correspondence, the Authorised Persons observed that certain individuals and organisations appear to expect that their complaints will be dealt with immediately by the City. If not addressed by the City in an expedient manner, these individuals and organisations appear to go to the Mayor and then the Deputy Mayor alleging that the Mayor is unwilling or unable to perform his functions as mayor (section 5.34 of the Act).
108. The referral of complaints to the Deputy Mayor has been a continual theme during this investigation. Complainants, in almost all circumstances, do not understand that the Mayor is required to formally refer matters to the Deputy Mayor. For the complainant to declare the Mayor is unwilling or unable to deal with a complaint under the Act only shows there is a misinterpretation of legislation.
109. One complainant often alleges that several staff and councillors of the City have real or perceived conflicts of interests. He often requests an independent person to review his request/complaint however this is sometimes difficult. An example of this is on one occasion this particular complainant alleged 12 people from the City’s administration were conflicted.
110. That same complainant often sends complaints to personal/work emails of Councillors rather than follow the appropriate process of emailing the city.
111. The Mayor raised concerns during the ROI that when a complaint from Complainant A is received, he must maintain confidentiality as per policy CP-101, and often initially requests the Complainant A reveal the identity of the person making the complaint and under what authority Complainant A has delegated that person to represent the Organisation.
112. The Mayor acknowledged that the City has received legal advice which confirms he as Mayor is obliged to respond, however he expressed his caution in responding to Complainant A, due to previous dealings with them.

**Finding 13:** That the Mayor and/or the City of Melville failed to respond to requests from individuals or organisations based on the status of the organisation or individual until such time legal advice had been provided to them therefore breaching s5.96 of the LG Act.

## 6. Land Acquisition

113. Concerns were raised regarding Council's decision to purchase properties contained within the Canning Bridge Activity Centre (CBAC). It was alleged that the purchase of the properties constituted a major land transaction, and concerns were raised as to whether the City had Council's authority to purchase a property.

### 6.1 Purchase of 27A, B and C Moreau Mews, Applecross

114. Prior to 2016, the City owned 29 Moreau Mews, Applecross which was purchased approximately 20 years ago and 31 Moreau Mews which was purchased on approximately 24 December 2015.
115. Following the Agenda Briefing Forum on 2 February 2016, an Elected Member raised concerns regarding item P16/3689 – *Purchase of Applecross Strategic Properties* that would be considered at a Special Meeting of Council the following day on 3 February 2016.
116. Confidential item P16/3689 sought Council's approval to purchase a strata triplex property 27 A, B and C Moreau Mews, Applecross and 50-52 Kishorn Road, Applecross, should it become available in the future.
117. The concerns raised by an Elected Member was whether the purchase of the properties constituted a major land transaction as per section 3.59 of the Act and therefore require a business case.
118. The City sought urgent legal advice from their solicitors regarding the Elected Member's concerns. That legal advice was received by the City prior to the Special Meeting of Council on 3 February 2016.
119. The legal advice confirmed the City's assertions that the purchase of the properties 27A, B and C Moreau Mews and pre-approval to purchase 50-52 Kishorn Road, Applecross in the future should it become available, did not constitute a major land transaction as per section 3.59 of the Act.
120. Despite receiving legal advice which confirmed the City's stance that the purchase of 27 A, B and C Moreau Mews and pre-approval of 50-52 Kishorn Road, Applecross would not constitute a major land transaction and therefore require a business case, the City advised they decided to remove all reference to 50-52 Kishorn Road, Applecross in the report for item P16/3689 – *Purchase of Applecross Strategic Properties* to avoid confusion and to provide further clarity.
121. The report was circulated to Elected Members without reference to 50-52 Kishorn Road, Applecross.
122. A motion was put forward to defer the item to the February Council Meeting in order to obtain further legal advice and a valuation.
123. A further motion was put forward to defer the item to the February Council Meeting to only obtain further legal advice.

124. At the Special Meeting of Council, Council decided the following:

**Council Resolution**

That the Council approve the confidential recommendation in Confidential Attachment “A”.

At 8.26pm the Mayor submitted the motion, which was declared CARRIED (8/4)

Vote Result Summary	
Yes	8
No	4

Vote Result Detailed	
Cr Aubrey	Yes
Cr Foxton	Yes
Cr Macphail	Yes
Cr O’Malley	Yes
Cr Phelan	Yes
Cr Robartson	Yes
Cr Wieland	Yes
Mayor Aubrey	Yes
Cr Barling	No
Cr Barton	No
Cr Pazolli	No
Cr Woodall	No

125. The recommendation was as follows:

**ATTACHMENT “A” CONFIDENTIAL ITEM OFFICER RECOMMENDATION (3689)**  
That the Council:

**APPROVAL**

Instruct the Chief Executive Officer to acquire 27A, 27B & 27C Moreau Mews, Applecross as one parcel;

2. That the approved purchase price being not more than 110% of the assessed independent market valuation for the property;

3. Authorise His Worship the Mayor and the Chief Executive Officer to sign the Contract of Purchase documents to acquire 27A, 27B & 27C Moreau Mews, Applecross;

126. It appears that land has been acquired for land banking purposes over a period of time with the ultimate aim of providing the City with a strategic development site for the future.
127. As the City did not have any control regarding the availability of the other properties when 31 Moreau Mews was purchased, it follows that there was no requirement for the City to prepare a business plan under section 3.59 of the Act because the consideration under each of the agreements by which the City acquired the properties was less than \$9 million.

**Finding 14:** Council's decision to purchase 27 A, B and C Moreau Mews, Applecross did not constitute a major land transaction and therefore a business case was not required.

## 6.2 Purchase of 50-52 Kishorn Road, Applecross

128. On 21 March 2017, the CEO and the Mayor entered into a contract to purchase 50-52 Kishorn Road, Applecross and paid a deposit of \$100,000.
129. The City acknowledged that it did not have Council approval to purchase 50-52 Kishorn Road, Applecross.
130. The City explained that an officer of the City mistakenly obtained the incorrect report of the 3 February 2016 minutes which included reference to the 50-52 Kishorn Road, Applecross property. The officer presented this to the CEO and Mayor in the mistaken belief that Council had authorised the purchase of the property.
131. The CEO and the Mayor used these minutes as confirmation of Council's approval and signed the contract to purchase 50-52 Kishorn Road, Applecross.
132. On 13 April 2017, the City communicated its purchase of 50-52 Kishorn Road, Applecross to Elected Members via an Electors Members Bulletin (EMB). On the same day, an Elected Member emailed the CEO recalling the events of 2 and 3 February 2016 and stated he was unaware of any subsequent proposal to council to purchase the property. The CEO confirmed that the elected member was correct and the matter would be presented as a late item for the Ordinary Meeting of Council held on 18 April 2017.
133. During discussion of the matter at the Ordinary Meeting of Council held on 18 April 2017, the City explained to Council that a mistake had occurred, for which the CEO apologised, and the CEO sought retrospective approval for the purchase of 50-52 Kishorn Road.

134. At the Ordinary Meeting of Council held 18 April 2017, Council resolved the following behind closed doors.

#### COUNCIL RESOLUTION (3752) APPROVAL

That the Council approve the confidential recommendation in Confidential Attachment “A” in respect to the purchase of the property at 50-52 Kishorn Road, Applecross for \$3,800,000 (exclusive of GST)

The Chief Executive Officer will present a report back to the Council detailing future uses for the property situated at 50-52 Kishorn Road, Applecross together with the City’s adjoining properties situated at 23-31 Moreau Mews. Applecross.

At 10.25pm the Mayor submitted the motion, which was declared

CARRIED (8/2)

Vote Result Summary	
Yes	8
No	2

Vote Result Detailed	
Cr Aubrey	Yes
Cr Barling	Yes
Cr Foxton	Yes
Cr Macphail	Yes
Cr Phelan	Yes
Cr Schuster	Yes
Cr Woodall	Yes
Mayor Aubrey	Yes
Cr Barton	No
Cr Pazolli	No

135. The Confidential Attachment A:

ATTACHMENT “A” CONFIDENTIAL ITEM

The following is the Council Resolution adopted at the Ordinary Meeting of the Council held on 18 April 2017.

COUNCIL RESOLUTION (3752)                      APPROVAL

That the Council:

1. Grants the Chief Executive Officer delegation to acquire the property situated at 50-52 Kishorn Road, Applecross;
2. Notes the assessed independent market valuation for the property;
3. Authorise His Worship the Mayor and the Chief Executive Officer to sign all necessary documents to settle the acquisition of the property situated at 50-52 Kishorn Road, Applecross.
4. Following receipt of the City’s property Consultants report in July 2017, the Chief Executive Officer presents a report back to the Council detailing future uses for the property situated at 50-52 Kishorn Road, Applecross together with the City’s adjoining properties situated at 23-31 Moreau Mews, Applecross.

136. With Council’s retrospective approval, the City followed through with the purchase of 50-52 Kishorn Road, Applecross and the property was settled on 20 April 2017.
137. As these properties (27 A, B, C, 31 and 50-52) were acquired over a period of nearly 18 months and did not have any control regarding the availability of these properties. Therefore it is not considered that the purchase of the properties constituted a major land transaction.
138. At the time of signing a contract for the purchase of 50-52 Kishorn Road, Applecross and subsequent payment of a \$100 000 deposit the Mayor and then CEO did not have approval to proceed with that purchase.

**Finding 15:** The CEO did not have Council’s approval to purchase 50-52 Kishorn Road, Applecross which in turn caused the administration to seek retrospective approval from council.

### 6.3 Wave Park/Tompkins Park

139. Submissions from the public were not accepted as part of the inquiry, however incoming correspondence was noted by the Authorised Persons. Although not part of the inquiry, there was much correspondence received either in favour for or opposition to the Wave Park.
140. A decision voted on by Council is not for the Authorised Inquiry to investigate. There are several other government agencies that must consider the Wave Park proposal before any works can be commenced.
141. Furthermore, an application for judicial review was lodged in the Supreme Court by the Swan Foreshore Protection Association Incorporated in relation to the ground lease for Tompkins Park. The Court delivered judgment in relation to the application for judicial review, finding that certain public notices published by the City did not comply with section

3.58 of the Act, which requires public notice of a proposed disposition of any interest of a local government in property. However, the Court found that this failure to comply with section 3.58 did not affect the validity of the City's decision to enter the ground lease.

