



# Council Policy Manual

## WEST WIMMERA SHIRE COUNCIL

COUNCIL POLICY			
GUARANTOR POLICY		Policy No:	
		Adopted by Council:	18 June 2015
		Next review date:	
Senior Manager:	Chief Executive Officer		
Responsible Officer:	Director Corporate and Community Services		
Functional Area:	CEO & Governance		
Introduction & Background	West Wimmera Shire Council will work with the community to improve the quality of life in the Shire and make West Wimmera a better place to live. Council understand quality facilities and events enhance the social fabric of our Shire and facilitate best rural living.		
Purpose & Objectives	Council is of the opinion that part of its function is to maintain the social fabric of its community, and from time to time it may offer financial assistance by way of guarantee to community and/or sporting organisations.		
Definitions	Community Organisation – Community Organisation based in and operate within the boundaries of West Wimmera Shire Council and works on not for profit basis.  Sporting Organisation – Sporting Organisation based in and operates within West Wimmera Shire Council  Community Facility – A facility that is used by community on Crown land and or on the Council land within West Wimmera Shire  Strategic project – Is a project that is identified in any Social Infrastructure studies, long terms strategies of Council and or Communities		
Policy Details			
1.	Scope		
	This policy applies to Council and its Officers when preparing advice to Council concerning Council acting as a guarantor to a Community or Sporting Group.		
2.	Issues		
	If West Wimmera Shire is to prosper and grow, it is imperative that the social fabric of all its community remain healthy and viable. To assist with this Council may act as a guarantor.		



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3.	<p>Conditions</p> <p>To provide a guarantee, Council will have regards to the following:</p> <ul style="list-style-type: none"> <li>a) Council will not have guarantees at any one time in excess of \$200,000.</li> <li>b) No, (one) guarantee will exceed 1/3 of the total cost of the project.</li> <li>c) Initial screening of the guarantee applications will be conducted by CEO or any officer delegated by CEO;</li> <li>d) Each case will be presented to the Councillor forum for discussion before they are presented to Council for consideration;</li> <li>e) Organisations will be invited to present their case to support their application for a guarantee.</li> <li>f) Priority would be given to the Strategic projects identified in various strategic initiatives undertaken by Council or Community;</li> <li>g) Organisations will be required to provide Council with a Business Plan for the complete time of the guarantee, which is to include a social benefit for the whole community. This will include allowing Council access to the organisation's audited financial statements.</li> <li>h) Organisations seeking a guarantee will be required to present a budget showing proposed repayment regimes for each of the years for which the guarantee is sought (maximum of 5 years).</li> <li>i) Organisations seeking a guarantee must demonstrate that any funding secured as a result of Council providing the guarantee will be used on activities that maintain or enhance that organisation's service delivery.</li> <li>j) Council will not provide a guarantee to an organisation which seeks to promote an outcome which is detrimental to one of Council's own programs.</li> <li>k) Organisations in receipt of the guarantee must provide Council with evidence that the payment regimes have been met and that the guarantee has been reduced by 30 June each year.</li> </ul> <p>Failure to meet the requirements of the guarantee by the community or sporting organisation will result in Council withdrawing its guarantee and initiating legal action to recoup any outstanding debts or financial liabilities to Council.</p>
4.	<p>Reporting</p> <p>A list of guarantees Council provide will be maintained by Manager Finance and Council will be provided the list as needs basis.</p> <p>Council will maintain all reporting requirements relating to guarantees</p>



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<b>Policy Adopted:</b>	Ordinary Meeting 14/10/99	Minute Book Page 6721	
<b>Policy Reviewed:</b>	Ordinary Meeting 25/07/02	Minute Book Page 10300	
	Ordinary Meeting 06/04/06	Minute Book Page 13682	
	Ordinary Meeting 11/03/10	Minute Book Page 17759	RecFind 16/002617
	Ordinary Meeting 18/06/15	Minute Book Page 30672	RecFind 15/002613
	Ordinary Meeting __/__/17	Minute Book Page _____	RecFind 17/00_____



**West Wimmera Shire Council**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended 30 June 2017**



# West Wimmera Shire Council

## Financial Report

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## Comprehensive Income Statement For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Income</b>			
Rates and charges	3	7,001,001	6,804,194
Statutory fees and fines	4	142,785	111,923
User fees	5	542,721	440,264
Grants - operating	6	8,824,692	3,976,536
Grants - capital	6	8,625,589	3,488,457
Contributions - monetary	7	219,308	62,076
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	8	188,411	119,506
Share of net profits (or loss) of associates and joint ventures	16	(11,853)	844
Other income	9	3,325,327	2,653,037
<b>Total income</b>		<b>28,857,981</b>	<b>17,656,837</b>
<b>Expenses</b>			
Employee costs	10	6,726,461	6,338,700
Materials and services	11	11,401,072	5,084,214
Bad and doubtful debts	12	1,674	15,042
Depreciation and amortisation	13	6,409,216	6,370,889
Impairment Expenses	22	2,808,112	-
Borrowing costs	14	11,071	13,634
Other expenses	15	332,898	323,586
<b>Total expenses</b>		<b>27,690,504</b>	<b>18,146,065</b>
<b>Surplus/(deficit) for the year</b>		<b>1,167,477</b>	<b>(489,228)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Share of other comprehensive income of associates and joint ventures	16	30,525	(11,205)
Consolidation of Cemetery Trusts	38	116,666	-
<b>Items that may be reclassified to surplus or deficit in future periods</b>			
<b>Total comprehensive result</b>		<b>1,314,668</b>	<b>(500,433)</b>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

## Balance Sheet As at 30 June 2017

	Note	2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	13,521,327	8,563,246
Trade and other receivables	18	903,998	594,068
Inventories	19	324,714	178,731
Non-current assets classified as held for sale	20	14,000	19,000
Other assets	21	158,318	74,649
<b>Total current assets</b>		<b>14,922,357</b>	<b>9,429,694</b>
<b>Non-current assets</b>			
Investments in associates and joint ventures	16	411,547	392,875
Property, infrastructure, plant and equipment	22	164,591,609	167,441,380
<b>Total non-current assets</b>		<b>165,003,156</b>	<b>167,834,255</b>
<b>Total assets</b>		<b>179,925,513</b>	<b>177,263,949</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	2,091,094	837,324
Trust funds and deposits	24	68,240	35,655
Provisions	25	2,125,886	1,936,734
Interest-bearing loans and borrowings	26	130,268	123,614
<b>Total current liabilities</b>		<b>4,415,488</b>	<b>2,933,327</b>
<b>Non-current liabilities</b>			
Provisions	25	222,040	227,036
Interest-bearing loans and borrowings	26	33,641	163,910
<b>Total non-current liabilities</b>		<b>255,681</b>	<b>390,946</b>
<b>Total liabilities</b>		<b>4,671,169</b>	<b>3,324,273</b>
<b>Net assets</b>		<b>175,254,344</b>	<b>173,939,676</b>
<b>Equity</b>			
Accumulated surplus		37,619,451	36,151,737
Reserves	27	137,634,893	137,787,939
<b>Total Equity</b>		<b>175,254,344</b>	<b>173,939,676</b>

The above balance sheet should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity For the Year Ended 30 June 2017

	Note	Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
<b>2017</b>					
Balance at beginning of the financial year		173,939,676	36,151,737	136,091,285	1,696,654
Surplus/(deficit) for the year		1,314,668	1,314,668	-	-
Transfers to other reserves	27(b)	-	876,369	-	(876,369)
Transfers from other reserves	27(b)	-	(723,323)	-	723,323
<b>Balance at end of the financial year</b>		<b>175,254,344</b>	<b>37,619,451</b>	<b>136,091,285</b>	<b>1,543,608</b>

		Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
<b>2016</b>					
Balance at beginning of the financial year		174,440,109	37,509,190	136,091,285	839,634
Surplus/(deficit) for the year		(500,433)	(500,433)	-	-
Transfers to other reserves	27(b)	-	103,408	-	(103,408)
Transfers from other reserves	27(b)	-	(960,428)	-	960,428
<b>Balance at end of the financial year</b>		<b>173,939,676</b>	<b>36,151,737</b>	<b>136,091,285</b>	<b>1,696,654</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



## Statement of Cash Flows For the Year Ended 30 June 2017

	2017 Inflows/ (Outflows) \$	2016 Inflows/ (Outflows) \$
Note		
<b>Cash flows from operating activities</b>		
Rates and charges	7,000,251	6,803,817
Statutory fees and fines	157,064	123,115
User fees	256,895	479,035
Grants - operating	8,824,692	3,976,536
Grants - capital	8,625,589	3,488,457
Contributions - monetary	219,308	62,076
Interest received	214,453	199,108
Trust funds and deposits taken	32,585	-
Other receipts	3,096,250	2,775,622
Net GST refund/payment	122,691	6,187
Employee costs	(6,482,732)	(6,254,018)
Materials and services	(10,795,131)	(5,492,539)
Trust funds and deposits repaid	-	(37,742)
<b>Net cash provided by/(used in) operating activities</b>	<b>28 11,271,915</b>	<b>6,129,654</b>
<b>Cash flows from investing activities</b>		
Payments for property, infrastructure, plant and equipment	(6,413,154)	(6,477,961)
Proceeds from sale of property, infrastructure, plant and equipment	234,006	282,108
<b>Net cash provided by/(used in) investing activities</b>	<b>(6,179,148)</b>	<b>(6,195,853)</b>
<b>Cash flows from financing activities</b>		
Finance costs	(11,071)	(13,634)
Repayment of borrowings	(123,615)	(117,399)
<b>Net cash provided by/(used in) financing activities</b>	<b>(134,686)</b>	<b>(131,033)</b>
Net increase (decrease) in cash and cash equivalents	4,958,081	(197,232)
Cash and cash equivalents at the beginning of the financial year	8,563,246	8,760,478
<b>Cash and cash equivalents at the end of the financial year</b>	<b>13,521,327</b>	<b>8,563,246</b>
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The above statement of cash flow should be read in conjunction with the accompanying notes.

## Statement of Capital Works For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Property</b>			
Land improvements		28,682	17,867
<b>Total land</b>		28,682	17,867
Buildings		143,563	489,226
<b>Total buildings</b>		143,563	489,226
<b>Total property</b>		172,245	507,093
<b>Plant and equipment</b>			
Plant, machinery and equipment		991,246	908,165
Fixtures, fittings and furniture		46,758	38,796
<b>Total plant and equipment</b>		1,038,004	946,961
<b>Infrastructure</b>			
Roads		4,771,749	4,412,817
Bridges		235,263	432,102
Footpaths and cycleways		127,745	103,220
Drainage		63,148	55,727
<b>Total infrastructure</b>		5,197,905	5,003,866
<b>Total capital works expenditure</b>		6,408,154	6,457,920
<b>Represented by:</b>			
New asset expenditure		70,486	344,824
Asset renewal expenditure		6,045,535	5,418,239
Asset expansion expenditure		-	-
Asset upgrade expenditure		292,133	694,858
<b>Total capital works expenditure</b>		6,408,154	6,457,921

The above statement of capital works should be read in conjunction with the accompanying notes.

### Introduction

The West Wimmera Shire Council was established by an Order of the Governor in Council on 20th January 1995 and is a body corporate.

The Council's main office is located at 49 Elizabeth Street, Edenhope, Vic 3318.

### Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

## Note 1 Significant accounting policies

### (a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1 (m) )
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (n) )
- the determination of employee provisions (refer to Note 1 (t) )

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

### (b) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

### (c) Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2017, and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated.

Commencing 30 June 2017 Council consolidates the accounts of the West Wimmera Shire Cemetery Trust into its accounts.

### (d) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

Details are provided in note 38.

**Note 1 Significant accounting policies (cont.)**

**(e) Accounting for investments in associates and joint arrangements**

*Associates*

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

*Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

*(i) Joint operations*

Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

*(ii) Joint ventures*

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

**(f) Revenue recognition**

*Rates and Charges*

Annual rates and charges are recognised as revenues when Council issues annual rates notices.

Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

*Statutory fees and fines*

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

*User fees*

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

*Grants*

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

*Contributions*

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

*Sale of property, infrastructure, plant and equipment*

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

*Interest*

Interest is recognised as it is earned.

*Dividends*

Dividend revenue is recognised when the Council's right to receive payment is established.

*Other Income*

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

## **Note 1 Significant accounting policies (cont.)**

### **(g) Fair value measurement**

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **(h) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

### **(i) Trade and other receivables**

Short term receivables are carried at invoice amount as amortised cost using the effective interest rate method would not impact the carrying value. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

### **(j) Other financial assets**

Other financial assets are valued at fair value, being market value, at balance date. Term deposits are measured at amortised cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

### **(k) Inventories**

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

### **(l) Non-current assets classified as held for sale**

A non-current asset classified as held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

### **(m) Recognition and measurement of property, infrastructure, plant and equipment and intangibles**

#### *Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits detailed in Note 1 n have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

## **Note 1 Significant accounting policies (cont.)**

### **(m) Recognition and measurement of property, infrastructure, plant and equipment and intangibles (cont'd)**

#### *Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 22 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 3 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

#### *Land under roads*

No land under roads have been acquired after 30 June 2008. Council does not recognise land under roads that it controlled prior to that period in its financial report.

### **(n) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles**

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

**Note 1 Significant accounting policies (cont.)**

**(n) Depreciation and amortisation of property, infrastructure plant and equipment and intangibles (cont'd)**

*Asset recognition thresholds and depreciation periods*

	Depreciation Period	Threshold Limit \$
Property		
land	-	5,000
land improvements	6 - 50 years	5,000
Buildings		
buildings	30 - 120 years	5,000
building improvements	30 - 120 years	5,000
leasehold improvements	30 - 120 years	5,000
Plant and Equipment		
plant, machinery and equipment	3 - 40 years	1,000
fixtures, fittings and furniture	3 - 10 years	1,000
computers and telecommunications	3 - 10 years	1,000
Infrastructure		
road pavements and seals	17 - 75 years	5,000
road substructure	75 years	5,000
road formation and earthworks	75 years	5,000
road kerb, channel and minor culverts	50 - 70 years	5,000
bridges deck	35 - 80 years	5,000
bridges substructure	35 - 80 years	5,000
footpaths and cycleways	25 - 50 years	5,000
drainage	70 - 80 years	5,000

**(o) Repairs and maintenance**

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

**(p) Investment property**

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise. Rental income from the leasing of investment properties is recognised in the comprehensive income statement on a straight line basis over the lease term.