142. The Court dismissed an argument that the City failed to comply with section 3.59 of the Act because local public notices in the Melville Times failed to give information about where a business plan could be inspected, and did not allow the requisite time for submissions.
143. Ultimately the Court refused leave for the application for judicial review to be brought outside of time, and dismissed the application.

**Finding 16:** Questions concerning the City's compliance with sections 3.58 and 3.59 of the Act in relation to the proposal for the Wave Park have already been dealt with in the Supreme Court proceedings, and the Authorised Persons make no findings in relation to these matters.

## 7. Council's relationship with the City of Melville administration

144. This reference was included as part the Authorised Inquiry to explore whether there were any underlying issues between the administration and Council which lead to the nearly 300 pieces of correspondence lodged with the Minister and the Department in relation to the City since 2014. The veracity of that correspondence needed to be determined in order to ensure the City of Melville was operating efficiently and effectively and in the best interests of the community.
145. The Authorised Inquiry did not identify any evidence of an adverse relationship between Council and the administration. Debate between elected members sometimes becomes robust however, debates can sometimes be like this.
146. When reviewing all the information received, there appears to be a good relationship between Council and the Administration with clear division between the two, with each aware of their separate roles.

## 8. Other issues of relevance

147. The Authorised Persons considered it was necessary to review the incoming correspondence received by the Department to determine the veracity of any complaints made. Most of the correspondence reviewed did not allege any breaches of the Act or regulations that the Authorised Officers had jurisdiction to deal with.
148. It was however observed that there appeared to be a few residents of the City who sent correspondence, criticisms and complaints about the City either directly or indirectly to several oversight bodies including the Corruption and Crime Commission, Public Sector Commission, Office of the Information Commissioner, WA Ombudsman, Building Commission, Local Members of Parliament, Ministers, the Premier, media outlets, Councillors and staff of the City.
149. The complaints received from these few residents appeared to relate to personal issues which had not been resolved by the City to the individuals' satisfaction.
150. One complainant lodged concerns that the City was not complying with legislation under the Building Act and believed there was an element of misconduct by City staff as it was his belief he was victimised by the City's actions or inactions and the subject to bias from the City. The PSC, CCC and Building Commission who have the jurisdiction to oversee these matters were included in the correspondence sent to the Department.
151. Some of these matters have been escalated to the State Administrative Tribunal or



Magistrates Court. However, despite the matters being appropriately escalated, it appears that some complainants are not satisfied with the results and continue to seek retribution for the City's alleged actions or inactions.

152. One example includes an allegation that the City did not act on complaints lodged against a neighbour for parking on the verge. The City provided evidence that they issued four (4) infringements to the neighbour regarding the illegal parking. There appears to be a disconnect between the complainant's expectations of the City itself and the services the City is able to provide.
153. The City advised the inquiry that they received approximately 1200 illegal parking complaints a year. It is the Authorised Persons view that Rangers of any local government would be required to prioritise complaints received and act accordingly. This may include Rangers utilising their discretion on how to deal with a matter, in a similar fashion to other regulatory bodies.
154. To get a sense of the City's attitude towards the complainant in this matter, relevant people within the City were interviewed on a variety of the matters raised and requested to provide supporting evidence by way of Direction Notices. The City explained its reasons for acting or not acting on certain requests made by the complainant. Those reasons appear to be fair and reasonable in the context of the role of a local government, taking into account the needs of all 107,000 residents of the City.
155. Despite numerous oversight bodies being provided with information from complainants the inquiry is not aware of any adverse findings made against the City by any other oversight bodies with the exception of the matter identified below.

### **8.1 Demolition of adjoining property without consent/provision of a safety compliant balustrade on a retaining wall**

156. Complainant B lodged a complaint that the City did not act appropriately regarding the demolition of a dwelling adjoining a semi-detached property he owned. This complaint was investigated as part of the Authorised Inquiry.
157. Complainant B also lodged a complaint regarding a council requirement to provide a compliant safety balustrade to a retaining wall.
158. As a result of lodging a complaint with several different agencies and individuals an investigation was commenced by the WA Ombudsman during the Authorised Inquiry.
159. The Authorised Officers accept the findings of the WA Ombudsman investigation.

**Finding 17:** There were no adverse findings made by the Ombudsman against the City of Melville regarding either of these complaints.

160. The Ombudsman completed their investigation and notified Complainant B of their findings in September 2018.

## **9. Summary of key findings**

### **9.1 Public Question Time**

161. All questions submitted to Council have been answered either during the relevant meeting or in writing at a later date. The investigation has revealed that the City was not as open and transparent in relation to their policies, meeting procedures, work instructions and information as they could have been and they neglected to provide the public with information that reflected the changes in managing public question time.



162. This failure has led to allegations or concerns that the Council were not answering questions submitted for public question time when in fact all questions had been answered.
163. Individuals and organisations clearly flood the City with questions where there is no real chance of the City answering those questions during public question time therefore causing the administration to answer the questions in writing at a later date. During this investigation it was identified the majority of questions put to the council and or city were answered with the exception of those deemed to divert a substantial and unreasonable portion of the City's resources away from its other functions, which is permitted for under section 5.95 of the Act.

## **9.2 Public access to information**

164. The City's request to provide further information regarding Complainant A on several occasions before actioning a request to provide information is not appropriate behaviour for a government body. Although the City did not provide the information as requested, the City did not breach section 5.94 of the Act as the request was outside the scope of right conferred by that section. However, in place of the City insisting on the provision of further information by Complainant A, the City could have attempted to manage their request in more professional manner. Now that the City has obtained legal advice, this should cease to be an issue, however the City should have been aware of its obligations in the first instance and dealt with the application in a more appropriate and timely manner.

## **9.3 Managing complaints**

165. The Council has adequate frameworks in place regarding complaint management, however officers dealing with complaints need to be mindful that regardless of the complainant all complaints need to be addressed in a professional manner abiding by the process adopted by the City.
166. At times both the complainant and the person from the administration managing the complaint appear to be at loggerheads when it comes to dealing with said complaint. A more robust complaints handling policy would assist in dealing with the issues identified during this investigation particularly regarding a different avenue for persons to take should they be unsatisfied with the outcome.

## **9.4 The City did not have Council's approval to purchase 50-52 Kishorn Road, Applecross**

167. The inquiry examined the circumstances surrounding the purchase of 50-52 Kishorn Road, Applecross. Authorised Persons note that that the Council had not authorised the purchase of 50-52 Kishorn Road, Applecross prior to the CEO and the Mayor signing the contracting and making a \$100,000 deposit.
168. This failure resulted in:
  - a. The Council having to consider giving retrospective approval for the purchase of 50-52 Kishorn Road, Applecross, and
  - b. Potentially incur a loss of \$100,000, should the Council have decided against the recommendation to purchase 50-52 Kishorn Road, Applecross.

## **9.5 Demolition of adjoining property without consent/provision of a safety compliant balustrade on a retaining wall**

169. The WA Ombudsman's investigation of September 2018 has dealt with these complaints.

## 10. Considerations relevant to recommendations

170. The good culture of any organisation is at the heart of its success as an enduring institution. To instil confidence in the community that the administration and elected members are, as a collective body, providing good governance which is in the best interests of the community the Authorised Persons have made recommendations for both the immediate and longer term.
171. A number of the recommendations will be the catalyst the organisation needs to drive a cultural change which will ensure all parties are better informed, have a better understanding and ultimately more effective and positive governance.
172. The Authorised Persons are responsible for recommending the most suitable action to be taken as a result of findings of this Inquiry. Serious consideration has been given to the appropriateness of the recommendations to ensure the utmost benefit is afforded to the City and ultimately the community.

### 10.1 Challenging role of elected members in regional areas

173. Authorised Persons have observed that a number of residents and organisations, have not allowed for reasonable due process to occur. There appears to be an expectation that the City is required to act on their concerns immediately without giving due regard to reasonableness of the requests in the first instance.
174. There is no doubt some complainants are simply unreasonable in their expectations of the Council and the City. There is also evidence to show the City has not been as open and transparent as it could have been when dealing with requests from the public.
175. Whilst being interviewed a complainant stated that he had “never read the Local Government Act”. He went on to state that ‘if it looked wrong I would lodge a complaint with you guys and you can sort it out’.
176. The sheer volume of questions asked, requests to view documentation, and FOI requests make it difficult for the City to fulfil its obligations in an effective and efficient manner. Even when the City has achieved its obligations the complaints continue to be lodged.
177. The Department has received a significant amount of correspondence since this inquiry began. The majority of that correspondence has involved personal opinion, complaints lodged with the incorrect agency, complaints lodged with no substantiating evidence, and complaints which were ultimately unsubstantiated.
178. The challenge for the administration of the City of Melville is to deal with the issues raised by complainants, whatever they may be, in an open and transparent manner and in line with the policies and procedures they have in their repertoire which have been approved by council.
179. The challenge for dissatisfied persons is to become more familiar with the act and regulations surrounding their concerns and continue to raise issues and request information in accordance with the Local Government Act. Raising questions during public question time is an appropriate way to raise issues and seek answers to questions however it must be done in a reasonable and respectful manner.

### 10.2 Actions taken by the City/Council

180. The Authorised Persons acknowledge the City and Council has already taken the initiative to improve its governance arrangements by undertaking the following:
  - The Council have reviewed the Public Question Time Policy CP-014 and have implemented changes.
  - The City provided a summary of the City/Council’s trial process for managing public question time on its website following interviews held by the Authorised Persons with two senior staff of the City.

- The City has upgraded its website with the hope that it will assist in the public reviewing publicly available information through the website.
- The City has engaged WALGA to perform an independent review into the City's Meeting Procedures.
- Internal learning review with the assistance of WALGA to gauge an understanding of how the City could have dealt with complaints differently has also been undertaken.

## 11. Recommendations

It is recommended that:

1. Council continue to review their public question time policy on a regular basis to ensure it is clear, concise, and transparent.
2. That consideration be given by the Council to engage an independent person to review and act on complaints about City processes and decisions for a period of 3 months from the date of this report.
3. All senior staff undertake training in complaint management and dealing with unreasonable complainants within 3 months from the date of this report.
4. The City undergo an independent governance review as determined appropriate by the Director General within 3 months of the date of this report and provide the Director General with a copy of the full report upon its completion.
5. The City undergo a further independent governance review as determined appropriate by the Director General 6 months after the local government elections held in October 2019 and provide the Director General with a copy of the full report upon its completion.
6. The City implement processes and/or procedures to ensure that unauthorised acquisition of properties or any other assets does not re-occur.
7. Within 6 months of the date of this report the Chief Executive Officer is to deliver a comprehensive report to the Director General of the Department outlining:
  - i. the steps taken in response to the above recommendations;
  - ii. identifying the number of senior staff that have undergone the training as set out in recommendation 3;
  - iii. updating the status of the Governance Review in relation to the number of elected members and staff who have participated;
  - iv. the processes the City has put in place in response to recommendation 5; and
  - v. the impact, if any, of the updated policies on Public Question Time, Managing Unreasonable Conduct by Customers, Legal Representation and the Complaint Management Policy.



# **Standing Committee (Audit and Risk)**

**Item 11.7 refers**

## **Attachment 6**

### **Report of the Inquiry into the Shire of Perenjori**



Department of  
**Local Government, Sport  
and Cultural Industries**

# **Report of the Inquiry into the Shire of Perenjori**

Authorised Inquiry under Part 8 Division 1  
of the Local Government Act 1995 (WA)



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This report can be downloaded in PDF format from the Department of Local Government, Sport and Cultural Industries website. Alternative formats are available on request.

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## 1. Introduction

1. Prior to this report being finalised, the Minister for Local Government issued a 'Show Cause' notice to the council. The resultant effect was that five councillors offered their resignation leaving the council without a quorum. The Governor declared the remaining seats vacant and a Commissioner has now been appointed to stand in as council until elections are held in May 2020.
2. Perenjori is a small farming and mining local government area in the Mid-West region of Western Australia, about 360 kilometres north of Perth. The Shire of Perenjori (**Shire**) covers an area of 8,300 square kilometres and has a population of 608, of which 294 are electors. The Shire has an operating budget of \$7,920,210 and a financial health indicator score of 71 on the My Council website.<sup>1</sup>
3. The Shire's Council (**Council**) consists of nine members. Councillors are elected by the constituents and serve a two or four year term. The Shire President (currently Mr Laurie Butler) is elected by Council and the incumbent has held the position since 2015.
4. On 31 January 2019, Mr Paul Bawden commenced as the Shire's Chief Executive Officer (**CEO**). Immediately prior to this, an Acting CEO occupied the role. During the entire period of time to which this Authorised Inquiry relates, the Shire's substantive CEO was Ms Alison Mills, who held that position from 15 October 2012 until her resignation in July 2018. Before her involvement with the Shire, Ms Mills held a Senior Executive position at the Shire of Carnarvon.
5. In addition to the position of CEO, the Shire has two Senior Executive positions: Manager Corporate Development and Manager Infrastructure Services.
6. Section 8.3 of the *Local Government Act 1995* (**Act**) gives the Director General of the Department of Local Government, Sport and Cultural Industries (**Department**) the authority to inquire into local governments and their operations and affairs. Pursuant to section 8.3(2) of the Act, the Director General may, by written authorisation, authorise a person to inquire into and report on any aspect of a local government or its operations or affairs.

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<sup>1</sup> My Council: Shire of Perenjori: <https://www.mycouncil.wa.gov.au/Council/ViewCouncil/103>



7. On 10 January 2018, the Acting Director General of the Department authorised an inquiry into the operation and affairs of the Shire.<sup>2</sup>
8. The Authorised Inquiry was prompted by several complaints received from electors and by the results of a Probity Audit which was conducted by the Department in 2017.
9. The Terms of Reference of the inquiry are as follows:
 

*... to inquire into and report on the operations and affairs of the Shire of Perenjori (Shire) for potential breaches of the Act and associated Regulations.*

*The nature of the inquiry will encompass aspects of the Shire and associated business entities that have, have had, may have or may have had dealings with the Shire, and the operations and practices related to tendering, procurement and financial management, from 1 January 2013 to the present day.*
10. This report on the outcomes of the Department's inquiry has been compiled in accordance with section 8.13 of the Act by three officers of the Department who were authorised to conduct the inquiry (**Authorised Persons**).
11. In order to perform their functions, the Authorised Persons issued three (3) directions under section 8.5 of the Act, including one direction requiring the Shire President to participate in a formal record of interview. The required persons complied with the directions. Interviews took place on 17 April 2018 and 1 May 2018.
12. A voluntary record of interview was also conducted with the Shire's then CEO, Ms Mills, on 3 May 2018.<sup>3</sup>
13. Various persons and members of the Council serving their terms during the period of this inquiry were given an opportunity to comment on this report in draft form before it was finalised and provided written submissions. Those submissions were considered by the Authorised Persons and form part of this report.<sup>4</sup>

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<sup>2</sup> Authorisation of Local Government Inquiry

<sup>3</sup> Invitation to attend voluntary record of interview

<sup>4</sup> Submissions

## 2. Matters not considered

14. This report does not consider matters that are currently being considered or investigated by other bodies, which includes a complaint lodged with the Western Australian Industrial Relations Commission.

## 3. Statutory framework

15. The Act and associated local government regulations set out the framework for the administration and financial management of local government.

### 3.1 Governance

16. The Act and regulations define the roles and responsibilities of the Council, President, Councillors and employees. Relevantly, the Act provides:

#### 2.7. *Role of council*

##### (1) *The council —*

- (a) *governs the local government's affairs; and*
- (b) *is responsible for the performance of the local government's functions.*

##### (2) *Without limiting subsection (1), the council is to —*

- (a) *oversee the allocation of the local government's finances and resources; and*
- (b) *determine the local government's policies.*

#### 2.8. *Role of mayor or president*

##### (1) *The mayor or president —*

- (a) *presides at meetings in accordance with this Act; and*
- (b) *provides leadership and guidance to the community in the district; and*
- (c) *carries out civic and ceremonial duties on behalf of the local government; and*
- (d) *speaks on behalf of the local government; and*
- (e) *performs such other functions as are given to the mayor or president by this Act or any other written law; and*

- (f) *liaises with the CEO on the local government's affairs and the performance of its functions.*
- (2) *Section 2.10 applies to a councillor who is also the mayor or president and extends to a mayor or president who is not a councillor.*

#### 2.10. Role of councillors

*A councillor —*

- (a) *represents the interests of electors, ratepayers and residents of the district; and*
  - (b) *provides leadership and guidance to the community in the district; and*
  - (c) *facilitates communication between the community and the council; and*
  - (d) *participates in the local government's decision-making processes at council and committee meetings; and*
  - (e) *performs such other functions as are given to a councillor by this Act or any other written law.*
17. It is important to note that individual elected members have no authority to make decisions or participate in the day-to-day operations of the local government. All authority sits with the Council and that authority is exercised by decisions at formal council or committee meetings.
  18. As the President and councillors are not involved in operational matters, each local government employs a CEO and other staff for the purposes of day-to-day running of the local government. The CEO is appointed by Council and is the link between Councillors and local government staff. All other local government staff report to the CEO. The Act provides:

#### 5.41 Functions of CEO

*The CEO's functions are to —*

- (a) advise the council in relation to the functions of a local government under this Act and other written laws; and*
- (b) ensure that advice and information is available to the council so that informed decisions can be made; and*
- (c) cause council decisions to be implemented; and*
- (d) manage the day to day operations of the local government; and*
- (e) liaise with the mayor or president on the local government's affairs and the performance of the local government's functions; and*
- (f) speak on behalf of the local government if the mayor or president agrees; and*
- (g) be responsible for the employment, management, supervision, direction and dismissal of other employees (subject to section 5.37(2) in relation to senior employees); and*
- (h) ensure that records and documents of the local government are properly kept for the purposes of this Act and any other written law; and*
- (i) perform any other function specified or delegated by the local government or imposed under this Act or any other written law as a function to be performed by the CEO.*

19. Section 5.42 of the Act allows a council to delegate in writing to the CEO the exercise of its powers or the discharge of its duties, subject to some exceptions (e.g. borrowing money, decisions requiring an absolute majority of council members, or appointing an auditor).
20. The role of local government staff is determined by the CEO and endorsed by Council. Section 5.44 of the Act allows the CEO to delegate in writing to any employee of the local government the exercise of any of the CEO's powers or the discharge of any of the CEO's duties, other than the power of delegation. With some qualifications, under section 5.44 the CEO is permitted to delegate a power or duty, the exercise or discharge of which was delegated to the CEO by the Council under section 5.42 of the Act.

### 3.2 Disclosure of financial interests

21. Part 5, Division 6 of the Act sets out the requirements of all local councils regarding disclosure of "interests". Relevantly:

*Section 5.60. When person has an interest*

*For the purposes of this Subdivision, a relevant person has an interest in a matter if either —*

- (a) the relevant person; or*
- (b) a person with whom the relevant person is closely associated, has —*
- (c) a direct or indirect financial interest in the matter; or*
- (d) a proximity interest in the matter.*

*Section 5.60A. Financial interest*

*For the purposes of this Subdivision, a person has a financial interest in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.*

*Section 5.60B. Proximity interest*

- (1) *For the purposes of this Subdivision, a person has a proximity interest in a matter if the matter concerns —*
  - (a) *a proposed change to a planning scheme affecting land that adjoins the person's land; or*
  - (b) *a proposed change to the zoning or use of land that adjoins the person's land; or*
  - (c) *a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land.*
- (2) *In this section, land (the proposal land) adjoins a person's land if —*
  - (a) *the proposal land, not being a thoroughfare, has a common boundary with the person's land; or*
  - (b) *the proposal land, or any part of it, is directly across a thoroughfare from, the person's land; or*
  - (c) *the proposal land is that part of a thoroughfare that has a common boundary with the person's land.*
- (3) *In this section, a reference to a person's land is a reference to any land owned by the person or in which the person has any estate or interest.*

*5.62. Closely associated persons*

- (1) *For the purposes of this Subdivision a person is to be treated as being closely associated with a relevant person if —*
  - (a) *the person is in partnership with the relevant person;*  
*or*
  - (b) *the person is an employer of the relevant person; or*
  - (c) *the person is a beneficiary under a trust, or an object of a discretionary trust, of which the relevant person is a trustee; or*
  - (ca) *the person belongs to a class of persons that is prescribed; or*
  - (d) *the person is a body corporate —*