**(q) Impairment of assets**

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

## **Note 1 Significant accounting policies (cont.)**

### **(r) Trust funds and deposits**

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 24).

### **(s) Borrowings**

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

#### *Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.

### **(t) Employee costs and benefits**

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

#### *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

#### *Long service leave*

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability - unconditional LSL is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at :

- present value - component that is not expected to be wholly settled within 12 months.
- nominal value - component that is expected to be wholly settled within 12 months.

#### *Classification of employee costs*

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.



## **Note 1 Significant accounting policies (cont.)**

### **(u) Leases**

#### *Finance leases*

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. At balance date, Council has no finance leases.

#### *Operating leases*

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

#### *Leasehold improvements*

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, Council has no leasehold improvements.

### **(v) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **(w) Financial guarantees**

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet, are disclosed at Note 33 contingent liabilities and contingent assets.

### **(x) Contingent assets and contingent liabilities and commitments**

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of note and presented inclusive of the GST payable.

### **(y) Pending accounting standards**

The following new AAS's have been issued that are not mandatory for the 30 June 2017 reporting period.

Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

#### *Revenue from contracts with customers (AASB 15) (applies 2019/20)*

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

#### *Leases (AASB 16) (applies 2019/20)*

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

### **(z) Rounding**

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars.

Figures in the financial statement may not equate due to rounding.

## Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 16 June 2016. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

### (a) Income and Expenditure

	Budget 2017 \$	Actual 2017 \$	Variance 2017 \$	Ref
<b>Income</b>				
Rates and charges	6,977,656	7,001,001	23,345	
Statutory fees and fines	114,300	142,785	28,485	1
User fees	570,194	542,721	(27,473)	2
Grants - operating	6,086,819	8,824,692	2,737,873	3
Grants - capital	2,390,590	8,625,589	6,234,999	4
Contributions - monetary	106,000	219,308	113,308	5
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	231,000	188,411	(42,589)	6
Share of net profits/(losses) of associates and joint ventures	-	(11,853)	(11,853)	
Other income	2,120,382	3,325,327	1,204,945	7
<b>Total income</b>	<b>18,596,941</b>	<b>28,857,981</b>	<b>10,261,040</b>	
<b>Expenses</b>				
Employee costs	6,440,578	6,726,461	(285,883)	8
Materials and services	5,343,773	11,401,072	(6,057,299)	9
Bad and doubtful debts	-	1,674	(1,674)	
Depreciation and amortisation	6,750,334	6,409,216	341,118	10
Impairment Expense	-	2,808,112	(2,808,112)	11
Borrowing costs	11,071	11,071	-	
Other expenses	320,680	332,898	(12,218)	
<b>Total expenses</b>	<b>18,866,436</b>	<b>27,690,504</b>	<b>(8,824,068)</b>	

Variance Ref	Item	Explanation
1	Statutory fees and fines	Funds collected through Statutory Fees and Fines have returned 25% more than originally budgeted. The major contributor to this was in the area of building fees, which were considerably higher (\$23,688) than budgeted as a result of higher building activity recorded.
2	User fees	The original budget placed Sales - other general (\$262,600) into user Fees rather than Other Income. Removing this from the User fees original budget leaves a variance of \$163,119 or 53% over budget. The major variances include reimbursements for private works income (\$150,324) which was not budgeted and transfer station fees which were \$17,473 higher than budgeted.
3	Grants - operating	Council received a prepayment of \$2,534,893 for the 2017-2018 allocation of Victoria Grants Commission. This is in addition to an extra \$143,140 allocated by the VGC after budgets were completed. Some areas received higher than budgeted funding during the 2017/18 year, these included aged care (\$35,731), maternal and child health (\$19,560) and preschools (\$21,591).

4	Grants - capital	<p>Capital grants show a significant variance of 260.8% above the originally budgeted amount. The major variance here relates to the fact that Council has received \$6,000,000 funding, which was not budgeted, to assist with flood recovery works.</p> <p>There was also more grant funds received for projects than budgeted - relating to the Fire Access Road Subsidy Scheme (\$58,225), roadworks (\$295,000), the West Wimmera Recreational Trails Strategy (\$27,000) and the Goroke Little Desert Nature Playspace (\$85,500). These increases were partly offset by budgeted grant amounts not received relating to parks and reserves (\$147,000).</p>
5	Contributions - monetary	<p>Contributions received by Council were 106.9% higher than budgeted, with \$45,000 towards the Apsley Recreation Reserve received, in addition to \$25,000 for the Kaniva netball court and \$9,980 received for fencing the Kaniva Industrial Estate, which were not anticipated at the time of preparing the 2017-2018 budget.</p>
6	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	<p>Council's net gain on the sale of property, infrastructure, plant and equipment was slightly less than anticipated, this was mostly due to the budgeted sale of a water truck being deferred to 2017/18 due to unavailability of a replacement vehicle.</p>
7	Other income	<p>The original budget placed Sales - other general (\$262,600) into user Fees rather than Other Income. Adding this to the other Income original budget leaves a variance of \$939,396 or 39.2% over budget. The major variances are as follows:</p> <ul style="list-style-type: none"> <li>→ Interest earned on investments was \$81,504 higher than budgeted, as a result of Council holding higher cash balances as well as a high focus on investment management by Council;</li> <li>→ Reimbursements from Quarry Operations were \$160,114 higher than budgeted, representing a greater turnover of materials;</li> <li>→ Insurance reimbursements were \$79,482 higher than budgeted;</li> <li>→ Other sundry income was \$78,959 higher than budget, predominantly as a result of revaluation income from the Office of State Revenue;</li> <li>→ Reimbursements from Council services provided were \$60,113 higher than budgeted; and</li> <li>→ Roadworks reimbursements from VicRoads were \$421,707 higher than budgeted, as a result of a higher level of works undertaken than anticipated.</li> </ul>
8	Employee costs	<p>Employee costs expensed for the year were \$285,883 or 3.51% over budget. There were a number of factors included in this:</p> <ul style="list-style-type: none"> <li>→ Sick leave was \$165,536 over budget. This included a small number of long term serious illness and is partially offset by the increase in insurance reimbursements seen in Other Income.</li> <li>→ Overtime was \$73,029 over budget. This was largely a result of the initial flood emergency response activities by Council staff.</li> </ul>
9	Materials and services	<p>Materials and services show a significant variance to budget of \$6 million. Most of this can be attributed to flood recovery operations, the major variations include:</p> <ul style="list-style-type: none"> <li>→ Flood recovery expenses totalling \$5.05 million. This was an unexpected natural disaster that occurred in September 2016 and was not budgeted</li> <li>→ Kaniva Community Hub construction costs of \$351,418. Council anticipates recouping this cost from the primary user group of the facility over the next 5 years.</li> <li>→ VicRoads road works under contract of \$421,707 representing additional works undertaken by Council on behalf of VicRoads, much of which was in repairing roads damaged by the September 2016 flood. These works are reimburseable to Council and are offset by an increase in reimbursement income.</li> </ul>
10	Depreciation and amortisation	<p>Depreciation was \$341,118 below initial budget expectations.</p> <ul style="list-style-type: none"> <li>→ Depreciation on plant and equipment was \$113,000 lower than budget largely as a result of Council holding onto some larger items of plant which had been fully depreciated earlier in the year (these were replaced later in year).</li> <li>→ Infrastructure depreciation was \$220,000 lower than anticipated due to Council initially expecting to construct and fully depreciate a small number of primer seal works. Alternative methods of construction were employed which did not result in primer seals being depreciated within the year.</li> </ul>
11	Impairment Expense	<p>Impairment expense relates entirely to damage which occurred to Council's assets as a result of the September 2016 flood. This event was not budgeted for.</p>

Note 2 Budget comparison (cont.)

(b) Capital Works

	Budget 2017 \$	Actual 2017 \$	Variance 2017 \$	Ref
<b>Property</b>				
Land improvements	-	28,682	28,682	1
<b>Total Land</b>	-	28,682	28,682	
Buildings	635,100	143,563	(491,537)	2
<b>Total Buildings</b>	635,100	143,563	(491,537)	
<b>Total Property</b>	635,100	172,245	(462,855)	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	1,306,000	991,246	(314,754)	3
Fixtures, fittings and furniture	22,810	46,758	23,948	4
<b>Total Plant and Equipment</b>	1,328,810	1,038,004	(290,806)	
<b>Infrastructure</b>				
Roads	3,700,500	4,771,749	1,071,249	5
Bridges	50,000	235,263	185,263	6
Footpaths and cycleways	109,600	127,745	18,145	7
Drainage	95,000	63,148	(31,852)	8
Parks, open space and streetscapes	65,000	-	(65,000)	1
<b>Total Infrastructure</b>	4,020,100	5,197,905	1,177,805	
<b>Total Capital Works Expenditure</b>	5,984,010	6,408,154	424,144	
<b>Represented by:</b>				
New asset expenditure	170,160	70,486	(99,674)	
Asset renewal expenditure	5,412,750	6,045,535	632,785	
Asset expansion expenditure	-	-	-	
Asset upgrade expenditure	401,100	292,133	(108,967)	
<b>Total Capital Works Expenditure</b>	5,984,010	6,408,154	424,144	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land improvements	Land Improvements involves Playground projects which were initially budgeted under Parks, opens spaces and streetscapes. These activities were not complete at 30 June 2017, it is anticipated these works will continue in 2017-18.
2	Buildings	Some projects such as Kaniva Structural repairs (\$150,000), Calico and Candles restumping and alteration (\$82,000) and Charam Hall restumping and repair (\$15,000) have commenced and are not due for completion until 2017-18. The Edenhope Cultural and Community Hub (\$100,000) was contingent on grant funding being received and has not yet commenced. Other projects have been delayed/postponed to 2017-18.
3	Plant, machinery and equipment	The Plant, Machinery and Equipment area shows an actual spend of 24% below budget. This was due to the purchase of the water truck and the street sweeper not occurring until the 2017-18 year.
4	Fixtures, fittings and furniture	The purchase of a Global Navigation Satellite System in place of budgeted computer replacements resulted in the Furniture, fittings and furniture actual spend being \$23,948 over budget.
5	Roads	As a result of the September 2016 Flood, Council was required to reassess its roads capital works program. This resulted in a number of additional works being undertaken supporting flood recovery works, particularly around resheeting, formation grading and shoulder sheeting. These works were undertaken in order to maximise integration of flood reinstatements into Council's networked works.
6	Bridges	Similar to roads, Council's capital bridge renewal programme was affected by the September 2016 flood. Similarly, Council took the opportunity to maximise integration and efficiency of works in undertaking a number of additional bridge works over the year.
7	Footpaths and cycleways	Footpaths and cycleways were over budget by \$18,145, due to an over spend of \$46,173 on the Kaniva Wetlands Project footpath construction. This has, in part, been offset by an increase in the anticipated grant funding for this project. Lions park Edenhope footpath reconstruction was \$5,742 over budget. Projects in this category which did not proceed included Elizabeth St Edenhope footpath repairs (\$8,200) and Lake Wallace walking track reconstruction (\$27,000).
8	Drainage	Various rural drainage works which had formed part of Council's own capital program for 2016/17 were adversely affected by the September 2009 flood and as such form part of the flood recovery works program and will be expensed as an impairment reversal

	2017 \$	2016 \$
<b>Note 3 Rates and charges</b>		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is its current market value determined by Council's contract valuer.		
The valuation base used to calculate general rates for 2016/17 was \$1,777.19 million (2015/16 \$1,773.75 million).		
General Rates	6,128,749	5,959,011
Municipal charge	405,312	399,224
Waste management charge	466,940	445,959
<b>Total rates and charges</b>	<b>7,001,001</b>	<b>6,804,194</b>
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2017.		
<b>Note 4 Statutory fees and fines</b>		
Animal management	34,140	28,928
Building fees	37,875	18,803
Permits	16,196	16,346
Town planning fees	28,515	14,217
Infringements and costs	1,507	3,157
Other	24,552	30,472
<b>Total statutory fees and fines</b>	<b>142,785</b>	<b>111,923</b>
<b>Note 5 User fees</b>		
Community services user charges	211,102	217,075
Private and contract works	150,324	122,711
Refuse disposal fees	52,004	43,707
User charges	19,902	25,264
Caravan park fees	22,816	20,511
Other fees and charges	86,573	10,996
<b>Total user fees</b>	<b>542,721</b>	<b>440,264</b>