- (i) *of which the relevant person is a director, secretary or executive officer; or*
  - (ii) *in which the relevant person holds shares having a total value exceeding —*
    - (I) *the prescribed amount; or*
    - (II) *the prescribed percentage of the total value of the issued share capital of the company, whichever is less; or*
- (e) *the person is the spouse, de facto partner or child of the relevant person and is living with the relevant person; or*
- (ea) *the relevant person is a council member and the person —*
  - (i) *gave a notifiable gift to the relevant person in relation to the election at which the relevant person was last elected; or*
  - (ii) *has given a notifiable gift to the relevant person since the relevant person was last elected; or*
- (eb) *the relevant person is a council member and since the relevant person was last elected the person —*
  - (i) *gave to the relevant person a gift that section 5.82 requires the relevant person to disclose; or*
  - (ii) *made a contribution to travel undertaken by the relevant person that section 5.83 requires the relevant person to disclose; or*
- (f) *the person has a relationship specified in any of paragraphs (a) to (d) in respect of the relevant person's spouse or de facto partner if the spouse or de facto partner is living with the relevant person.*

22. Pursuant to section 5.68(1) of the Act, if a member has disclosed an interest in a matter, the members present at the meeting who are entitled to vote on the matter:

- (a) *may allow the disclosing member to be present during any discussion or decision-making procedure relating to the matter; and*
  - (b) *may allow ... the disclosing member ... to participate in discussions and the decision-making procedures relating to the matter if —*
    - (i) *the disclosing member also discloses the extent of the interest; and*
    - (ii) *those members decide that the interest —*
      - (I) *is so trivial or insignificant as to be unlikely to influence the disclosing member's conduct in relation to the matter; or*
      - (II) *is common to a significant number of electors or ratepayers.*
23. Pursuant to section 5.68(2), a decision under section 5.68(1) is to be recorded in the minutes of the meeting relating to the matter together with the extent of any participation allowed by the council or committee.

### 3.3 Tendering

24. Pursuant to section 3.57 of the Act and regulation 11 of the *Local Government (Functions and General) Regulations 1996* (**Functions and General Regulations**), tenders are generally required to be publicly invited before a local government enters into a contract for the supply of goods or services worth more, or expected to be worth more, than \$150,000:

*Regulation 11. When tenders have to be publicly invited*

- (1) *Tenders are to be publicly invited according to the requirements of this Division before a local government enters into a contract for another person to supply goods or services if the consideration under the contract is, or is expected to be, more, or worth more, than \$150 000 unless sub regulation (2) states otherwise [e.g. goods or services obtained through the WALGA Preferred Supplier Program, or where the unique nature of the goods or services means it is unlikely that there is more than one potential supplier].*



25. Further, regulation 12 of the Functions and General Regulations prohibits contracts being split for the purposes of avoiding the tender threshold:

12. *Anti-avoidance provision for r. 11(1)*

- (1) *This regulation applies if a local government intends to enter into 2 or more contracts (the contracts) in circumstances such that the desire to avoid the requirements of regulation 11(1) is a significant reason for not dealing with the matter in a single contract.*
- (2) *If this regulation applies, tenders are to be publicly invited according to the requirements of this Division before the local government enters into any of the contracts regardless of the consideration.*

#### 4. **Key Shire policies**

26. The Shire, as a public authority, must be able to demonstrate to suppliers and the community that it conducts its procurement activities with a high standard of probity and accountability.

##### 4.1 **Shire Delegation Schedule**

27. The Shire's Schedule of Delegations – 3014 Council Purchasing Authority provides:

*The Chief Executive Officer is authorised to carry out authorised purchasing on behalf of the Shire and within budgetary constraints and in accordance with the Shire of Perenjori Purchasing Policy 4009.<sup>5</sup>*

28. The Authorised Persons note that the correct title of the Purchasing Policy is Purchasing Policy 4007 (not 4009).

---

<sup>5</sup> Shire of Perenjori Delegation Schedule

## 4.2 Shire Policy 4007 – Purchasing Policy

29. In accordance with regulation 11A of the Functions and General Regulations, a local government is required to prepare or adopt, and is to implement, a purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.
30. The Shire adopted Purchasing Policy 4007 on 17 April 2014 (**Policy 4007**). That Policy outlines the requirements for the procurement of goods and services by the Shire. Policy 4007 states the following under the heading of “Ethnics and Integrity” (sic):
  - *All officers and employees of the Shire shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the Shire.*
  - *The following principles, standards and behaviours shall be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:*
  - *Full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;*
  - *All purchasing practices shall comply with relevant legislation, regulations and requirements consistent with the Shire policies and code of conduct;*
  - *Purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently;*
  - *All processes, evaluations and decisions shall be transparent, free from bias and documented in accordance with applicable policies and audit requirements;*
  - *Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and*
  - *Any information provided to the Shire by a supplier shall be treated as commercial-in-confidence.*

31. Under the heading "Value for Money", Policy 4007 states the following:

*An assessment of the best value for money outcome for any purchase should consider:*

- *all relevant whole-of-life costs and benefits, whole of life cycle costs (for goods) and whole of contract life costs (for services) including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal;*
- *the technical merits of goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality;*
- *financial viability and capacity to supply without risk of default. (Competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history); and*
- *a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.*

*Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above lower total priced, conforming offers.*

32. Policy 4007 further provides that all purchases of goods and services with a value of \$150,000 and over shall be by public tender unless an exemption applies (see regulation 11(2) discussed above).
33. In relation to all purchases under \$150,000, Policy 4007 states:

*The CEO will demonstrate due diligence seeking quotes and to [sic] comply with any record keeping and audit requirements.*

34. The following requirements are provided for the following transaction thresholds:
- Up to \$3,000: good and services may be purchased with a single satisfactory quotation, and staff should ensure that local suppliers are considered first and that value for money is being obtained;

- Over \$3000 and up to \$10,000: staff must obtain verbal quotes from three (3) alternative suppliers and if staff are unable to obtain three (3) quotes, this should be documented;
- Over \$10,000 and up to \$50,000: staff must obtain three (3) written quotes from alternative suppliers, if staff are unable to obtain three (3) written quotes, this should be documented and the purchase approved by the CEO; and
- Over \$50,000 and less than \$150,000: staff must obtain a minimum of three (3) written quotes from alternative suppliers and if staff are unable to obtain three (3) written quotes, this should be documented.

#### 4.3 Shire Policy 1014 – Records Management Policy

35. The Shire maintains Shire Policy 1014 – Records Management Policy (**Policy 1014**), which was adopted on 21 September 2017. The objectives of Policy 1014 are to ensure the statutory requirements of the *State Records Act 2000 (WA)* (**State Records Act**) and associated legislation are met, and to provide record keeping principles and processes that identify, capture and protect the Shire's corporate records of continuing value for legal, financial, administrative accountability and historical purposes.
36. For present purposes, relevant requirements of Policy 1014 include:
  - *The Shire's corporate records are to be managed in accordance with the Shire's Record Keeping Plan. All elected members, officers and contractors are responsible for maintaining complete, accurate and reliable records as evidence of the actions, decisions and transactions they make or undertake whilst performing their duties on behalf of the Shire; and*
  - *The CEO is to ensure that an organisational system for capture and management of corporate records is maintained by the Shire which is compliant with current legislative requirements and best practice standards.*

## 5. Inquiry findings

### 5.1 Findings on record keeping

37. As a preliminary matter, the Authorised Persons note that during the course of the inquiry, it became clear that the state of files relevant to the inquiry, tender registers and electronic records of the Shire was, at best, haphazard. In some cases, poor record keeping severely hampered the ability of the Authorised Persons to fully inquire into the operations and affairs of the Shire.

#### *Records management*

38. Section 19 of the State Records Act provides that *"every government organisation must have a record keeping plan that has been approved by the [State Records] Commission"*. The Shire is a "government organisation" for the purposes of the State Records Act.
39. Section 17 of the State Records Act provides that a government organisation's record keeping plan must be complied with by *"(a) the government organisation; and (b) every government organisation employee of the organisation."*
40. Section 78(1) of the State Records Act provides that *"a government organisation employee who does not keep a government record in accordance with the record keeping plan of the organisation commits an offence."*
41. A "government organisation employee" includes a person who, whether or not an employee, alone or with others governs, controls or manages a government organisation, and in this case, would include the CEO and Shire Councillors.
42. Investigators were unable to locate any documentation that would support the Shire's Recordkeeping Plan 2010 (**Plan**) having been approved by the State Records Commission, pursuant to section 23 of the State Records Act.
43. The Plan reiterates that, *"in accordance with section 17 of the [State Records] Act, the Shire of Perenjori and all its employees are legally required to comply with the contents of this Plan"*.
44. The Plan states that it applies to *"all of the Shire of Perenjori's employees, contractors, organisations performing outsourced services on behalf of the Shire of Perenjori, and elected members"*.

45. The Plan goes on to state that it *"applies to all records created or received by any of the above parties, regardless of physical format, storage location, or date created"*.
46. A "record" for the purposes of the State Records Act *includes "anything on which information has been stored or received either mechanically, magnetically or electronically"*. It is accepted that electronic mail constitutes "records".
47. Clause 2.2 of the Plan provides that *"the creation and management of the Shire of Perenjori electronic records, including electronic mail, are carried out by all staff"*.
48. Appendix 5 to the Plan, entitled "Shire of Perenjori Records Management Policies and Procedures", states, under the heading "Electronic Records", that all electronic documents constituting a record must be captured within a "corporate approved system" which meets the State Records Act record keeping requirements.
49. Under the heading "Email Management: Emails", Appendix 5 also provides  
*Emails sent / received by staff that has [sic] continuing value to the Shire of Perenjori and considered Local Government Records are to be printed and assigned a file number and captured into the Records Registration. Each individual staff member is responsible for registering their own emails.*
50. Appendix 5 also provides as follows, under the heading "Elected Members [sic] Records Capture and Control":  
*Correspondence received for Elected Members will be entered as per incoming mail procedure and entered into Councillors Correspondence Register.*  
  
*The Shire will ensure records will be created which properly and adequately record the performance of member functions arising from their participation in the decision-making process of council and the various committees of council.*

*This requirement will be met through the creation and retention of records of meetings of the Council and the Committees of Council and the discharge of Council Business.*

*All elected members are required to ensure any documents meeting the above criteria are passed to council to be registered as part of Council's correspondence registration process into the current registration system."*

51. The Shire relies upon the *General Disposal Authority for State Government Information* with respect to the period for which records must be retained. The value of the records' subject matter determines the retention period of a record. On average, however, records are generally required to be retained for at least 5 years after their creation.
52. Under the heading "Migration Strategy", Appendix 5 of the Plan states:
 

*On replacement or upgrade of any Shire of Perenjori's system containing corporate information or records, all legacy data, information and records which constitute corporate records will be migrated into the replacement system. Where no replacement system exists, the Shire will ensure all legacy data, information and records which constitute corporate records will migrate to a system which will ensure the data, information and records may be accessed as long as required under an approved General Disposal Schedule by the State Records Commission.*
53. The investigation identified that no emails were sent, received or retained for months at a time for some Shire accounts; notably those of the CEO and the Manager Corporate Development, which would seem improbable. It appears that when the Shire's IT service provider was changed, not all emails were correctly transferred. There is no indication that this problem had been identified or addressed by Ms Mills as the CEO (or by any other staff).

**Finding 01:** Ms Mills, as CEO, breached section 78(1) of the *State Records Act 2000* by not ensuring government records were being kept in accordance with the Shire's record keeping plan

### *Tenders register*

54. Under regulation 17 of the Functions and General Regulations, the CEO is responsible for keeping the tenders register and making it available for public inspection. According to regulation 17(2), the tenders register is required to include certain information for each invitation to tender, including:
- a brief description of the good or services required;
  - particulars of any person who submitted an expression of interest and any list of acceptable tenderers that was prepared;
  - a copy of the notice of the invitation to tender;
  - the name of each tenderer whose tender has been opened; and
  - the name of any successful tenderer.
55. At the times during which the Probity Audit was undertaken by the Department in 2017, and again during the Authorised Inquiry in 2018, all entries on the Shire's tenders register were incomplete. By way of example, entries on the tenders register often did not include a list or details of any tenderers let alone the name of the successful tenderer.

**Finding 02** – Ms Mills, as CEO, has repeatedly failed to comply with obligations under regulation 17(2) of the *Local Government (Functions and General) Regulations 1996* by not including prescribed details on the tender register.

### *Minutes of council and committee meetings*

56. Section 5.22 of the Act requires minutes of a council or committee meeting to be kept. That section provides:
- (1) *The person presiding at a meeting of a council or a committee is to cause minutes to be kept of the meeting's proceedings.*
  - (2) *The minutes of a meeting of a council or a committee are to be submitted to the next ordinary meeting of the council or the committee, as the case requires, for confirmation.*
  - (3) *The person presiding at the meeting at which the minutes are confirmed is to sign the minutes and certify the confirmation.*



57. Regulation 11 of the *Local Government (Administration) Regulations 1996* (**Administration Regulations**) provides that the content of minutes of a meeting of a council or a committee must include certain information, including:
- the names of the members present at the meeting;
  - where a member enters or leaves the meeting during the course of the meeting, the time of entry or departure, as the case requires, in the chronological sequence of the business of the meeting;
  - details of each motion moved at the meeting, the mover and the outcome of the motion;
  - details of each discussion at the meeting;
  - written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee; and
  - the extent of certain interest disclosures.
58. A review of the minutes of the Shire's Council meetings during the period from January 2013 to January 2018 identified that they were often incomplete or otherwise did not include the prescribed information (namely, matters in relation to disclosure of financial interests, as discussed in further detail below). This demonstrates that the Shire President, as the person presiding over Council meetings and responsible for causing minutes of the meetings to be kept (pursuant to sections 5.6(1) and 5.22(1) of the Act), repeatedly confirmed minutes of meetings that were incorrect and/or otherwise did not include the prescribed information, in non-compliance with section 5.22 of the Act and regulations 11(b) and (c) of the Administration Regulations.

**Finding 03** – During the period January 2013 to January 2018, the Shire President has repeatedly failed to comply with the requirements of section 5.22 of the *Local Government Act 1995* and regulation 11(b) and (c) of the *Local Government (Administration) Regulations 1996* by confirming minutes of Council meetings that were incorrect and/or otherwise did not include the prescribed information.

## 5.2 Findings on Disclosure of Interests

59. Part 5 Division 6 of the Act requires the disclosure of financial interests in matters affecting local government decisions.
60. Between March 2013 and March 2018, a total of ten (10) separate agenda items have been identified as including an incorrect declaration of interest, as required under section 5.68 of the Act, and/or, in the Authorised Persons' view, minutes of the consideration of those agenda items insufficiently record the Council's decision to allow member/s to stay and/or vote as required (by not identifying whether paragraph (1)(b)(ii)(I) or (1)(b)(ii)(II) of section 5.68 of the Act applied).

**Finding 04** – Councillor King may have breached section 5.65 of the *Local Government Act 1995* for not disclosing proximity interest to the council for agenda item 13114.1.

**Finding 05** – Councillor Cunningham may have breached section 5.65 of the *Local Government Act 1995* for not disclosing proximity interest to the council for agenda item 13114.1.

**Finding 06** – Councillor Butler may have breached section 5.65 of the *Local Government Act 1995* for not disclosing proximity interest to the council for agenda item 13114.1.

**Finding 07** – Councillor King may have breached section 5.65 of the *Local Government Act 1995* for not disclosing proximity interest to the council for agenda item 13114.2.

**Finding 08** – Councillor Reid may have breached section 5.65 of the *Local Government Act 1995* for not disclosing financial interest to the council for agenda item 14042.3.

**Finding 09** – Councillor Smith may have breached section 5.65 of the *Local Government Act 1995* for not disclosing financial interest to the council for agenda item 17042.9.

**Finding 10** - The Council has breached regulation 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13035.3.

**Finding 11** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13056.7.

**Finding 12** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13096.3.1.

**Finding 13** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13114.1.

**Finding 14** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13114.2.

**Finding 15** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 14042.3.

**Finding 16** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 14128.6.

**Finding 17** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 15062.3.

**Finding 18** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 17042.9.

### 5.3 Findings on building contract for Business Incubator Toilets

61. At the December 2017 Ordinary Council Meeting (**OCM**), a Councillor raised a query regarding the awarding of a contract to Geraldton Building Services & Cabinets (**GBSC**) for the Business Incubator Toilets. As a result of the query, Ms Mills obtained the relevant records from storage and compiled a report.

The report states that a quote was obtained in July 2014 by the Building Maintenance Officer (**BMO**) for the construction of the Business Incubator Toilet by Cannon Carpentry (**Cannon**) for \$48,500 including GST with the exclusion of

painting, concreting, plumbing and electrical work.<sup>6</sup> However, when questioned by the Authorised Persons about this report, Ms Mills stated that she had no recollection or knowledge of the quote obtained by the Business Maintenance Officer.

62. On 8 October 2014, Ms Mills requested a quote from GBSC for construction of the Business Incubator Toilets and a quote was received on 14 October 2014 titled "Construct Disabled Ablutions at Business Park" for the amount of \$60,202.15 excluding GST<sup>7</sup>.
63. The contract for building the Business Incubator Toilets was awarded by Ms Mills to GBSC on 3 November 2014 for \$62,202.15 (it is unknown why there was a \$2000 price difference between the quoted and contract prices)<sup>8</sup>.
64. GBSC Invoice 00056452 dated 30 January 2015 was received for \$66,222.37 including GST and paid on 2 April 2015.
65. This process of awarding the Business Incubator Toilets tender does not appear to have complied with Policy 4007 (as in force at the time) as there is no justification provided for not obtaining three (3) written quotations from alternative suppliers.
66. The Authorised Persons note that Purchase Order **(PO)** 39343 was dated 2 February 2015, which is after the date of the signed contract and signed by Ms Mills only. By signing the PO, Ms Mills acknowledged that the "Council Purchasing Policy" had been adhered to. Ms Mills would not comment during the Record of Interview when directly asked if the Purchasing Policy had been adhered to in this instance.

**Finding 19** – Ms Mills, as CEO, failed to comply with Policy 4007 by failing to document why three (3) written quotes were not obtained for the purchase of goods or services relating to the tender to build the Business Incubator Toilets.

**Finding 20** – Ms Mills, as CEO, has breached regulation 12(1) of the *Local Government (Functions and General) Regulations 1996* in regard to separating the purchase of three

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<sup>6</sup> Quote from Cannon Carpentry

<sup>7</sup> Quote from GBSC

<sup>8</sup> Contract for GBSC

transportable units and furniture for staff quarters that would otherwise be put to public tender as the contract to supply was more or likely to be more than \$150000.

**Finding 21** – The Council has breached regulation 12(1) of the *Local Government (Functions and General) Regulations 1996* by approving the separation of the purchase of three transportable units and furniture for staff quarters that would otherwise be put to public tender as the contract to supply was more or likely to be more than \$150000.

## 5.4 Independent Living Units

### *The original tender*

67. On 23 June 2015, an email was received by Ms Mills from Mr Taylor, then a sales consultant for Shane Crothers Homes (**SCH**)<sup>9</sup>. The email was of an informal nature and advised Ms Mills of Mr Taylor's new work email address. This email appears to have been followed up on 15 September 2015 by Mr Taylor, which ended with the line "If you need anything please let me know." Ms Mills' reply was "we are getting close with Department of Housing, and then will go to tender. Will let you know when this happens."<sup>10</sup> The reference to "getting close with the Department of Housing" appears to allude to the then proposed Independent Living Units Project for the Shire.
68. The Shire then sought tenders for design and construction of two (2) independent living units to accommodate Shire staff within the town site. The tenders funding was from the Midwest Development Commissions Regional Grant Scheme with a maximum budget of \$550,000. The tender was advertised in the Midwest Times and Geraldton Guardian from 4 December to 9 December 2015, with closing date of 18 January 2016<sup>11</sup>.
69. Ms Mills received an email on Monday 7 December 2015 from Mr Taylor asking for further information on the survey and soil test results that could not be located on the Shire's website. The soil test results were sent directly to Mr Taylor by Ms Mills on 8 December 2015. There is no evidence that this same information was sent to any of the other interested parties at that time or made available on

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<sup>9</sup> Email dated 23 June 2015 from Taylor to CEO

<sup>10</sup> Email chain dated 15 September 2015 between Taylor and CEO

<sup>11</sup>Tender 01/2016 specifications

the tender's page of the Shire's website<sup>12</sup>. On 21 December 2015 Ms Mills sent the Landgate survey to Mr Taylor. A further period had elapsed before other tenderers had the same access to this survey as Mr Taylor had hence giving him an advantage over others when tendering for the project.