	2017 \$	2016 \$
<b>Note 6 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	15,917,836	5,454,617
State funded grants	1,532,445	2,010,376
<b>Total grants received</b>	<b>17,450,281</b>	<b>7,464,993</b>
<b>Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Victoria Grants Commission	7,433,611	2,377,789
CHSP Programs & Meal services	329,361	-
<b>Recurrent - State Government</b>		
HACC programs	130,674	405,856
Preschool operating	225,350	299,174
Maternal and child health	178,781	159,221
Pest & weed control	66,595	116,595
Preschool cluster management	29,219	57,128
Meals service	2,740	39,587
Senior Citizens	13,597	36,746
Youth initiatives FreeZa program	19,600	19,600
Other	23,866	41,028
<b>Total recurrent operating grants</b>	<b>8,453,394</b>	<b>3,552,724</b>
<b>Non-recurrent - State Government</b>		
Harrow Recreation Reserve - Sustainable Water Fund	69,312	-
Kaniva Leor Netball Court 2016/17 (DHS)	50,946	-
Community Planning Grant (VASP) (DEPI)	25,000	-
Public Health Projects - Mosquito management	36,719	-
Kaniva Hub	150,000	300,000
Drought Response program	-	55,000
Fire Service Levy Implementation Grant	39,322	38,193
Public Hall Upgrades	-	10,000
Lake Wallace Boating Safety	-	9,304
One Tree per Child program	-	3,315
Douglas Tennis Club (DHHS)	-	3,300
Harrow/Goroke Precinct Plan	-	3,000
Connewirricoo Tennis Club (DHHS)	-	1,700
<b>Total non-recurrent operating grants</b>	<b>371,298</b>	<b>423,812</b>
<b>Total operating grants</b>	<b>8,824,692</b>	<b>3,976,536</b>
<b>Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	2,154,864	3,076,828
<b>Total recurrent capital grants</b>	<b>2,154,864</b>	<b>3,076,828</b>
<b>Non-recurrent - Commonwealth Government</b>		
Flood recovery (NDRRA)	6,000,000	-
<b>Non-recurrent - State Government</b>		
Henley Park (DEDJTR)	-	126,000
Better Pools program	-	100,500
Kaniva Playspace	-	90,000
Edenhope Transfer Station (Sustain Vic)	-	24,000
Kaniva Transfer Station (Sustain Vic)	-	23,200
Local Government Infrastructure Program (DELWP)	-	20,453
War Memorial Restoration Grants	-	19,476
Kaniva Men's Shed	-	8,000
Fire Access Road Subsidy Scheme (FARRS)	58,225	-
Madden St to Fauna Park & Madden St roundabout crossing upgrade	95,000	-
Solar Power Shire Building	5,000	-
Goroke Little Desert Nature Playspace	85,500	-
Feders Collins Rd 1,250m x5m x 150mm pave (Graincorp)	200,000	-
West Wimmera Recreational Trails Strategy	27,000	-
<b>Total non-recurrent capital grants</b>	<b>6,470,725</b>	<b>411,629</b>
<b>Total capital grants</b>	<b>8,625,589</b>	<b>3,488,457</b>
<b>Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	406,940	162,780
Received during the financial year and remained unspent at balance date	407,484	322,120
Received in prior years and spent during the financial year	406,940	77,960
<b>Balance at year end</b>	<b>407,484</b>	<b>406,940</b>

Notes to the Financial Report  
For the Year Ended 30 June 2017

	2017 \$	2016 \$
<b>Note 7 Contributions</b>		
Monetary	219,308	62,076
<b>Total contributions</b>	<b>219,308</b>	<b>62,076</b>
 <b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	234,006	282,108
Written down value of assets disposed	(45,595)	(162,602)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>188,411</b>	<b>119,506</b>
 <b>Note 9 Other income</b>		
Reimbursements - Vic Roads	2,221,707	1,749,474
Quarry operations	422,714	340,703
Interest	214,453	199,108
Reimbursements - other	169,411	196,839
Insurance refunds	79,483	55,759
Rent	41,977	44,987
Fuel tax refund	37,452	43,707
Gain on valuation of inventory land	-	4,000
Other	138,130	18,460
<b>Total other income</b>	<b>3,325,327</b>	<b>2,653,037</b>
 <b>Note 10 (a) Employee costs</b>		
Wages and salaries	5,926,307	5,562,814
WorkCover	134,465	106,448
Superannuation	585,671	591,508
Fringe benefits tax	80,018	77,930
<b>Total employee costs</b>	<b>6,726,461</b>	<b>6,338,700</b>
 <b>Note 10 (b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	67,934	65,489
	<u>67,934</u>	<u>65,489</u>
Employer contributions payable at reporting date.	-	-
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	236,155	251,358
Employer contributions - other funds	281,582	274,661
	<u>517,737</u>	<u>526,019</u>
Employer contributions payable at reporting date.	-	-
 <i>Refer to note 32 for further information relating to Council's superannuation obligations.</i>		

Notes to the Financial Report  
For the Year Ended 30 June 2017

	2017	2016
	\$	\$
<b>Note 11 Materials and services</b>		
Contract payments	8,765,565	2,708,188
Plant and equipment maintenance	672,872	715,504
Utilities	328,086	336,910
Office administration	62,096	53,201
Information technology	133,370	194,459
Insurance	309,557	292,096
Consultants	41,947	72,356
Other materials and services	1,087,579	711,500
<b>Total materials and services</b>	<b>11,401,072</b>	<b>5,084,214</b>
<b>Note 12 Bad and doubtful debts</b>		
Rates debtors	-	7,908
Other debtors	1,674	7,134
<b>Total bad and doubtful debts</b>	<b>1,674</b>	<b>15,042</b>
<b>Note 13 (a) Depreciation</b>		
Property	749,367	715,138
Plant and equipment	791,369	871,911
Infrastructure	4,868,480	4,783,840
<b>Total depreciation</b>	<b>6,409,216</b>	<b>6,370,889</b>
<i>Refer to note 22 for a more detailed breakdown of depreciation and amortisation charges</i>		
<b>Note 14 Borrowing costs</b>		
Interest - Borrowings	11,071	13,634
<b>Total borrowing costs</b>	<b>11,071</b>	<b>13,634</b>
<b>Note 15 Other expenses</b>		
Councillors' allowances	145,985	135,204
Operating lease rentals	85,448	85,818
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	39,195	30,195
Decrease in fair value of asset held for resale	-	15,240
Auditors' remuneration - Internal	10,575	16,875
Other	51,695	40,254
<b>Total other expenses</b>	<b>332,898</b>	<b>323,586</b>



Notes to the Financial Report  
For the Year Ended 30 June 2017

	2017 \$	2016 \$
<b>Note 16 Investments in associates, joint arrangements and subsidiaries</b>		
<b>(a) Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
- Wimmera Regional Library Corporation	363,891	357,361
- Wimmera Development Association	47,656	35,514
<b>Wimmera Regional Library Corporation</b>		
<i>Background</i>		
Council's investment in the Wimmera Regional Library Corporation is based on the equity method of accounting. Refer Note 1 (e).		
Council's interest in equity	12.41%	11.43%
<b>Fair value of Council's investment in Wimmera Regional Library Corporation</b>	<b>363,891</b>	<b>357,361</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus(deficit) at start of year	161,074	164,492
Reported surplus(deficit) for year	(23,994)	169
Transfers (to) from reserves	(838)	1,383
Distributions for the year	13,756	(4,970)
Council's share of accumulated surplus(deficit) at end of year	<b>149,998</b>	<b>161,074</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	196,287	203,904
Transfers (to) from reserves	838	(1,383)
Distributions for the year	16,768	(6,234)
Council's share of reserves at end of year	<b>213,893</b>	<b>196,287</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	357,361	368,397
Share of surplus(deficit) for year	(23,994)	169
Share of asset revaluation	-	-
Distributions received	30,524	(11,205)
Carrying value of investment at end of year	<b>363,891</b>	<b>357,361</b>

Notes to the Financial Report  
For the Year Ended 30 June 2017

	2017	2016
	\$	\$
<b>Note 16 Investments in associates, joint arrangements and subsidiaries (cont'd)</b>		
<b>Wimmera Development Association</b>		
<i>Background</i>		
Council's investment in the Wimmera Development Association is based on the equity method of accounting. Refer Note 1 (e).		
Council's interest in equity	7.76%	7.76%
<b>Fair value of Council's investment in Wimmera Development Association</b>	<b>47,656</b>	<b>35,514</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	24,303	24,121
Reported surplus/(deficit) for year	12,141	675
Transfers (to) from reserves	(5,618)	(899)
Distributions for the year	(238)	406
Council's share of accumulated surplus/(deficit) at end of year	<b>30,588</b>	<b>24,303</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	11,211	10,717
Transfers (to) from reserves	5,618	899
Distributions for the year	238	(405)
Council's share of reserves at end of year	<b>17,067</b>	<b>11,211</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	35,514	34,838
Share of surplus/(deficit) for year	12,141	675
Distributions received	1	1
Carrying value of investment at end of year	<b>47,656</b>	<b>35,514</b>
<b>Total Investment in Associates</b>		
Wimmera Regional Library Corporation	363,891	357,361
Wimmera Development Association	47,656	35,514
	<b>411,547</b>	<b>392,875</b>

Notes to the Financial Report  
For the Year Ended 30 June 2017

	2017	2016
	\$	\$
<b>Note 17 Cash and cash equivalents</b>		
Cash on hand	1,270	1,270
Cash at bank	4,287,784	2,469,703
Term deposits	9,232,273	6,092,273
	<u>13,521,327</u>	<u>8,563,246</u>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Unspent Grants (Note 6)	407,484	406,940
- Cemetery Trust funds (Note 38)	136,670	-
- Trust funds and deposits (Note 24)	68,240	35,655
Total restricted funds	<u>612,394</u>	<u>442,595</u>
Total unrestricted cash and cash equivalents	<u>12,908,933</u>	<u>8,120,651</u>
<b>Intended allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	560,992	714,450
- Cash held to fund long service leave provision	1,367,847	1,289,849
- Other discretionary reserves	1,543,608	1,696,654
Total funds subject to intended allocations	<u>3,472,447</u>	<u>3,700,953</u>
<b>Note 18 Trade and other receivables</b>		
<b>Current</b>		
Rates debtors	255,276	254,526
Provision for doubtful debts - rates	(52,507)	(90,978)
Other debtors		
- Sundry Debtors	540,452	393,616
- GST Receivable	164,062	41,371
- Employee Superannuation	(1,110)	(1,416)
Provision for doubtful debts - other debtors	(2,175)	(3,051)
<b>Total trade and other receivables</b>	<u>903,998</u>	<u>594,068</u>
<b>(a) Ageing of Receivables</b>		
At balance date other sundry debtors representing financial assets were past due but not impaired. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:		
Current (not yet due)	486,745	327,523
Past due by up to 30 days	10,486	21,812
Past due between 31 and 180 days	837	336
Past due between 181 and 365 days	3,429	2,760
Past due by more than 1 year	38,955	41,185
Total trade & other receivables	<u>540,452</u>	<u>393,616</u>
<b>(b) Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	90,978	83,070
New Provisions recognised during the year	-	7,908
Amounts already provided for and written off as uncollectible	-	-
Amounts provided for but recovered during the year	(38,471)	-
Balance at end of year	<u>52,507</u>	<u>90,978</u>

Notes to the Financial Report  
For the Year Ended 30 June 2017

	2017 \$	2016 \$
<b>Note 19 Inventories</b>		
Inventories held for distribution	324,714	178,731
<b>Total inventories</b>	<b>324,714</b>	<b>178,731</b>
<b>Note 20 Non current assets classified as held for sale</b>		
Fair value of land held for resale	14,000	19,000
<b>Total non current assets classified as held for sale</b>	<b>14,000</b>	<b>19,000</b>
<b>Note 21 Other assets</b>		
Prepayments	52,552	74,649
Accrued income	105,766	-
<b>Total other assets</b>	<b>158,318</b>	<b>74,649</b>

**Note 22 Property, infrastructure, plant and equipment**

**Summary of property, infrastructure, plant and equipment**

	At Written Down Value 30 June 2016	Acquisitions	Depreciation & Impairment	Asset Impairment	Disposal	Transfers	At Written Down Value 30 June 2017
Land	3,185,327	28,682	(136,646)	-	-	-	3,077,363
Buildings	15,504,322	143,563	(612,721)	-	-	-	15,035,164
Plant and Equipment	3,184,887	1,038,004	(791,369)	-	(40,595)	-	3,390,927
Infrastructure	145,538,584	5,089,875	(4,868,480)	(2,808,112)	-	108,030	143,059,897
Work in progress	136,288	-	-	-	-	(108,030)	28,258
	<u>167,549,408</u>	<u>6,300,124</u>	<u>(6,409,216)</u>	<u>(2,808,112)</u>	<u>(40,595)</u>	<u>-</u>	<u>164,591,609</u>

**Summary of Work in Progress**

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	1,000	35,963	-	-	36,963
Plant and Equipment	27,258	-	-	-	27,258
Infrastructure	108,030	7,757	(108,030)	-	7,757
Total	<u>136,288</u>	<u>43,720</u>	<u>(108,030)</u>	<u>-</u>	<u>71,978</u>

**Note 22 Property, infrastructure, plant and equipment (cont'd)**

<b>Land and Buildings</b>	<b>Note</b>	Land - specialised	Land - non specialised	Land improvements	<b>Total Land</b>	Heritage buildings	Buildings - specialised	Buildings - non specialised	<b>Total Buildings</b>	Work In Progress	<b>Total Property</b>
At fair value 1 July 2016		952,900	66,000	3,081,600	<b>4,100,500</b>	58,800	30,462,113	1,212,500	<b>31,733,413</b>	1,000	<b>35,834,913</b>
Accumulated depreciation at 1 July 2016		-	-	(915,173)	(915,173)	(46,102)	(15,633,056)	(549,933)	(16,229,091)	-	(17,144,264)
		<b>952,900</b>	<b>66,000</b>	<b>2,166,427</b>	<b>3,185,327</b>	<b>12,698</b>	<b>14,829,057</b>	<b>662,567</b>	<b>15,504,322</b>	<b>1,000</b>	<b>18,690,649</b>
<b>Movements in fair value</b>											
Acquisition of assets at fair value		-	-	28,682	<b>28,682</b>	-	107,600	-	<b>107,600</b>	35,963	<b>172,245</b>
Contributed assets		-	-	-	-	-	-	-	-	-	-
Revaluation increments/decrements		-	-	-	-	-	-	-	-	-	-
Fair value of assets disposed		-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-	-	-	-
		-	-	28,682	<b>28,682</b>	-	107,600	-	<b>107,600</b>	35,963	<b>172,245</b>
<b>Movements in accumulated depreciation</b>											
Depreciation and amortisation		-	-	(136,646)	<b>(136,646)</b>	(1,058)	(589,659)	(22,004)	<b>(612,721)</b>	-	<b>(749,367)</b>
Accumulated depreciation of disposals		-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-	-	-	-
		-	-	(136,646)	<b>(136,646)</b>	(1,058)	(589,659)	(22,004)	<b>(612,721)</b>	-	<b>(749,367)</b>
At fair value 30 June 2017		952,900	66,000	3,110,282	<b>4,129,182</b>	58,800	30,569,713	1,212,500	<b>31,841,013</b>	36,963	<b>36,007,158</b>
Accumulated depreciation at 30 June 2017		-	-	(1,051,819)	(1,051,819)	(47,160)	(16,222,715)	(571,937)	(16,841,812)	-	(17,893,631)
		<b>952,900</b>	<b>66,000</b>	<b>2,058,463</b>	<b>3,077,363</b>	<b>11,640</b>	<b>14,346,998</b>	<b>640,563</b>	<b>14,999,201</b>	<b>36,963</b>	<b>18,113,527</b>