70. On 5 January 2016, Ms Mills sent an email to Mr Taylor stating that she might be going to Geraldton on the Friday and would let him know if it was to go ahead<sup>13</sup>. This email attached a further site survey. Ms Mills received an email from Mr Taylor on 8 January 2016 stating "Hi Ali, Thanks for the catch up today, it helped me a lot"<sup>14</sup>.
71. Eight (8) submissions were received for the tender and were assessed by three panel members from the Shire's administration, including Ms Mills, on the following criteria:
  - a. Compliance Criteria
    - i. Tenderer Profile
    - ii. Tenderer Declaration
    - iii. Financial Position
    - iv. Conflict of Interest
    - v. Insurance Details
    - vi. Contract Conditions
    - vii. Critical Elements
    - viii. Pricing
  - b. Qualitative Assessment
    - i. Experience and Capacity
    - ii. Personal and Resources
    - iii. Design Process
    - iv. Construction Process
    - v. Local Content
  - c. Tenderer's Price Summary
  - d. Contractors Safety & Health Questionnaire
  - e. Tenderer's Safety Record
  - f. Project Reference Sheet

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<sup>12</sup> Email chain dated 7-8 December 2015 between Taylor and CEO

<sup>13</sup> Email dated 5 January 2016 to Taylor

<sup>14</sup> Email dated 8 January 2016 from Taylor to CEO

g. Renderer's Resource Schedule

72. Within the report the Compliance Criteria ranked:
- a. McGrath Homes 5
  - b. Fleetwood 5
  - c. TR Homes 5
  - d. Shane Crothers Homes 4 (due to lack of financial information provided.)
73. The Qualitative Assessment ranked:
- a. Shane Crothers Homes 21
  - b. TR Homes 18
  - c. Thermal Comfort Homes 16
  - d. McGrath Homes 14
74. The Price Comparison ranking from lowest was:
- a. McGrath Homes
  - b. Thermal Comfort Homes
  - c. Eco Constructions
  - d. Fleetwood.
75. The overall ranking stated in the report was:
- a. Shane Crothers Homes
  - b. TR Homes
  - c. Thermal Comfort Homes
  - d. McGrath Homes
76. It is noted that, in the summary, a comment by the panel for McGrath Homes states "No storeroom included which is a requirement". The Request for Tender (**RFT**) document RFT 01/2016 does not state that a storeroom is a requirement of the tender. The comment is likely to have reduced the ranking of the McGrath Homes tender.
77. The tender panel's report<sup>15</sup> was submitted to the Council at its 18 February 2016 Ordinary Council Meeting (**OCM**) and Council Resolution 16028.4.1 was carried 8/0 with Cr Spencer declaring an impartiality interest in the item<sup>16</sup>.

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<sup>15</sup> Report for Tender 01/2016 dated 12 February 2016

<sup>16</sup> Minutes of OCM 18 February 2016 Council Resolution 16028.4.1

78. SCH was informed of its successful tender on 23 February 2016. It is noted that SCH supplied a Financial Report for the year ended 30 June 2015 to the Shire *after* its tender was deemed successful, under cover of a letter dated 25 February 2016 from RSM Australia Pty Ltd, Geraldton, stating SCH had been its client for 11 years<sup>17</sup>.
79. The RFT 01/2016 document paragraph 1.18 (Risk Assessment), identifies the need to give consideration to and assess that the tenderers are financially viable and have the financial capability to provide the services for which they are submitting and to otherwise meet their obligations under the proposed contract. The Authorised Persons are of the view that the tender panel's report did not adequately justify the selection of SCH tender over McGrath Homes, TR Homes or Thermal Comfort Homes, particularly as it did not address the omission of SCH's financial information, which was required in the Compliance Criteria – the information was not available until after SCH was awarded the tender.
80. Further, it is noted in the SCH's late submitted financial information reports that the company has twice the liability obligations than assets with not enough equity to cover the liabilities. This should at least have raised concerns and instigated further investigation to mitigate the risk to the Shire.
81. Policy 4007 provides that purchasing is to be "undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently". The Authorised Persons consider that SCH's tender was assessed more favourably compared to the other tenderers and that McGrath Homes may have been assessed less favourably than, at least, SCH.

**Finding 22** – The Tender Panel failed to comply with Policy 4007 by not undertaking the evaluation of potential suppliers for the Independent Living Units contract impartially, honestly and consistently.

82. The Shire Purchasing Policy also provides that purchasing decisions must be transparent, free from bias and appropriately documented, and "any actual or perceived conflict of interest must be identified, disclosed and appropriately managed".

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<sup>17</sup> Financial information supplied by Shane Crothers Homes



83. Whilst the evidence available does not on its face indicate a financial interest, nor that Ms Mills and Mr Taylor are closely associated (as defined in section 5.62 of the Act), the Authorised Persons consider on the preponderance of evidence that there exists a personal or casual friendship or, at the very least, a more than purely professional working relationship between the two.
84. The Authorised Persons consider it reasonable to form this view on the basis of:
- the repeated assistance and favourable treatment provided by Ms Mills to Mr Taylor and his company (discussed throughout this Report);
  - the favourable treatment afforded by Ms Mills to Mr Taylor, his former employer, SCH, and ultimately Mr Taylor's business (see below);
  - the numerous meetings or "catch-ups" between the two that did not occur with other individuals and businesses; and
  - an email from Ms Mills to Mr Taylor in September 2017 seeking a recommendation for a roofing person to attend to her private residence (and Mr Taylor's response which included a personalised quote).
85. The Authorised Persons also note that, under regulation 11 of the *Local Government (Rules of Conduct) Regulations 2007*, an "interest" of a council member means *"an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from ... friendship"*. Whilst the regulation does not apply to a CEO, the definition is nonetheless a useful guide for identifying potential conflicts within local government.
86. Therefore, overall, the Authorised Persons are satisfied that there was at least a perceived conflict of interest for Ms Mills where the Shire purchasing decisions involved Mr Taylor.

**Finding 23** – There is a perceived, if not actual, conflict of interest for Ms Mills in relation to the Shire's original tender process for the Independent Living Units contract.

**Finding 24** – Ms Mills, as CEO, did not comply with Policy 4007 by failing to disclose an actual or perceived conflict of interest in relation to the Shire's original tender process for the Independent Living Units contract.

87. Due to Ms Mills' conflict of interest, the tender panel's assessment of tenders for the Independent Living Units contract has brought into question the objectivity and impartiality of the tender process (further supporting Finding 23 above).

### *The subsequent tender*

88. Ms Mills received an email on 2 May 2016 from SCH with an attached letter stating the company was going into Voluntary Administration, effective immediately. At that point, no contract had been signed with SCH and the only outlay was for the design of the buildings<sup>18</sup>. Ms Mills also received an email from a competing tenderer, stating it would be willing to be reconsidered in the process since the news of SCH's fate<sup>19</sup>.
89. On 9 May 2016, SCH contacted Ms Mills with details of the company that was taking over the builder's contracts<sup>20</sup>.
90. Also, on 9 May 2016, Mr Taylor, now ex-sales consultant for SCH, contacted Ms Mills from his personal email account:<sup>21</sup>

*Hi Ali,*

*This is my personal email address.*

*I have just spoken to the Building Commission and they have advised me that once he goes into Liquidation we should be ok to take over any of his jobs. Because you haven't signed a building contract but have paid a deposit you still should be ok.*

*I will keep in contact with you and let you know of any further developments.*

*Cheers,*

*Warren*

91. On 23 May 2016, Ms Mills sent SCH's entire tender document to Mr Taylor with the comment: "*Hi Warren application attached. If you could re-submit with new information that would be great.*"<sup>22</sup>

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<sup>18</sup> 2 May 2016, email and letter stating Shane Crothers Homes Pty Ltd going into Voluntary Administration

<sup>19</sup> Email from Plunkett Homes

<sup>20</sup> 9 May 2016, email from Shane Crothers Homes

<sup>21</sup> 9 May 2016, email from Warren Taylor

<sup>22</sup> 23 May 2016, email to Warren Taylor

92. Section 5.93 of the Act provides that an employee must not make improper use of any information acquired in the performance by the person of any of his or her functions to gain directly or indirectly an advantage for the person or any other person. Ms Mills' actions, that is, providing feedback to Mr Taylor on his original tender, and disclosing another company's confidential tender documents to Mr Taylor, clearly demonstrate improper use of information acquired in the performance of her functions.

**Finding 25** – Ms Mills, as CEO, may have breached section 5.93 of the *Local Government Act 1995* by improperly disclosing SCH's confidential tender documents to Mr Taylor.

93. On 27 May 2016, four (4) days after Ms Mills invited Mr Taylor to "re-submit with new information", Warren Taylor Homes (**WTH**) submitted an application to the Building Commission for a Building Contractor Licence. WTH was subsequently registered on 15 July 2016<sup>23</sup>.
94. Also on 27 May 2016, Ms Mills sent emails to two (2) other builders stating they had until 7 June 2016 to submit a tender for the Independent Living Units<sup>24</sup>.
95. On 7 June 2016 two further tenders were received by the Shire from Central West Services (**CWS**) and TR Homes.
96. On 8 July 2016, Ms Mills sent an email to Mr Taylor which stated:

*Hi Warren,*

*We are about to commence more detailed assessing and your application is lacking the following:*

*Qualitative Criteria*

*Experience and Capacity*

*Whilst your Company is new you could list the projects you all have been involved in through other work situations, at the moment you would score very low here because it is not clear.*

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<sup>23</sup> Email from Building Commission Licencing Branch

<sup>24</sup> Email to [mick@nwbq.com.au](mailto:mick@nwbq.com.au) and [crothersgeoff@gmail.com](mailto:crothersgeoff@gmail.com)

*Design process – need attention to point 1. Do paragraph up responding, showing your understanding of the site, our needs, the fact that we have agreed on a design.*

*Construction Process – we need a timeline from start to finish for the project, and who the key contacts would be for what.*

*Local Content – need to highlight use of local contractors – list them, and commit to supporting local business.*

*Hope this helps – can you get to me asap – not really supposed to do this – but without these additions your application is not strong enough.*

*Kind regards*

*Ali Mills<sup>25</sup>*

97. On 11 July 2016, Ms Mills sent a follow up email to Mr Taylor again asking for the additional information:

*“Sorry to nag Warren but I need to prepare a council report ready this Thursday so will need any additions to your application asap.”*

98. The requested information for the tender was sent through by Mr Taylor on 13 July 2016.
99. On 15 July 2016, Ms Mills sent a further email to Mr Taylor requesting further information:

*Hi Warren*

*Financial security is important, and no financial information has been provided. Would you agree to a bank guarantee? Or some surety from your own properties even that there is sufficient funds to cover this project?*

100. The tender report, dated 15 July 2016 (the same day WTH was granted a Building Contractor Licence), considered the tenders of CWS, TR Homes and WTH and recommended WTH's tender of \$541,054.<sup>26</sup> The tender report was considered at

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<sup>25</sup> Email dated 8 July 2016 to Taylor

<sup>26</sup> Report for RFT 01/2016 Independent Living Units dated 15 July 2016

the 21 July 2016 OCM and Council Resolution item 16028.4.2 was carried 9/0, with Cr Spencer not declaring an impartiality interest as she had previously declared.<sup>27</sup>

101. At no time did the CEO declare the communications she had with Mr Taylor, nor the broader context of their relationship (discussed above). There is no record of Ms Mills communicating with other tenderers let alone assisting them in the preparation of their tender documents in the way that she assisted WTH. In Ms Mills' own words, she was *"not ... supposed to do this"*. There is no record of personal emails or conversations or admissions by Ms Mills with any other tenderers for RTF 01/2016. This, and Ms Mills' perceived conflict of interest, clearly brings into question the objectivity and impartiality of the tender process and if indeed the Shire received best value for money.
102. Following the award of the subsequent tender, on 23 August 2016, a builder who submitted an original tender contacted Ms Mills and questioned how the tender could be awarded to a builder who hadn't submitted a tender originally. The tenderer also questioned how WTH could have meet several criteria given the company was formed after the closing date of the original tender.<sup>28</sup>
103. The final payment for this contract was made to WTH on 31 May 2017 for a total of \$602,873.74.

**Finding 26** – Ms Mills, as CEO, did not comply with Policy 4007 by failing to disclose an actual or perceived conflict of interest in relation to the Shire's subsequent tender process for the Independent Living Units contract.

**Finding 27** – Ms Mills, as CEO, has failed to act in accordance with Policy 4007 by not evaluating tenders in relation to the Independent Living Units Project impartially, honestly and consistently.

## 5.5. Pavilion redevelopment

104. The Shire sought tenders for the redevelopment of the Perenjori Pavilion based on concept drawings provided by the Shire which included renovating the frontage (oval facing) to include concertina doors and new external decking. Also

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<sup>27</sup> Minutes for OCM 21 July 2016

<sup>28</sup> Email from Plunkett Homes

included was the upgrade of the existing kitchen to the standard that would meet health requirements, and to modernise and improve aesthetics and functionality. The Shire had allocated \$220,000 to the project in the 2015/16 budget. The tender RFT 03/2015 was advertised from 24 October to 23 November 2015 with closing date of 23 November 2015<sup>29</sup>.

105. At the closing date, there had been one submission received, which was assessed by the Manager Corporate Development Services, the Building Officer and Ms Mills on the following criteria:

- a. Compliance Criteria
  - i. Tenderer Profile
  - ii. Tenderer Declaration
  - iii. Financial Position
  - iv. Conflict of Interest
  - v. Insurance Details
  - vi. Contract Conditions
  - vii. Critical Elements
  - viii. Pricing
- b. Qualitative Assessment
  - i. Experience and Capacity
  - ii. Personal and Resources
  - iii. Design Process
  - iv. Construction Process
  - v. Local Content
- c. Tenderer's Price Summary
- d. Contractors Safety & Health Questionnaire
- e. Tenderer's Safety Record
- f. Project Reference Sheet
- g. Tenderer's Resource Schedule

106. Due to the poor response to the RFT, the inadequacy of the one submitted tender and the total price of \$354,398 including GST (\$260,579 for building upgrade and \$93,819 for kitchen upgrade) being significantly over the budgeted amount, the tender panel concluded the request for tender was too broad with minimal detail

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<sup>29</sup> Pavilion redevelopment specification RFT 03/2015

to attract tenderers. It was recommended that quotes be sought from architectural firms to provide detailed designs of an overall redevelopment.

107. The report was submitted to the Council at 17 December 2015 OCM and Council Resolution 15128.4.1 was carried 9/0 that Council;

- i. Not accept the tender submission from GBSC at this time due to the lack of tenders received and the lack of information in the tender to ascertain value for money.*
- ii. Request quotes through a public process for architectural firms to provide a detailed design for the redevelopment of the Perenjori Recreational Centre which will meet the Council and community needs.<sup>30</sup>*

108. On 12 January 2016, Ms Mills sent an email to Mr Taylor's SCH email address, thanking him for a visit to the Shire and attaching the original RFT documents for the pavilion redevelopment, including the concept drawings<sup>31</sup>:

*Hi Warren*

*Many thanks again for your visit. Much appreciated. I have attached the concepts for the Pavilion – not set in concrete just concepts. We have a load of photos if needed.*

*If you and your team would like to present concept and costs we can consider outside of tender process as Council has already been down that track with little response. I have attached the original tender do [sic] so you can see what the brief was.*

109. Authorised Persons note that the email states that SCH's response would be considered "outside of tender process". Regulation 11(2) of the Functions and General Regulations outlines when a local government does not need to publicly invite tenders. For present purposes, regulation 11(2)(c)(i) is most relevant as it provides that no public invitation for tender is necessary where there has been a tender process within the last six months that failed to identify a tender that satisfied the value for money assessment.
110. In the Authorised Persons' view, this does not mean that the tender process can be circumvented altogether. It simply means that a further public invitation for

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<sup>30</sup> Minutes for OCM 17 December 2015

<sup>31</sup> Email dated 12 January 2016 to Shane Crothers Homes

tender for the same project is not required. That is, it allows the local government to directly target firms to submit a quote or tender for the project. In this case, no other firms outside of SCH were approached to provide a quote/tender for this project.

111. On 15 March 2016, Mr Dominic Iaria from SCH sent an email to Ms Mills titled "Perenjori Pavilion Redevelopment" with an attached quotation and a sketch drawing, stating that Mr Taylor was away and had requested the documents be sent to Ms Mills in his absence<sup>32</sup>.
112. On 15 April 2016, the agenda and confidential items were sent to all councillors for the OCM on 21 April 2016<sup>33</sup>. The confidential items consisted of a one-page letter from SCH and two pages of plans for the pavilion redevelopment. The quoted price was \$241,780.00 including GST, excluding the kitchen upgrade.
113. The information provided was considered at the 21 April 2016 OCM where Council Resolution item 16048.4.1 was carried 9/0 to accept the quote from SCH for the Perenjori Recreation Centre as stage 1 with the price of \$219,800 excluding GST, as it was considered to provide value for money<sup>34</sup>. It is noted the amount given in this report is *excluding* GST which brings the amount to below the budgeted amount.
114. The Council's rejection of the tender from GBSC due to lack of information and the inability to ascertain value for money would seem to be appropriate. It is therefore questionable as to how the quote from SCH could be considered as appropriate considering its lack of information, the lack of a report by administration to the Council to consider all relevant issues, and most importantly, the exclusion of the kitchen upgrade which is a major deviation from the original tender.

**Finding 28** – Ms Mills, as CEO has breached section 5.93 of the *Local Government Act 1995* by making improper use of confidential information that was known to her by way of her position as CEO (i.e. the original tender documents) and has advantaged Mr Taylor over and above other tenderers of RFT 03/2015.

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<sup>32</sup> Email dated 15 March 2016 from Shane Crothers Homes

<sup>33</sup> Email dated 15 April 2016 to all Councillors

<sup>34</sup> Minutes of OCM on 21 April 2016



## 5.6. Staff Quarters

115. A Customer Service Officer at the Shire received an email on 28 June 2016 from StratX Pty Ltd (**StratX**) titled *2 Bedroom Accommodation reduced to \*\*\$65k*. This email was forwarded onto the CEO on the same day<sup>35</sup>. The email detailed information about fully furnished two-bedroom and kitchen transportable accommodation for \$65,000 excluding GST and installation costs.
116. The total amount of this purchase is unclear as the documentation relating to it sometimes provides a figure below \$150,000 and in other cases above \$150,000. In either case, it does not appear that appropriate procedures for purchase have been followed.
117. Policy 4007 states that for purchases valued at over \$50,000 but less than \$150,000, staff must obtain written quotes from three (3) alternative suppliers and if staff are unable to obtain three (3) quotes, this should be documented. There is no evidence that this occurred.
118. Regulation 11(1) of the Functions and General Regulations also states that when a contract is entered by the local government for a good or service that is or expected to be over \$150,000, a tender must be publicly invited. There is no evidence that this occurred.
119. A Special Council Meeting (**SCM**) was held on 4 July 2016 for the purpose of discussing, amongst other things, a new staff housing opportunity. The report requested Council to consider the purchase of three, two bedroom, two bathroom with full sized kitchen, transportable accommodation units to assist with low cost worker housing to help attract and retain staff.
120. The Authorised Persons note that the quoting of the actual cost of the units in the report is somewhat confusing as several different prices were quoted and it was not always clear what was included in and excluded from the quoted price.
121. The report stated the housing was available for \$50,000 **each** (unfurnished), excluding GST and included:
  - i. *Total square meterage of each being 50 m2*
  - ii. *2 Queen sized bedrooms both with fully tiled ensuite with frameless glass screen*

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<sup>35</sup> Email dated 28 June 2018 to CEO

- iii. *Full sized kitchen*
- iv. *Gyprock finished internal walls*
- v. *Quality ceramic tiles throughout*
- vi. *Fully furnished including – washer/dryer, fridge, oven. 3 air-conditioner per unit, built-in bedroom furniture, lounge, dining table, two queen size beds and televisions*
- vii. *Six-star energy rating*
- viii. *26m2 awning cover levered off the main building*

122. It is noted item *viii* was not included in the \$50,000 price for each unit and was invoiced separately for \$48,500 for the three (3) units. It is unclear whether the presentation of information in this way was intentional or an oversight.
123. Elsewhere, the report stated that the price for purchasing the units to be ready on site would be \$75,800 per unit, or \$227,400 for the three units. The recommendation by the CEO was:
- “That Council offer to purchase the three units from Stratx eggrock Australia Pty Ltd [sic] (exclusive of all costs associated with bringing to site, furniture and sewage connections) for a total of \$150,000 utilising funds within the Staff Housing Reserve account.”*
124. The report also stated that the units had been viewed and they were as the photos stated and were of *“good quality and have been built well”*.
125. When asked by the Authorised Persons who had viewed the units, Ms Mills stated that it was her brother and that he had no building experience or qualifications.
126. Further, the report stated that quotes had been received from two building companies to allow for a comparison with prices coming in around \$120,000 for each completed unit, and that this demonstrated value for money.
127. The Council passed the motion 16074.4.1<sup>36</sup> by an absolute majority on 4 July 2016.
128. On 5 July 2016 two (2) invoices were received, one from StratX for \$49,500 including GST (invoice number SX0007) and one from Eggrock Australia Pty Ltd (**Eggrock**) for \$165,000 including GST (invoice number 2017/001). On 6 July 2016, purchase order (**PO**) 512 was raised for the amount of \$49,500 to StratX

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<sup>36</sup> Minutes of 4 July 2016 meeting

Pty Ltd and PO 513 was raised for the amount of \$165,000 to Eggrock, in both instances by Ms Mills.