**Note 22 Property, infrastructure, plant and equipment (cont'd)**

<b>Plant and Equipment</b>	<b>Note</b>	<b>Plant machinery and equipment</b>	<b>Fixtures fittings and</b>	<b>Work In Progress</b>	<b>Total plant and equipment</b>
At fair value 1 July 2016		7,738,772	1,316,840	27,258	<b>9,082,870</b>
Accumulated depreciation at 1 July 2016		(4,667,494)	(1,203,231)	-	(5,870,725)
		<u>3,071,278</u>	<u>113,609</u>	<u>27,258</u>	<u><b>3,212,145</b></u>
<b>Movements in fair value</b>					
Acquisition of assets at fair value		991,246	46,758	-	<b>1,038,004</b>
Contributed assets		-	-	-	-
Revaluation increments/decrements		-	-	-	-
Fair value of assets disposed		(651,253)	-	-	<b>(651,253)</b>
Impairment losses recognised in operating result		-	-	-	-
Transfers		-	-	-	-
		<u>339,993</u>	<u>46,758</u>	<u>-</u>	<u><b>386,751</b></u>
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation		(743,813)	(47,556)	-	<b>(791,369)</b>
Accumulated depreciation of disposals		610,658	-	-	<b>610,658</b>
Impairment losses recognised in operating result		-	-	-	-
Transfers		-	-	-	-
		<u>(133,155)</u>	<u>(47,556)</u>	<u>-</u>	<u><b>(180,711)</b></u>
At fair value 30 June 2017		8,078,765	1,363,598	27,258	<b>9,469,621</b>
Accumulated depreciation at 30 June 2017		(4,800,649)	(1,250,787)	-	(6,051,436)
		<u><b>3,278,116</b></u>	<u><b>112,811</b></u>	<u><b>27,258</b></u>	<u><b>3,418,185</b></u>

Note 22 Property, infrastructure, plant and equipment (cont'd)

Infrastructure	Note	Roads	Bridges	Footpaths and cycleways	Drainage	Work In Progress	Total Infrastructure
At fair value 1 July 2016		200,334,927	3,911,507	4,077,472	14,743,794	108,030	223,175,730
Accumulated depreciation at 1 July 2016		(66,426,371)	(1,806,787)	(709,989)	(8,693,999)	-	(77,637,146)
		133,908,556	2,104,720	3,367,483	6,049,795	108,030	145,538,584
<b>Movements in fair value</b>							
Acquisition of assets at fair value		4,763,992	235,263	127,745	63,148	7,757	5,197,905
Contributed assets		-	-	-	-	-	-
Revaluation increments/decrements		-	-	-	-	-	-
Fair value of assets disposed		-	-	-	-	-	-
Impairment losses recognised in operating result		(2,808,112)	-	-	-	-	(2,808,112)
Transfers		108,030	-	-	-	(108,030)	(0)
		2,063,910	235,263	127,745	63,148	(100,273)	2,389,793
<b>Movements in accumulated depreciation</b>							
Depreciation and amortisation		(4,527,882)	(50,790)	(81,788)	(208,020)	-	(4,868,480)
Accumulated depreciation of disposals		-	-	-	-	-	-
Transfers		-	-	-	-	-	-
		(4,527,882)	(50,790)	(81,788)	(208,020)	-	(4,868,480)
At fair value 30 June 2017		202,398,837	4,146,770	4,205,217	14,806,942	7,757	225,565,523
Accumulated depreciation at 30 June 2017		(70,954,253)	(1,857,577)	(791,777)	(8,902,019)	-	(82,505,626)
		131,444,584	2,289,193	3,413,440	5,904,923	7,757	143,059,897



**Note 22 Property, infrastructure, plant and equipment cont'd**

*Valuation of land and buildings*

Valuation of land and buildings were undertaken by a qualified independent valuer Mr Ian Wilson, Contract Valuer, Australian Property Institute Member 7297. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserved) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2017/18.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 1	Level 2	Level 3	DoV
Land	-	66,000	-	Jan 2016
Specialised land	-	-	952,900	Jan 2016
Land improvements	-	-	2,058,463	Jan 2016
Heritage buildings	-	-	11,640	Jan 2016
Buildings - specialised	-	-	14,346,998	Jan 2016
Building - non specialised	-	-	640,563	Jan 2016
<b>Total</b>	<b>-</b>	<b>14,412,998</b>	<b>3,663,556</b>	

Completed by Mr Ian Wilson, Contract Valuer, Australian Property Institute Member 7297.

*Valuation of infrastructure*

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Mr Des White Adv Dip, E.T, Local Government Engineering. The condition assessment and valuation of the roads was done by Mr Peter Moloney of Moloney Asset Management Systems.

The date of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2017/18.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 1	Level 2	Level 3	DoV
Roads	-	-	131,444,584	Jun 2014
Bridges	-	-	2,289,193	Jun 2014
Footpaths and cycleways	-	-	3,413,440	Jun 2014
Drainage	-	-	5,904,923	Jun 2014
<b>Total</b>	<b>-</b>	<b>-</b>	<b>143,052,140</b>	

Completed by Mr Des White Adv Dip, E.T, Local Government Engineering

**Note 22 Property, infrastructure, plant and equipment cont'd**

**2017**  
\$

**2016**  
\$

*Description of significant unobservable inputs into level 3 valuations*

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 30% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$350 to \$1,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 40 years to 60 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

**Reconciliation of specialised land**

Municipal Office Land	103,000	103,000
Waste Disposal Land	116,000	116,000
Community Services Land	83,500	83,500
Infrastructure and Works Operations Land	324,500	324,500
Recreational and Sundry Council Land	325,900	325,900
<b>Total specialised land</b>	<b>952,900</b>	<b>952,900</b>

Notes to the Financial Report  
For the Year Ended 30 June 2017

	2017	2016
	\$	\$
<b>Note 23 Trade and other payables</b>		
Trade payables	1,944,907	716,113
Accrued Salaries	144,426	119,434
Accrued expenses	1,761	1,777
<b>Total trade and other payables</b>	<b>2,091,094</b>	<b>837,324</b>

<b>Note 24 Trust funds and deposits</b>		
Refundable deposits	30,716	5,796
Refundable Trust Kaniva Rotary Club	15,000	15,000
Refundable Trust Newlands Lake restoration	3,359	3,359
Refundable Trust Lake Wallace committee proceeds	2,274	2,274
Refundable Trust Edenhope skateboard park fund	960	960
Refundable Trust Kaniva skateboard park fundraising	55	55
Fire services levy	15,876	8,211
<b>Total trust funds and deposits</b>	<b>68,240</b>	<b>35,655</b>

*Purpose and nature of items*

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

<b>Note 25 Provisions</b>					
<b>(a) Employee Provisions</b>	<b>Annual Leave</b>	<b>Long Service Leave</b>	<b>Rostered Days Off</b>	<b>Time In Lieu</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>2017</b>					
Balance at beginning of the financial year	766,269	1,289,849	62,641	45,011	2,163,770
Additional provisions	459,924	110,156	198,089	61,469	829,638
Amounts used	(426,087)	(70,500)	(197,681)	(64,775)	(759,043)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	15,461	38,342	-	-	53,803
Balance at the end of the financial year	<b>815,567</b>	<b>1,367,847</b>	<b>63,049</b>	<b>41,705</b>	<b>2,288,168</b>
<b>2016</b>					
Balance at beginning of the financial year	777,080	1,188,620	51,553	61,835	2,079,088
Additional provisions	444,886	164,953	203,309	59,729	872,877
Amounts used	(472,026)	(153,222)	(192,221)	(76,553)	(894,022)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	16,329	89,498	-	-	105,827
Balance at the end of the financial year	<b>766,269</b>	<b>1,289,849</b>	<b>62,641</b>	<b>45,011</b>	<b>2,163,770</b>

	2017 \$	2016 \$
<b>Note 25 Provisions (cont'd)</b>		
<b>Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	563,147	486,445
Long service leave	105,404	140,771
Rostered Days off	63,049	62,641
Time In Lieu	41,705	45,010
	<u>773,305</u>	<u>734,867</u>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	252,420	279,825
Long service leave	1,040,403	922,042
	<u>1,292,823</u>	<u>1,201,867</u>
Total current employee provisions	<u>2,066,128</u>	<u>1,936,734</u>
<b>Non-current</b>		
Long service leave	222,040	227,036
Total non-current employee provisions	<u>222,040</u>	<u>227,036</u>
Aggregate carrying amount of employee provisions:		
Current	2,066,128	1,936,734
Non-current	222,040	227,036
Total aggregate carrying amount of employee provisions	<u>2,288,168</u>	<u>2,163,770</u>
<b>Note 25 Provisions</b>		
<b>(b) Other Provisions</b>		
<b>Current</b>		
Provision for wages	59,758	-
	<u>59,758</u>	<u>-</u>
Total Provisions		
Current	2,125,886	1,936,734
Non Current	222,040	227,036
	<u>2,347,926</u>	<u>2,163,770</u>
<b>Note 26 Interest-bearing loans and borrowings</b>		
<b>Current</b>		
Borrowings - secured (1)	130,268	123,614
	<u>130,268</u>	<u>123,614</u>
<b>Non-current</b>		
Borrowings - secured (1)	33,641	163,910
	<u>33,641</u>	<u>163,910</u>
<b>Total</b>	<u>163,909</u>	<u>287,524</u>
(1) Borrowings are secured by a lien over Council's rate revenue		
(a) The maturity profile for Council's borrowings is:		
Not later than one year	130,268	123,614
Later than one year and not later than five years	33,641	163,910
	<u>163,909</u>	<u>287,524</u>

Note 27 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Share of increment (decrement) on revaluation by an associate	Balance at end of reporting period
<b>(a) Asset revaluation reserves</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2017</b>				
<b>Property</b>				
Land	724,387	-	-	724,387
Land Improvements	198,041	-	-	198,041
Buildings	9,485,014	-	-	9,485,014
	10,407,442	-	-	10,407,442
<b>Infrastructure</b>				
Roads	115,390,721	-	-	115,390,721
Bridges	575,750	-	-	575,750
Footpaths and cycleways	5,808,546	-	-	5,808,546
Drainage	3,908,826	-	-	3,908,826
Recreational, leisure and community facilities	-	-	-	-
Waste management	-	-	-	-
Parks, open space and streetscapes	-	-	-	-
Other infrastructure	-	-	-	-
	125,683,843	-	-	125,683,843
<b>Total asset revaluation reserves</b>	<b>136,091,285</b>	<b>-</b>	<b>-</b>	<b>136,091,285</b>
<b>2016</b>				
<b>Property</b>				
Land	724,387	-	-	724,387
Land Improvements	198,041	-	-	198,041
Buildings	9,485,014	-	-	9,485,014
	10,407,442	-	-	10,407,442
<b>Infrastructure</b>				
Roads	115,390,721	-	-	115,390,721
Bridges	575,750	-	-	575,750
Footpaths and cycleways	5,808,546	-	-	5,808,546
Drainage	3,908,826	-	-	3,908,826
Recreational, leisure and community facilities	-	-	-	-
Waste management	-	-	-	-
Parks, open space and streetscapes	-	-	-	-
Other infrastructure	-	-	-	-
	125,683,843	-	-	125,683,843
<b>Total asset revaluation reserves</b>	<b>136,091,285</b>	<b>-</b>	<b>-</b>	<b>136,091,285</b>

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
<b>(b) Other reserves</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2017</b>				
Plant replacement	339,424	66,651	-	406,075
Crabtree trust	26,610	665	(10,730)	16,545
Quarry restoration	104,133	2,604	-	106,737
Capital improvement	280,261	6,935	-	287,196
Rates revaluation	95,348	74,520	(3,805)	166,063
Elections	75,500	9,433	(84,933)	-
Kindergarten operation	60,928	1,523	(62,451)	-
Carried Forward project Reserve	714,450	560,992	(714,450)	560,992
<b>Total Other reserves</b>	<b>1,696,654</b>	<b>723,323</b>	<b>(876,369)</b>	<b>1,543,608</b>
<b>2016</b>				
Plant replacement	270,647	68,777	-	339,424
Crabtree trust	25,961	649	-	26,610
Quarry restoration	101,593	2,540	-	104,133
Capital improvement	273,495	6,766	-	280,261
Rates revaluation	127,088	71,668	(103,408)	95,348
Elections	40,850	34,650	-	75,500
Kindergarten operation	-	60,928	-	60,928
Carried Forward project Reserve	-	714,450	-	714,450
<b>Total Other reserves</b>	<b>839,634</b>	<b>960,428</b>	<b>(103,408)</b>	<b>1,696,654</b>

**Note 27 Reserves (cont'd)**

Description of nature and purpose of each of Council's discretionary reserves are:

The Plant Replacement is funded by the Plant Operating Surplus and is maintained to replace all major items of Plant and Equipment but excludes utility and fleet replacements.

Crabtree Trust Reserve was bequeathed to Council to provide funds for the upgrade of facilities at the Lake Charlegrark Reserve.

The Quarry Restoration Reserve was generated via a charge against the sale price of quarry stocks that was retained to restore the quarry sites to natural levels once quarrying has ceased. There have been no further charges (other than nominal interest) generated for this reserve since the 1997/98 financial year as the retained reserve is considered adequate to undertake restoration works.

Capital Improvement Reserve is generated via transfers from Surplus Funds from time to time as determined by Council for use on any significant capital infrastructure projects.

Rates Revaluation Reserve provides funds to undertake each property revaluation for rating purposes every two years.

The Elections Reserve provides funds to undertake Council Elections every 4th year.

The Kindergarten Operations Reserve provides that unspent budgeted funds from each year are brought forward and made available for kindergarten spending in future years. In this way negative effects of falling enrolments can be minimised.

The carried Forward Projects Reserve provides for all budgeted amounts which have not been spent as at 30 June and which are required to be carried forward to the next financial year and are not budgeted in the next financial year.

	2017 \$	2016 \$
<b>Note 28 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	1,167,477	(489,228)
Depreciation/amortisation	6,409,216	6,370,889
Impairment Expenses	2,808,112	-
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(188,411)	(119,506)
Finance Costs	11,071	13,634
Share of net (profit)/loss of associates	11,853	(845)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(309,930)	(5,155)
(Increase)/decrease in prepayments	22,097	9,444
(Increase)/decrease in accrued income	(105,765)	95,783
Increase/(decrease) in trade and other payables	1,253,770	189,106
(Increase)/decrease in assets held for sale	5,000	-
Cemetery Trust Distribution	116,668	-
(Decrease)/increase in other liabilities	32,585	(6,462)
(Increase)/decrease in inventories	(145,983)	(12,688)
Increase/(decrease) in provisions	184,156	84,682
Net cash provided by/(used in) operating activities	<b>11,271,915</b>	<b>6,129,654</b>
<b>Note 29 Financing arrangements</b>		
Bank overdraft	2,000,000	2,000,000
Credit card facilities	16,000	16,000
Total facilities	<b>2,016,000</b>	<b>2,016,000</b>
Used facilities	-	-
Unused facilities	<b>2,016,000</b>	<b>2,016,000</b>

**Note 30 Commitments**

The Council has entered into the following commitments

2017	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
<b>Operating</b>					
Caravan park caretaker	9,100	-	-	-	9,100
Cleaning of Council buildings	202,822	202,822	202,822	-	608,466
Garbage collection	153,216	63,840	-	-	217,056
Flood Recovery Works	6,400,322	-	-	-	6,400,322
Meals for delivery	68,373	68,373	56,977	-	193,723
Recycling	72,556	72,556	-	-	145,112
Service of transfer station bins	66,690	-	-	-	66,690
Street cleaning services	143,562	143,562	143,562	-	430,686
Swimming pool management	76,500	6,557	-	-	83,057
Valuation services	114,181	-	-	-	114,181
<b>Total</b>	<b>7,307,322</b>	<b>557,710</b>	<b>403,361</b>	<b>-</b>	<b>8,268,393</b>
<b>Capital</b>					
Flood Recovery Works	2,808,112	-	-	-	2,808,112
Plant and equipment	189,355	-	-	-	189,355
<b>Total</b>	<b>2,997,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,997,467</b>

2016	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
<b>Operating</b>					
Caravan park caretaker	18,200	9,100	-	-	27,300
Cleaning of Council buildings	221,384	-	-	-	221,384
Garbage collection	72,650	-	-	-	72,650
Grass maintenance	83,938	-	-	-	83,938
Meals for delivery	88,583	-	-	-	88,583
Recycling	71,775	-	-	-	71,775
Service of transfer station bins	63,996	-	-	-	63,996
Street cleaning services	203,176	-	-	-	203,176
Swimming pool management	141,700	-	-	-	141,700
Valuation services	11,418	102,764	-	-	114,182
<b>Total</b>	<b>976,820</b>	<b>111,864</b>	<b>-</b>	<b>-</b>	<b>1,088,684</b>



	2017	2016
	\$	\$
<b>Note 31 Operating leases</b>		
<b>(a) Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	83,443	80,665
Later than one year and not later than five years	75,282	75,793
Later than five years	-	-
	<u>158,725</u>	<u>156,458</u>

**Note 32 Superannuation**

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

**Accumulation**

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as required under Superannuation Guarantee legislation).

**Defined Benefit**

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

**Funding arrangements**

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 102.0%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 7.0% pa  
Salary information 4.25% pa  
Price inflation (CPI) 2.5% pa.

**Note 32 Superannuation (cont'd)**

Vision Super has advised that the estimated VBI at June 2017 was 103.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

**Employer contributions****Regular contributions**

On the basis of the results of the 2016 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

**Funding calls**

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated. Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

**2016 Interim actuarial investigation surplus amounts**

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the defined benefit category of which Council is a contributing employer:

A VBI surplus of \$40.3 million; and

A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2016 VBI during August 2016.

**2017 Full triennial actuarial investigation**

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

**Future superannuation contributions**

In addition to the disclosed contributions, Council has paid unfunded liability payments to Vision Super totalling \$0 (2015/16 \$0). There were *no* contributions outstanding and loans issued from or to the above schemes as at 30 June 2017. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 are \$69,730.

**Note 33 Contingent liabilities and contingent assets**

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 32. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

**Guarantees for loans to other entities**

As at 30 June 2017 there are no loans to other entities.

**Contingent assets**

Council has provided short term funding to Kaniva-Leeor United Football Club for the construction of the Kaniva Community Hub facility.

In September 2017 Council intends to enter into an arrangement with the Kaniva-Leeor United Football Club to repay this funding to Council over a five year period. The total principle amount involved amounts to \$351,418.31, incurring interest at 4.0% p.a with a total amount receivable being \$389,479.13

As a result of the floods in September 2016, and damages incurred, the Council has received \$6mil during the current financial year. Both State and Federal Governments have committed to additional funding of approximately \$9.3mil to complete the repair/restoration works of damaged assets. This funding is contingent upon the Council completing appropriate claim forms for costs incurred.

Note 34

**Financial instruments**

**(a) Objectives and policies**

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

**(b) Market risk**

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

**Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

**(c) Credit risk**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

- council have a policy for establishing credit limits for the entities Council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 33.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

**(d) Liquidity risk**

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 33, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 26.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 34**

**Financial instruments (cont'd)**

**(e) Fair value**

*Fair value hierarchy*

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

**(f) Sensitivity disclosure analysis**

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1% and - 1% in market interest rates (AUD) from year-end rates of 3%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

	2017 No.	2016 No.
<b>Note 35 Related party disclosures</b>		
<b>(i) Related Parties</b>		
<i>Parent entity</i>		
West Wimmera Shire Council is the parent entity.		
<i>Subsidiaries and Associates</i>		
Interests in subsidiaries and associates are detailed in note 16.		
<b>(ii) Key Management Personnel</b>		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
<b>Councillors</b>		
Councillor Bruce Meyer (Mayor 10 November 2016 to 30 June 2017)		
Councillor Trevor Domaschenz (10 November 2016 to 30 June 2017)		
Councillor Richard Hicks (10 November 2016 to 30 June 2017)		
Councillor Tom Houlihan (10 November 2016 to 30 June 2017)		
Councillor Jodie Pretlove (10 November 2016 to 30 June 2017)		
Councillor Ron Hawkins (1 July to 22 October 2016)		
Councillor Annette Jones (Mayor 1 July to 22 October 2016)		
Councillor Richard Wait (1 July to 22 October 2016)		
Councillor Warren Wait (1 July to 22 October 2016)		
<b>Total Number of Councillors</b>	9	5
<b>Chief Executive Officer and other Key Management Personnel</b>		
Chief Executive Officer - David Leahy (1 July 2016 to 30 June 2017)		
Director Infrastructure, Development & Works - Robyn Evans (1 July 2016 - 30 June 2017)		
General Manager Corporate & Community - Venkat Peteti (1 July 2017 - 25 April 2017)		
Director Corporate & Community - Ashley Roberts (12 June 2017- 30 June 2017)		
<b>Total Number of Chief Executive Officer and other Key Management Personnel</b>	4	3
<b>Total Key Management Personnel</b>	13	8
<b>(iii) Remuneration of Key Management Personnel</b>	<b>2017</b>	
	<b>\$</b>	
Total remuneration of key management personnel was as follows:		
Short-term benefits	724,924	
Post-employment benefits	51,881	
Long-term benefits	15,157	
Termination benefits	-	
<b>Total</b>	<b>791,962</b>	
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
\$0 - \$10,000	3	-
\$10,000 - \$19,999	5	4
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	-	1
\$70,000 - \$79,999	-	1
\$130,000 - \$139,999	2	-
\$160,000 - \$169,999	1	2
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	-	1
	<b>13</b>	<b>9</b>
<b>(iv) Transactions with related parties</b>		
During the period Council did not enter into any reportable transactions with related parties.		
<b>(v) Outstanding balances with related parties</b>		
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties		

Note 35	Related party disclosures (cont'd)	2017	2016
		\$	\$
(vi)	<b>Loans to/from related parties</b> The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party.	Nil	Nil
(vii)	<b>Commitments to/from related parties</b> The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party.	Nil	Nil

**Note 36 Senior Officer Remuneration**

A Senior Officer is an officer of Council, other than Key Management Personnel, who:  
a) has management responsibilities and reports directly to the Chief Executive; or  
b) whose total annual remuneration exceeds \$142,000

The number of Senior Officers are shown below in their relevant income bands:

	2017	2016
Income Range:	No.	No.
\$99,999	1	-
	<u>1</u>	<u>-</u>
Total Remuneration for the reporting year for Senior Officers included above, amounted to	95,732	Nil

**Note 37 Events occurring after balance date**

No matters have occurred after balance date that require disclosure in the financial report.

**Note 38 Committees of Management**

The Council is the Committee of Management for the Edenhope, Goroke and Kaniva Cemeteries. The assets and liabilities of the Committees have been included in Council's financial statement and are summarised below:

	<b>2017</b>
<b>(a) Edenhope Cemetery</b>	<b>\$</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	37,224
Trade and Other receivables	-
<b>Total Current assets</b>	<b>37,224</b>
<b>Non-current assets</b>	
Property, infrastructure, plant and equipment	1
<b>Total Non-current assets</b>	<b>1</b>
<b>Total Assets</b>	<b>37,225</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Trade and other payables	330
<b>Total current liabilities</b>	<b>330</b>
<b>Total Liabilities</b>	<b>330</b>
<b>Net Assets</b>	<b>36,895</b>
<b>Equity</b>	
Accumulated Surplus	36,894
<b>Total Equity</b>	<b>36,894</b>
<b>Income</b>	
Interest received	496
Fees and Charges	32,471
<b>Total Income</b>	<b>32,967</b>
<b>Expenses</b>	
Other Materials & Services	28,510
<b>Total Expenses</b>	<b>28,510</b>
<b>Surplus(Loss) for period</b>	<b>4,457</b>
<b>(b) Goroke Cemetery</b>	
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	6,683
Trade and Other receivables	-
<b>Total Current assets</b>	<b>6,683</b>
<b>Non-current assets</b>	
Property, infrastructure, plant and equipment	1
<b>Total Non-current assets</b>	<b>1</b>
<b>Total Assets</b>	<b>6,684</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Total current liabilities	-
<b>Total Liabilities</b>	<b>-</b>
<b>Net Assets</b>	<b>6,684</b>
<b>Equity</b>	
Accumulated Surplus	6,683
<b>Total Equity</b>	<b>6,683</b>

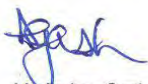
**Note 38 Committees of Management cont'd**

	<b>2017</b>
<b>(b) Goroke Cemetery (cont'd)</b>	<b>\$</b>
<b>Income</b>	
Interest received	-
Fees and Charges	4,253
<b>Total Income</b>	<b>4,253</b>
<b>Expenses</b>	
Other Materials & Services	3,242
<b>Total Expenses</b>	<b>3,242</b>
<b>Surplus(Loss) for period</b>	<b>1,011</b>
<b>(c) Kaniva Cemetery</b>	<b>\$</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	92,763
Trade and Other receivables	-
<b>Total Current assets</b>	<b>92,763</b>
<b>Non-current assets</b>	
Property, infrastructure, plant and equipment	1
<b>Total Non-current assets</b>	<b>1</b>
<b>Total Assets</b>	<b>92,764</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	-
<b>Total current liabilities</b>	-
<b>Total Liabilities</b>	-
<b>Net Assets</b>	<b>92,764</b>
<b>Equity</b>	
Accumulated Surplus	92,764
<b>Total Equity</b>	<b>92,764</b>
<b>Income</b>	
Interest received	2,453
Fees and Charges	35,484
<b>Total Income</b>	<b>37,937</b>
<b>Expenses</b>	
Other Materials & Services	23,731
<b>Total Expenses</b>	<b>23,731</b>
<b>Surplus(Loss) for period</b>	<b>14,206</b>



## Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.



Ms Andrea Cash

**Principal Accounting Officer**

**Date :** 22 September 2017  
Edenhope

In our opinion the accompanying financial statements present fairly the financial transactions of West Wimmera Shire Council for the year ended 30 June 2017 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.



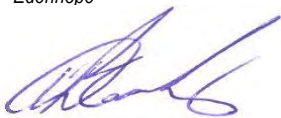
Cr Bruce Meyer  
**Mayor**

**Date :** 22 September 2017  
Edenhope



Cr Jodie Pretlove  
**Councillor**

**Date :** 22 September 2017  
Edenhope



Mr David Leahy  
**Chief Executive Officer**

**Date :** 22 September 2017  
Edenhope

## Independent Auditor's Report

### To the Councillors of West Wimmera Shire Council

<b>Opinion</b>	<p>I have audited the financial report of West Wimmera Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2017</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including a summary of significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Councillors' responsibilities for the financial report</b>	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

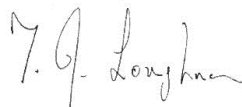
**Auditor's  
responsibilities  
for the audit  
of the financial  
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' 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 council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Councillors 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.