129. A payment of \$16,500 for PO 513 was authorised by Ms Mills and made on 7 July 2016 as a deposit to a bank account of Eggrock. A further \$198,000 was authorised by Ms Mills and paid to the same account on the 21 July 2016, being the remaining \$148,500 of PO 513 and the full amount of PO 512.<sup>37</sup> All monies transferred for PO 512 and PO 513 were paid into the same account number but under different names. An ASIC search reveals that both companies have the same registered address and principal place of business address, and have the same director.<sup>38</sup>
130. The Authorised Persons conclude that the splitting of the cost of the accommodation units and transport demonstrates the desire of Ms Mills to avoid the Shire entering into a single contract exceeding the tender threshold of \$150,000. We conclude that a significant reason for entering into two contracts was to avoid the requirements of regulation 11(1), noting that Ms Mills' report to Council states:

*The regulations do limit purchases outside of the tender process to \$150,000 per transaction, which this opportunity would meet as presented.*
131. Although the quoting of the cost of the transaction was somewhat confusing in Ms Mills' report to Council, the Authorised Persons are of the view that Council should have recognised that the total was above the tender threshold, or alternatively, that considering the different figures quoted, Council should have confirmed the total transaction costs following which it would have become clear that a tender for the transaction would be required.
132. The units were transported to Perenjori before they were fully assessed and found to be damaged, and the quality of workmanship to be non-compliant with Australian Standards. It was also found that \$320 of steel for the awnings was missing. On 12 August 2016, a further invoice for \$1320 was received from StratX for storage whilst the units were stored in the yard awaiting pickup.

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<sup>37</sup> PO, Invoices, general ledger printout, banking slip and remittance advice for 3 payments

<sup>38</sup> ASIC certificates and information on Eggrock Australia Pty Ltd and Stratx Pty Ltd

133. Ms Mills sent an email to all Councillors on 30 January 2017<sup>39</sup> stating that an extra \$102,344 was spent on the units to ensure occupancy standard was reached. This expenditure was not budgeted or approved by Council, and performed outside the requirements of Policy 4007.

**Finding 29** – The Shire has failed to comply with regulation 11(1) of the *Local Government (Functions and General) Regulations 1996* by failing to publicly invite tenders for the purchase of staff quarters valued at more than \$150,000.

**Finding 30** – The Shire has failed to comply with regulation 12 of the *Local Government (Functions and General) Regulations 1996* by entering into two (2) contracts for the supply of staff quarters in circumstances such that the desire to avoid the requirements of regulation 11(1) was a significant reason for not dealing with the matter in a single contract.

## 6. Considerations relevant to recommendations

### 6.1 Councillors

134. Although there has been a degree of deception on the part of the CEO, it is also noted that the Councillors of the Shire of Perenjori appear to have been willingly misled and not performed due diligence in all cases.

### 6.2 Change of policy

135. It is noted that the Shire of Perenjori has updated the purchase policy (Policy 4007) as of 19 October 2017 to require the obtaining of two (2) written quotes for purchases over \$10,000 and up to \$50,000. It is noted that if the new policy had been in place at the time the subject of this inquiry, the CEO's actions would still have been contrary to the regulations and policy. It is also noted the Delegation Schedule is still incorrect in the numbering of the Purchase Policy.

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<sup>39</sup> Email dated 30 January 2017 to all Councillors from the CEO

### 6.3 Record keeping upgrade

136. The Shire of Perenjori, with the assistance of the City of Greater Geraldton, have commenced but are yet to complete the upskilling of staff as to their responsibilities regarding record keeping.

## 7. Recommendations

137. As a result of councillor resignations and positions being vacated by the Minister, all but recommendation 3 is redundant. The Authorised Persons still recommend that the CEO reviews the Shires Record Keeping Plan and have said plan endorsed by the Commissioner and approved by the State Records Commission.
138. It is recommended that:
1. **The elected members and Senior Shire staff undertake training as determined appropriate by the Director General within six months of the receipt of the final report.**
  2. **The Shire of Perenjori undergo an independent governance review for both the elected members and administration staff as determined appropriate by the Director General within six months of the receipt of the final report.**
  3. The Shire's Record Keeping Plan is reviewed and endorsed by council and is approved by the State Records Commission under section 19 of the *State Records Act 2000* within six months of the receipt of the final report.
  4. **Recommendations 1, 2 and 3 are to be arranged by the Shire CEO,**
  5. Following completion of Recommendations 1, 2 and 3, the Shire CEO is to deliver to the Director General a report:
    - i. **determining the knowledge and understanding gained by the elected members and administration staff from the training;**
    - ii. **identifying the persons who have attended the training and reasons for non-attendance;**
    - iii. **outlining the steps taken by the Shire to implement such knowledge and understanding; and**
    - iv. **advising the shire's record keeping plan has been approved by the State Records Commission.**

## Schedule of Findings

**Finding 01:** Ms Mills, as CEO, breached section 78(1) of the *State Records Act 2000* by not ensuring government records were being kept in accordance with the Shire's record keeping plan

**Finding 02** – Ms Mills, as CEO, has repeatedly failed to comply with obligations under regulation 17(2) of the *Local Government (Functions and General) Regulations 1996* by not including prescribed details on the tender register.

**Finding 03** – During the period January 2013 to January 2018, the Shire President has repeatedly failed to comply with the requirements of section 5.22 of the *Local Government Act 1995* and regulation 11(b) and (c) of the *Local Government (Administration) Regulations 1996* by confirming minutes of Council meetings that were incorrect and/or otherwise did not include the prescribed information.

**Finding 04** – Councillor King may have breached section 5.65 of the *Local Government Act 1995* for not disclosing proximity interest to the council for agenda item 13114.1.

**Finding 05** – Councillor Cunningham may have breached section 5.65 of the *Local Government Act 1995* for not disclosing proximity interest to the council for agenda item 13114.1.

**Finding 06** – Councillor Butler may have breached section 5.65 of the *Local Government Act 1995* for not disclosing proximity interest to the council for agenda item 13114.1.

**Finding 07** – Councillor King may have breached section 5.65 of the *Local Government Act 1995* for not disclosing proximity interest to the council for agenda item 13114.2.

**Finding 08** – Councillor Reid may have breached section 5.65 of the *Local Government Act 1995* for not disclosing financial interest to the council for agenda item 14042.3.

**Finding 09** – Councillor Smith may have breached section 5.65 of the *Local Government Act 1995* for not disclosing financial interest to the council for agenda item 17042.9.

**Finding 10** - The Council has breached regulation 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13035.3.

**Finding 11** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13056.7.

**Finding 12** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13096.3.1.

**Finding 13** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13114.1.

**Finding 14** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 13114.2.

**Finding 15** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 14042.3.

**Finding 16** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 14128.6.

**Finding 17** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 15062.3.

**Finding 18** - The Council has breached 11(f) of the *Local Government (Administration) Regulations 1996* for not ensuring the minutes of a council or committee meeting included the information as required for agenda items 17042.9.

**Finding 19** – Ms Mills, as CEO, failed to comply with Policy 4007 by failing to document why three (3) written quotes were not obtained for the purchase of goods or services relating to the tender to build the Business Incubator Toilets.

**Finding 20** – Ms Mills, as CEO has breached regulation 12(1) of the *Local Government (Functions and General) Regulations 1996* in regard to separating the purchase of three transportable units and furniture for staff quarters that would otherwise be put to public tender as the contract to supply was more or likely to be more than \$150000.

**Finding 21** – The Council has breached regulation 12(1) of the *Local Government (Functions and General) Regulations 1996* by approving the separation of the purchase of three transportable units and furniture for staff quarters that would otherwise be put to public tender as the contract to supply was more or likely to be more than \$150000.

**Finding 22** – The Tender Panel failed to comply with Policy 4007 by not undertaking the evaluation of potential suppliers for the Independent Living Units contract impartially, honestly and consistently.

**Finding 23** – There is a perceived, if not actual, conflict of interest for Ms Mills in relation to the Shire's original tender process for the Independent Living Units contract.



**Finding 24** – Ms Mills, as CEO, did not comply with Policy 4007 by failing to disclose an actual or perceived conflict of interest in relation to the Shire's original tender process for the Independent Living Units contract.

**Finding 25** – Ms Mills, as CEO, may have breached section 5.93 of the *Local Government Act 1995* by improperly disclosing SCH's confidential tender documents to Mr Taylor.

**Finding 26** – Ms Mills, as CEO, did not comply with Policy 4007 by failing to disclose an actual or perceived conflict of interest in relation to the Shire's subsequent tender process for the Independent Living Units contract.

**Finding 27** – Ms Mills, as CEO, has failed to act in accordance with Policy 4007 by not evaluating tenders in relation to the Independent Living Units Project impartially, honestly and consistently.

**Finding 28** – Ms Mills, as CEO has breached section 5.93 of the *Local Government Act 1995* by making improper use of confidential information that was known to her by way of her position as CEO (i.e. the original tender documents) and has advantaged Mr Taylor over and above other tenderers of RFT 03/2015.

**Finding 29** – The Shire has failed to comply with regulation 11(1) of the *Local Government (Functions and General) Regulations 1996* by failing to publicly invite tenders for the purchase of staff quarters valued at more than \$150,000.

**Finding 30** – The Shire has failed to comply with regulation 12 of the *Local Government (Functions and General) Regulations 1996* by entering into two (2) contracts for the supply of staff quarters in circumstances such that the desire to avoid the requirements of regulation 11(1) was a significant reason for not dealing with the matter in a single contract.

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