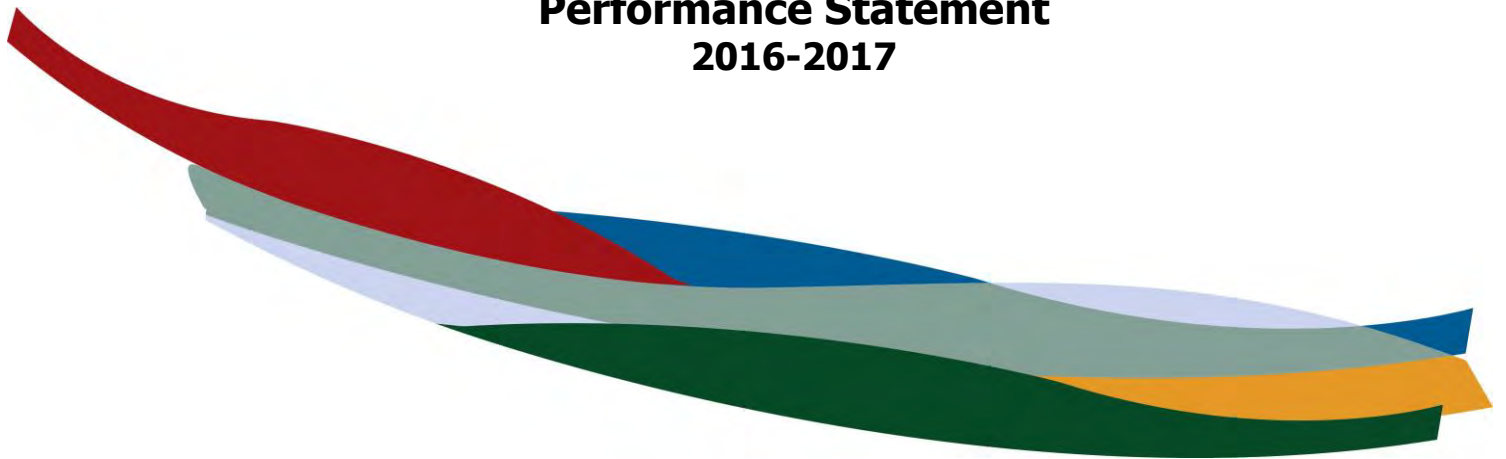
Tim Loughnan

*as delegate for the Auditor-General of Victoria*

MELBOURNE  
22 September 2017



**Performance Statement  
2016-2017**

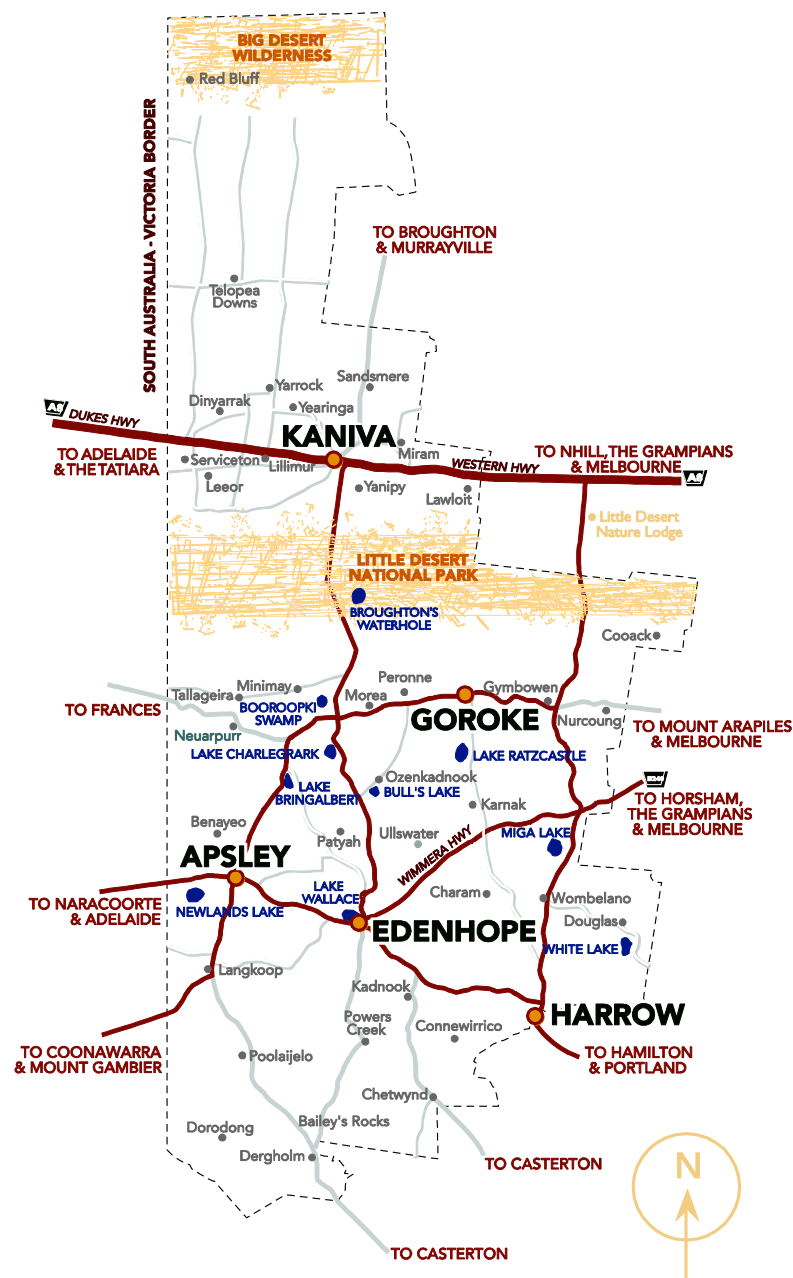


## Performance Statement

For the year ended 30 June 2017

### Description of municipality

West Wimmera Shire Council is located in Western Victoria and has a strong economy, primarily based on agriculture with growth sectors in health, education and retail. The Shire covers an area of 9,256 square kilometres and includes the townships of Apsley, Edenhope and Harrow to the south of the Shire and Goroke, Kaniva and Serviceton to the north.



## Sustainable Capacity Indicators

For the year ended 30 June 2017

Indicator/measure	Results 2015	Results 2016	Results 2017	Material Variations
<b>Population</b>				
<i>Expenses per head of municipal population</i>	\$4,942.49	\$4,678.01	\$7,182.88	Higher materials and services expenditure and impairment due to 2016 flood event
[Total expenses / Municipal population]				
<i>Infrastructure per head of municipal population</i>	\$42,071.07	\$42,352.15	\$41,897.28	No material variations
[Value of infrastructure / Municipal population]				
<i>Population density per length of road</i>	1.46	1.43	1.42	No material variations
[Municipal population / Kilometres of local roads]				
<b>Own-source revenue</b>				
<i>Own-source revenue per head of municipal population</i>	\$2,525.87	\$2,611.24	\$2,902.20	A gradual decline in population within the shire, combined with the capped rate increase
[Own-source revenue / Municipal population]				
<b>Recurrent grants</b>				
<i>Recurrent grants per head of municipal population</i>	\$2,401.81	\$1,709.20	\$2,752.01	2016/17 included VGC prepayment, inflated that year in addition to declining population
[Recurrent grants / Municipal population]				
<b>Disadvantage</b>				
<i>Relative Socio-Economic Disadvantage</i>	5.00	5.00	5.00	No material variations
[Index of Relative Socio-Economic Disadvantage by decile]				



## **Definitions**

"adjusted underlying revenue" means total income other than—

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"infrastructure" means non-current property, plant and equipment excluding land

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"population" means the resident population estimated by council

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website



## Service Performance Indicators

For the year ended 30 June 2017

Service/indicator/measure	Results 2015	Results 2016	Results 2017	Material Variations
<b>Aquatic Facilities Utilisation</b>				
<i>Utilisation of aquatic facilities</i>	3.45	3.51	2.79	Contractor of one of the swimming pools failed to provide attendance figures for the 16/17 season, significantly skewing data
[Number of visits to aquatic facilities / Municipal population]				
<b>Animal Management Health and safety</b>				
<i>Animal management prosecutions</i>	0.00	0.00	0.00	No prosecutions during 2016/17
[Number of successful animal management prosecutions]				
<b>Food Safety Health and safety</b>				
<i>Critical and major non-compliance outcome notifications</i>	100.00%	0.00%	0.00%	No critical and major notifications in 2016/17
[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100				
<b>Governance Satisfaction</b>				
<i>Satisfaction with council decisions</i>	58.00	56.00	59.00	
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]				





Service/indicator/measure	Results 2015	Results 2016	Results 2017	Material Variations
<b>Home and Community Care (HACC)</b>				
<b>Participation</b>				
Participation in HACC service	40.78%	52.53%	Reporting Ceased 1 July 2016	Reporting on HACC ceased 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
[Number of people that received a HACC service / Municipal target population for HACC services] x100				
<b>Participation</b>				
Participation in HACC service by CALD people	17.39%	6.90%	Reporting Ceased 1 July 2016	
[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100				
<b>Libraries</b>				
<b>Participation</b>				
Active library members	16.37%	13.38%	12.92%	
[Number of active library members / Municipal population] x100				
<b>Maternal and Child Health (MCH)</b>				
<b>Participation</b>				
Participation in the MCH service	88.78%	88.66%	88.68%	
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100				
<b>Participation</b>				
Participation in the MCH service by Aboriginal children	66.67%	100.00%	50.00%	Very small numbers in this category contribute to significant % changes from 2016 to 2017
[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100				
<b>Roads</b>				
<b>Satisfaction</b>				
Satisfaction with sealed local roads	49	48	45	
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]				



Service/indicator/measure	Results 2015	Results 2016	Results 2017	Material Variations
<b>Statutory Planning</b>				
<b>Decision making</b>				
<i>Council planning decisions upheld at VCAT</i>	100.00%	0.00%	0.00%	
[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100				
<b>Waste Collection</b>				
<b>Waste diversion</b>				
<i>Kerbside collection waste diverted from landfill</i>	17.77%	17.99%	22.03%	Residents are showing an increased commitment to recycling and reducing waste to landfill
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100				



## **Definitions**

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006

"active library member" means a member of a library who has borrowed a book from the library

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

"class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act

"class 2 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth

"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health

"food premises" has the same meaning as in the *Food Act 1984*

"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age

"population" means the resident population estimated by council

"target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth

"WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.



## Financial Performance Indicators

For the year ended 30 June 2017

Dimension/indicator/measure	Results	Results	Results	Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	
<b>Efficiency</b>								
<b>Revenue level</b>								
<i>Average residential rate per residential property assessment</i>	\$620.01	\$619.00	\$637.00	\$660.00	\$681.00	\$704.50	\$729.00	
[Residential rate revenue / Number of residential property assessments]								
<b>Expenditure level</b>								
<i>Expenses per property assessment</i>	\$4,152.11	\$3,629.20	\$5,538.00	\$4,529.60	\$4,228.20	\$4,250.80	\$3,957.80	Higher materials and services expenditure and impairment in 2016/17 due to 2016 flood event
[Total expenses / Number of property assessments]								
<b>Workforce turnover</b>								
<i>Resignations and terminations compared to average staff</i>	12.90%	6.54%	16.50%	12.62%	12.62%	12.62%	12.62%	There were lower than average terminations in the 2015/16 year
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100								
<b>Liquidity</b>								
<b>Working capital</b>								
<i>Current assets compared to current liabilities</i>	355.60%	321.40%	337.98%	512.34%	454.51%	455.28%	488.13%	2016/17 included VGC prepayment, cash at year-end inflated, which impacts forecast years while liabilities remain steady during the forecast period
[Current assets / Current liabilities] x100								
<b>Unrestricted cash</b>								
<i>Unrestricted cash compared to current liabilities</i>	312.04%	252.42%	279.68%	476.85%	421.18%	429.48%	465.55%	Restricted cash includes unspent grants and capital works carried forward, both of which are not known until year-end close off. As such the forecast years have high unrestricted cash
[Unrestricted cash / Current liabilities] x100								



Dimension/indicator/measure	Results	Results	Results	Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	
<b>Obligations</b>								
<b>Asset renewal</b>								
<i>Asset renewal compared to depreciation</i> [Asset renewal expense / Asset depreciation] x100	64.00%	85.12%	94.34%	183.88%	92.31%	76.34%	74.26%	Increased renewal works in 2016/17 due to 2016 flood event
<b>Loans and borrowings</b>								
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	6.35%	4.23%	2.34%	0.47%	0.00%	0.00%	0.00%	In line with Council's debt schedules. No new borrowings forecast
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	2.12%	1.93%	1.93%	1.88%	0.45%	0.00%	0.00%	
<b>Indebtedness</b>								
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	4.70%	3.86%	2.29%	5.25%	5.12%	5.10%	6.07%	In line with Council's debt schedules. No new borrowings forecast
<b>Operating position</b>								
<b>Adjusted underlying result</b>								
<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	3.06%	-5.22%	-24.91%	-7.20%	-4.94%	-7.75%	-7.11%	Like other small rural Councils, Council is facing a significant decline in its underlying position due to rate capping. 2016/17 result is inflated by the Financial Assistance Grant prepayment



Dimension/indicator/measure	Results	Results	Results	Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	
<b>Stability</b>								
<b><i>Rates concentration</i></b>								
<i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	31.33%	39.45%	31.58%	34.29%	37.11%	39.21%	43.32%	2016/17 included flood recovery grants
<b><i>Rates effort</i></b>								
<i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.39%	0.41%	0.40%	0.41%	0.42%	0.43%	0.44%	



**Definitions**

"adjusted underlying revenue" means total income other than—

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"population" means the resident population estimated by council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"unrestricted cash" means all cash and cash equivalents other than restricted cash.



## Other Information

For the year ended 30 June 2017

### 1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's **strategic** resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

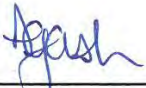
The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 18 June 2015 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting Council.





## Certification of the performance statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.



Ms Andrea Gash

**Principal Accounting Officer**

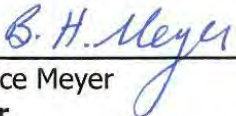
**Dated:** 22 September 2017

In our opinion, the accompanying performance statement of the West Wimmera Shire Council for the year ended 30 June 2016 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2014 to certify this performance statement in its final form.



Cr Bruce Meyer

**Mayor**

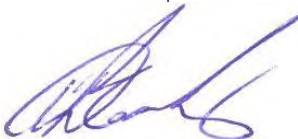
**Dated:** 22 September 2017



Cr Jodie Pretlove

**Councillor**

**Dated:** 22 September 2017



Mr David Leahy

**Chief Executive Officer**

**Dated:** 22 September 2017



## Independent Auditor's Report

### To the Councillors of West Wimmera Shire Council

#### Opinion

I have audited the accompanying performance statement of West Wimmera Shire Council (the council) which comprises the:

- description of municipality for the year ended 30 June 2017
- sustainable capacity indicators for the year ended 30 June 2017
- service performance indicators for the year ended 30 June 2017
- financial performance indicators for the year ended 30 June 2017
- other information and
- the certification of the performance statement.

In my opinion, the performance statement of West Wimmera Shire Council in respect of the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 6 of the *Local Government Act 1989*.

#### Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the *Auditor's responsibilities for the audit of the performance statement* section of my report.

My independence is established by the *Constitution Act 1975*. I and my staff are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance statement in Australia and have also fulfilled our 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.

#### Councillors' responsibilities for the performance statement

The Councillors is responsible for the preparation and fair presentation of the performance statement in accordance with the performance reporting requirements of the *Local Government Act 1989* and for such internal control as the Councillors determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.

**Auditor's  
responsibilities for the  
audit of the  
performance  
statement**

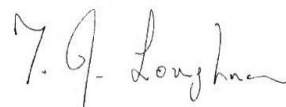
As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance statement as a whole is free from material misstatement, whether due to fraud or 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 the Australian Standards on Assurance Engagements 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 this financial report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 council's internal control
- evaluate the overall presentation, structure and content of the statement of performance, including the disclosures, and whether the statement of performance represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Councillors 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.

MELBOURNE  
22 September 2017



Tim Loughnan  
*as delegate for the Auditor-General of Victoria*





15 September 2017

Cr Bruce Meyer  
Mayor  
West Wimmera Shire Council  
49 Elizabeth Street  
EDENHOPE VIC 3318

Victorian Auditor-General's Office

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Dear Cr Meyer

**FINAL MANAGEMENT LETTER – 2016–17**

The purpose of this correspondence is to bring to your attention any final matters arising from the audit of the financial report of West Wimmera Shire Council for the year ended 30 June 2017.

The attached final management letter includes matters relating to control weaknesses and financial reporting issues identified during the final audit. The status of current year high-risk issues raised during our interim audit and all outstanding prior period issues are also detailed in the final management letter.

As explained in the audit strategy, the financial audit is designed to enable the Auditor-General to express an opinion on the annual financial report. It does not constitute a complete examination of all relevant data and was not designed to uncover all processing errors and therefore may not have detected all breaches and irregularities that could have occurred.

I have also provided copies of the Final Management Letter to Mr David Leahy, CEO and Mr Geoff Price, Chair of Audit & Risk Committee.

The assistance provided by management and staff during the course of the audit is acknowledged.

If you have any queries concerning this final management letter, please contact one of the following:

Narelle McLean on

☎ 03 5562 3544 📧

[nmclean@mhfg.com.au](mailto:nmclean@mhfg.com.au)

Tim Loughnan on

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[tim.loughnan@audit.vic.gov.au](mailto:tim.loughnan@audit.vic.gov.au)

Yours sincerely

N.L. MCLEAN

Partner

McLaren Hunt

VAGO Audit Service Provider



15 September 2017

Mr David Leahy  
CEO  
West Wimmera Shire Council  
49 Elizabeth Street  
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Yours sincerely

N.L. MCLEAN

Partner

McLaren Hunt

VAGO Audit Service Provider



15 September 2017

Mr Geoff Price  
Chair of the Audit & Risk Committee  
West Wimmera Shire Council  
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Dear Geoff

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Yours sincerely

N.L. MCLEAN

Partner

McLaren Hunt

VAGO Audit Service Provider



West Wimmera Shire Council  
Final management letter  
Year ending 30 June 2017



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# 1 Executive Summary

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## 1.1 Purpose of the management letter

The purpose of this management letter is to bring to your attention matters arising from the final phase of the financial report audit of the West Wimmera Shire Council for the year ending 30 June 2017. This letter should be read in conjunction with the interim management letter issued on 19 May 2017 and the closing report issued on 15 September 2017. All three documents together satisfy our communication responsibilities with regards to reporting significant control deficiencies identified during the audit and other significant matters relevant to the financial reporting process.

As explained in the audit strategy issued in February 2017, the financial report audit is designed to enable the Auditor-General to express an opinion on the annual financial report and whilst the audit considered internal controls relevant to the preparation of the financial report, the audit does not express an opinion on the effectiveness of those controls.

## 1.2 Scope of work performed

In accordance with our planned audit approach, the final audit included examination of financial processes and systems supporting the following material components of the financial statements:

- Expenditure
- Revenue
- Employee Benefits
- Internal controls environment
- IT Systems

The work conducted was not a comprehensive audit of all systems and processes and was not designed to uncover all deficiencies, breaches and irregularities in those systems and processes. Inherent limitations in any management process and system of internal control may mean that errors or irregularities might occur and not be detected. Summary of findings

We observed deficiencies in the design and implementation of controls and other significant matters relevant to the financial reporting process during the final phase of the audit.

The ratings provided in this report reflect our assessment of the likelihood and degree of a misstatement occurring due to the identified deficiency relating to:

- financial reporting and
- effective and efficient operations, including issues of probity, waste and compliance with applicable laws.

Appendix A explains the basis for the criteria used to determine ratings and includes a timetable for corrective action.

### 1.2.1 Current year findings

The following table is a summary of the issues arising from the final phase of the financial report audit. For further details of each issue, including management's responses, refer to Section 2.

Issue reference	Description of finding	Rating			
		Extreme	High	Medium	Low
2.1	Existence of Detailed Asset Register	X			
2.2	Reinstatement of Impairment			X	
2.3	Number of long outstanding management letter issues			X	
Total		1		2	

### 1.2.2 Status of current year interim findings

The following table is a summary of the status of high-risk issues raised in our interim management letter. For further details of each issue refer to section 3.

Issue reference	Description of finding	Risk rating	Issues raised	Status
3.1	Assessment of Flood Damage and Revaluations	High	May 2017	Closed

### 1.2.3 Prior year findings

The following table is a summary of issues arising from previous audits and the status of remediation activities. For further details of each issue refer to Section 4.

Issue reference	Description of finding	Risk rating	Issues raised	Status
4.1	Road Condition Reports	Medium	August 2016	Open
4.2	Capturing Road Disposals	Medium	August 2016	Open
4.3	Masterfile Change Reports	Medium	May 2016	Open
4.4	Review of Procurement Policy	Low	May 2016	Open
4.5	Calculation of Leave Entitlements	Medium	Sept 2015	Open
4.6	Independent review of credit notes	Medium	May 2015	Open
4.7	Review of Access Levels to Authority	Low	2013-14	Open
4.8	Reconciliation of Clearing Accounts	Low	2013-14	Closed
4.9	Change Management	High	2012-13	Open
4.10	Land under roads	Medium	2012-13	Open
4.11	Fixed Asset Register	Medium	2012-13	Open

## 1.3 Management acceptance

All findings have been discussed with management. Action plans have been developed by management to address each recommendation.

## 2 Detailed findings and recommendations

---

This section outlines the observation, implication, recommendation and management comments and action plans for each audit finding.

### 2.1 Existence of Detailed Asset Register

Rating: Extreme

#### 2.1.1 Observation

As detailed in prior year issue 4.11 there is concern over the completeness, accuracy and existence of assets recorded in the fixed asset register.

The movements from prior year for each asset class including additions, disposals and depreciation have been agreed to supporting documentation or calculations, however we have been unable to obtain detailed fixed asset registers at year end to list individual assets held, including bridges, road segments, drainage, kerbs and footpaths.

#### 2.1.2 Implication

Unable to establish a detailed listing of infrastructure assets held.

#### 2.1.3 Recommendation

A revaluation of infrastructure assets was completed in 2014, management need to reconstruct from the revaluation documentation a detailed listing of assets held, and movements occurring during the period.

We also recommend that management consider implementing a asset system for the management and recording of assets, rather than excel spreadsheets to ensure that the information is retained in a reliable manner.

#### 2.1.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: John Griffiths, Capital Works Manager / Andrea Gash, Manager Finance

Implementation date: 1 January 2018

#### Management comment and action plan:

Management agrees that this position is totally unacceptable. It has arisen as a result of the failed implementation of the new asset management system during 2016/17.

Management are arranging a complete network revaluation to the segment level to be undertaken by Maloney Asset Management Systems. This will provide a new detailed asset register which Council can rely upon detailing individual assets and segments of those individual assets.

## 2.2 Reinstatement of Impairment

Rating: Medium

### 2.2.1 Observation

During the year the council recognised impairment of approximately \$2.8mil, as a result of the floods the occurred in September 2016. The impairment has been identified against individual road segments.

As the remedial works are completed to reinstate the assets, the impairment value needs to be progressively reversed.

Management have also already identified that the cost of the repair/restoration works will be significantly higher than the impairment recognised, this is due to the difference in completing short sections of road versus the normal length, and the high usage of contractors and after-hours time to complete these works.

Management need to ensure that they accurately capture the restoration/repair works versus any increase in the service capacity or quality of the asset. Management also need to ensure that they accurately split the actual costs of restoration versus the restatement of the impairment.

### 2.2.2 Implication

Risk that impairment restatement/repair works will not be accurately identified, captured and recorded against the road segments.

### 2.2.3 Recommendation

Management need to ensure that they accurately identify and split the reinstatement of impairment versus repair works. All works need to be reviewed to establish if they increase the useful life of the assets or service capacity or just reinstated the asset to pre-flood condition.

Excess costs also need to be captured and expensed as they occur. Management need to confirm the correct treatment in Conquest to ensure reinstatement works are accurately reported.

### 2.2.4 Management comments and action plan

Recommendation accepted:    ☒ Yes    ☐ No

Responsible officer:        Andrea Gash, Manager Finance / John Griffiths,  
Manager Capital Works

Implementation date:    September 2017

**Management comment and action plan:**

Management will review all flood works undertaken on a monthly basis. This will include restating the works undertaken at fair value and charging this fair value against the asset impairment charge whilst expensing the difference.

## 2.3 Number of long outstanding management letter issues

Rating: Medium

### 2.3.1 Observation

There are a number of long outstanding management letter points which have not been addressed and cleared by management. This includes 3 items from 2012-13 one of which is high.

### 2.3.2 Implication

Outstanding issues have not been resolved in a timely basis which may increase the risk of errors occurring.

### 2.3.3 Recommendation

Council need to ensure that they have allocated adequate resources to management to enable them to resolve the long outstanding issues raised.

### 2.3.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Ashley Roberts, Director Corporate and Community Services / Andrea Gash, Manager Finance

Implementation date: September 2017 onwards

#### Management comment and action plan:

Staff movements and shortages combined with the failure to implement the asset management system during 2016/17 have place some time constraints on Council preventing a large amount of work that should have been done actually being done.

Now that Council has a full complement of staff on deck, these items will be attended to.



### 3 Status of high- and extreme-risk issues from interim management letter

---

This section outlines the current status of management actions to address the audit recommendation from the interim management letter issued on 19 May 2017. The issues included in this section have been restricted to those rated high and/or extreme which required corrective action within a maximum of two months.

#### 3.1 Assessment of Flood Damage and Revaluations

Rating: High

Status: Closed

##### 3.1.1 Observation

The Council incurred significant flood damage, in September 2016, to public infrastructure assets. It is estimated that this damage is approximately \$12mil. Discussions with the flood recovery team indicates that they are progressively completing the inspections to determine the impact of the flood and impairment to assets. Some of this work is being completed internally and others, for example, bridges outsourced to external experts. The Council was also in the process of completing a revaluation of roads.

Discussions with management indicate that the reports received to date, include an in-depth analysis of the conditions of the roads, however it is unlikely in the time frame that they will be able to upload this data into their asset management system to provide an accurate report on the impact of road conditions, including adjustment to useful life and depreciation.

The Council has a couple of resignations from staff working in this team, which has left them short staffed. Although they are looking at engaging a contractor short term, it is unlikely that this person will have the experience in this region to complete the balance of assessments.

##### 3.1.2 Implication

Impairment and revaluation calculations may not be completed prior to the conclusion of the audit which may result in a modification to the audit opinion.

##### 3.1.3 Recommendation

Management need to be aware that a modification to the audit opinion may be required depending on the percentage of the inspections completed and status of the impairment and revaluation calculations. Recommend that management continue to keep VAGO informed on expected timelines for completion.

### 3.1.4 Management comments and action plan

Recommendation accepted:    ☒ Yes    ☐ No

Responsible officer:        Ashley Roberts, Manager Finance

Implementation date:    30 June 2017

#### Management comment and action plan:

Council's flood recovery contractors have assured management that they will complete full inspections and have complete condition assessments by the end of May. The contractor has offered to provide asset impairment and revaluation data for use in the end of year accounts. Council is likely to accept this offer.

### 3.1.5 Current status of management action plan

Status:                        Closed

#### Audit Comment:

Assessment has been completed and recognised for 30 June 2017, in relation to the impairment of roads as a result of the flood damage.

## 4 Prior period issues

---

This section outlines the current status of management actions to address the audit recommendation from the prior period audit.

### 4.1 Road Condition Reports

Rating: Medium

Status:

#### 4.1.1 Observation

The Council received two Road Conditions Reports during the year. Both reports are from known experts in the field, however one report indicated that roads are in good condition and the other indicated that roads are in poor condition.

As a result of the conflicting condition assessment for roads, a movement in fair value has not being recognised during 2015/16.

#### 4.1.2 Implication

The change in the condition of roads has not being recognised due to the inconsistency reported by individual experts during the year.

#### 4.1.3 Recommendation

Management should follow up with the experts (Moloney and A Baimbirdge) the basis for their assessments and request that revised reports are provided to ensure that the condition of roads can be accurately determined and recognised during 2016/17.

#### 4.1.4 Management comments and action plan

Responsible officer: Senavi Abeykoon (Asset Manager) & Ashley Roberts (Finance Manager)

Implementation date: 31 March 2016

#### Management comment and action plan:

Management has allocated funds in the 2016/17 Budget for a comprehensive road asset condition assessment to be undertaken. This assessment shall form the basis of a revaluation of the fair value of road assets during 2016/17.

Additional management comment

## Additional management comments and action plan

Responsible officer:      Asset Manager

Implementation date:    31 July 2017

### Management comment and action plan:

Council's flood recovery contractor has offered to use the condition assessment data to undertake an internal revaluation of road assets. However, this will be required to be undertaken outside of the asset management system due to this system not being in a state where reliable reports can be extracted.

## 4.1.5 Current status of management action plan

Status:                      Open

### Audit Comment:

Roads have not been revalued as at 30 June 2017. An assessment of condition was completed for the purpose of calculation of impairment as a result of the floods, and therefore only effected roads have been assessed. It is recommended that during 2017/18 roads are revalued including a full assessment of condition.

### Management comment and action plan:

A partial condition assessment on Council's road network was undertaken during 2016/17. Unfortunately this did not include an external valuation. The data provided as part of this analysis was not in the same format as Council's previous valuation and assessment data, making comparison difficult. Unfortunately the two engineering staff involved in this project left the organisation before any use of this data was made.

Council's replacement Manager of Capital Works is arranging for a full network assessment and valuation to be carried out by Maloney Asset Management systems during 2017/18. This will provide fresh data in a similar format to that which has previously been used by Council and will also correct the inappropriate situation of Council not having a detailed asset register at its disposal.

## 4.2 Capturing Road Disposals

Rating: Medium

Status: Open

### 4.2.1 Observation

Over the past three years the Council has had road additions of \$11.6mil, however no road disposals have been recognised over this period. Whilst we recognise that the frequency of the road revaluations is likely to capture road disposals, the capturing process should be improved. When road seals are replaced the old seal should be removed from the asset register, otherwise there is a risk that the fair value of roads may be overstated.

### 4.2.2 Implication

The fair value of roads may be overstated if disposals are not captured and recorded on a timely basis.

### 4.2.3 Recommendation

Management should consider how the disposal of roads should be captured and recorded in the asset management program to ensure that the value of roads is fairly stated.

### 4.2.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Senavi Abeykoon (Asset Manager) & Ashley Roberts (Finance Manager)

Implementation date: 31 May 2016

#### Management comment and action plan:

Management will develop a process by which any assets that have been removed in the reconstruction process are written as that occurs.

#### Additional Management Comment in April 2017:

Management agree with the audit recommendation. However, due to staff issues the new asset management system is incapable of producing any reliable information at this time. Management is unable to give an effective timeline on when this situation will be rectified.

### 4.2.5 Current status of management action plan

Status: Open

**Audit Comment:**

Due to staff shortages and limitations of the asset system, this process has not been implemented during 2016/17.

**Additional Management Comment in September 2017:**

This item has been referred to Council's Asset Management Working Group for solution. Council staff will investigate with service providers and other Council's as to what methodologies are available to do this.

## 4.3 Masterfile Change Reports

Rating: Medium

Status: Open

### 4.3.1 Observation

Management have recently identified a report which indicates changes to the suppliers masterfile data. As this report has only recently been identified it has not been produced or independently reviewed on a regular basis during the financial year.

There is also no evidence of independent review of the Payroll Masterfile Change Report.

A report for changes to rates standing data is currently not produced, and therefore is not independently reviewed.

### 4.3.2 Implication

Inappropriate changes may be made to the standing data which may not be detected.

### 4.3.3 Recommendation

The Creditors Masterfile Change Report should be produced on a monthly basis and independently reviewed to ensure that changes made to standing data is appropriate.

The Payroll Masterfile Change Report should be independently reviewed to ensure that changes made to standing data is appropriate.

A Rates Masterfile Change report should be produced on a monthly basis and independently reviewed to ensure that changes made to standing data is appropriate. We recommend that this report should capture, but not limited to:

- Changes to CIV valuations;
- Change to types of rates charged to properties; and
- Removal of properties from the rating system.

#### 4.3.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Finance Manager

Implementation date: Creditors Masterfile Changes Report: Immediately

Payroll Masterfile Changes Report: Immediately

Rates Masterfile Changes Report: 31 December 2016

##### Management comment and action plan:

Both creditors and payroll masterfile changes reports are currently existing and can be implemented immediately. These will be run on a monthly basis and approved by either the Manager Finance or the Assistant Manager Finance.

The rates masterfile changes report is more problematic as it does not currently exist in an appropriate format within the Civica system.

Council will investigate the possibility of Civica providing such a report or in the likely case of this not being possible, of writing a crystal report of excel based query to produce the necessary information.

It is considered that given the time required to do this it would not be possible to have such a report operational before 31 December at the earliest.

#### 4.3.5 Current status of management action plan

Status: Open

##### Audit Comment:

The payroll masterfile change report is only printed when a change is made. This is not deemed an effective control as the only changes being reviewed are changes which the payroll officer is providing. This report should be printed on a regular basis to cover the full financial year and independently reviewed by someone external to the payroll function.

The creditors masterfile change report is being prepared and reviewed on a regular basis, however, there is no evidence of reviewing changes to external documentation. Suggest all changes made are confirmed via a method different to the document / information requesting the change (ie. Not calling or emailing the phone number on the document requesting the change, but rather calling a number of the supplier website) and these changes are independently reviewed on a regular basis.

There is no rates masterfile change report being produced. Suggest management look into the "Levy Transaction Report" within Civica, as this potentially may contain the appropriate data to assess this risk.

Status of implementation to be reviewed at the interim visit for 2017/18.



### **Additional Management Comment in September 2017:**

Council agrees with these recommendations.

The payroll masterfile changes report will be prepared and reviewed each payroll run.

Council takes on board the suggestions made regarding external checks to documentation.

Council will investigate the usefulness of the "Levy Transaction Report" in regard to rates.

## 4.4 Review of Procurement Policy

Rating: Low

Status: Open

### 4.4.1 Observation

The adopted Procurement Policy of the Council does not capture the delegation of authority for payments such as insurance, contracts and levies which are above the financial delegation.

### 4.4.2 Implication

Due to the value of these payments, executive staff are breaching the Procurement Policy when authorising payment.

### 4.4.3 Recommendation

The Procurement Policy should be reviewed to ensure that it adequately documents the delegated authority for the payment of expenses including for example, contract payments, insurance and levies.

### 4.4.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Manager Finance/Manager Contracts

Implementation date: 31 December 2017

#### Management comment and action plan:

Management will ensure that Council's Procurement Policy is reviewed as an integrated corporate wide document rather than a stand alone document as it has been in the past. As such delegations for all Council operations will be included in the policy.

There will be staff training sessions held relating to procurement which refer to the revised Procurement Policy.

Management agrees with the audit recommendation and will review the Procurement Policy

### 4.4.5 Current status of management action plan

Status: Open

#### Audit Comment:

No change from prior year. Status of implementation to be reviewed at the interim visit for 2017/18.

### Additional Management Comment in September 2017:

Council has highlighted the need for a review of its Procurement Policy. All Council policies are currently being reviewed, with the Procurement Policy being amongst these.

## 4.5 Calculation of Leave Entitlements

Rating: Medium

Status: Open

### 4.5.1 Observation

The current calculations for leave provisions are completed within excel, although current systems are capable of producing the information. In the case of LSL, the data and nominal amounts should be obtained from the payroll system to enter into the department model. This would remove estimates for FTE and spreadsheet calculation/formula errors.

In current year, estimated wages for the new EBA have been used. These are based on a spreadsheet calculation and cannot be simply recalculated based on a % increase for each employee due to allowances etc.

### 4.5.2 Implication

Risk of error in the calculation of leave balances outstanding.

### 4.5.3 Recommendation

We recommend that management use the information and reporting functions within the system to reduce the risk of error in calculation.

### 4.5.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Assistant Finance Manager

Implementation date: 30 June 2016

### Management comment and action plan:

Council agrees with the recommendation and payroll staff will continue to review leave balances for accuracy and make any adjustments that are required. Reports from the system will be used for leave accrual balances at year end, but for FTE information the intricacies of the system and the changing hours of some of the workforce mean the system cannot be relied on exclusively.

We will continue to review these on an ongoing basis.

#### 4.5.5 Current status of management action plan

Status: Open

**Audit Comment:**

LSL has been calculated based on the system reports rather than excel spreadsheets for 30 June 2017, however the set-up of the LSL calculations within the system were incorrect for some staff therefore their balances cannot be relied upon. Currently when staff take or are paid out LSL a manual calculation is completed to ensure the accuracy. The reports need to be reviewed by management and system changes if required, to ensure the accuracy of the amounts reported.

**Additional Management Comment in September 2017:**

Agreed - management will review any system changes made and required.

## 4.6 Independent review of credit notes

Rating: Medium

Status: Open

### 4.6.1 Observation

A listing of credit notes raised can be produced in CIVICA however, this listing is currently not independently reviewed to ensure that credit notes raised are appropriate and adequately authorised.

### 4.6.2 Implication

Risk that independent credit notes could be raised and processed without appropriate review, resulting in lost income to the Council.

### 4.6.3 Recommendation

Credit notes should be independently reviewed to ensure that they are appropriate.

### 4.6.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Louise Gabbe/Dearne Chenhall

Implementation date: 30 June 2015

#### Management comment and action plan:

Report exists and has been reviewed on ad-hoc basis previously. Internal process will be adjusted to ensure report is generated and reviewed on monthly basis.

### 4.6.5 Current status of management action plan

Status: Open

#### Audit Comment:

Observed that the Credit Notes raise for the year had been reviewed, however the review was completed in May 2017. Need to ensure that the review is completed on a timely basis.

Status to be reviewed at the interim visit for 2017/18.

#### Additional Management Comment in September 2017:

Agreed. Management will be required to review Credit Notes as they applied.

## 4.7 Review of access levels to authority

Rating: Low

Status: Open

### 4.7.1 Observation

Management have been unable to produce a report detailing the access levels of staff to Authority, including the different modules.

### 4.7.2 Implication

Management are unable to review if the access levels are appropriate and reflect the requirements of the individual staff member.

### 4.7.3 Recommendation

Authority should be contacted regarding the ability to generate this report. The report should then be reviewed on a regular basis to ensure that the access levels are appropriate.

### 4.7.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: General Manager Corporate and Community Services

Implementation date: 31 March 2015

Management comment and action plan:

Agreed. Staff access to all systems will be streamlined with the recruitment of human resources officer.

### 4.7.5 Current status of management action plan

Status: In progress

Audit Comment:

Additional Management Comment in September 2017:

Human Resources Officer has been appointed in July 2017. Council is investigating the use of 'Crystal Reporting' by other Councils to create and generate these reports.

## 4.8 Reconciliation of clearing accounts

Rating: Low

Status: Closed

### 4.8.1 Observation

The Council have a number of clearing accounts relating to rates, employee superannuation and other minor balances. These accounts have not been appropriately reconciled and cleared on a timely basis.

### 4.8.2 Implication

The clearing accounts may not accurately reflect outstanding balances.

### 4.8.3 Recommendation

The clearing accounts should be reconciled monthly to supporting schedules to ensure that the amounts accurately reflect any outstanding balances.

### 4.8.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Finance Manager

Implementation date: 30 April 2015

#### Management comment and action plan:

Due to the resources constraints reconciliations of clearing account will be undertaken quarterly from January 2015.

### 4.8.5 Current status of management action plan

Status: Closed

#### Audit Comment:

Clearing accounts have been appropriately reconciled and cleared.

## 4.9 Change management

Rating: High

Status: Open

### 4.9.1 Observation

We were advised that Council does not have documented change management procedures.

### 4.9.2 Recommendation

All changes made to systems should be documented. Council should develop and document a Change Management Policy and Procedure which prescribes as a minimum:

- approval, authorisation and responsibility;
- the nature of the change, eg. upgrade, fix or patch;
- impact assessment;
- prioritisation of change requests;
- how the change is to be applied;
- environments effected, timing;
- backup and rollout processes; and testing.

### 4.9.3 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Finance Manager

Implementation date: 30 June 2015

#### Management comment and action plan:

Council has made a decision in the last Council meeting (24th May 2012) to implement a new finance system (Civica's authority). Implementation of the new system will commence around 1st October 2012 and expected to go online around 1st April 2013. Advanced finance system will require some changes to existing IT processes. Also new system will give the Council to more scope to administer and manage.

Not yet commenced.

There is currently still no documented process. This issue has also been identified by the risk management committee. No action has taken place as yet and there is no completion date at this stage. The Council currently has limited resources for a staff member to take responsibility of this action item.



#### 4.9.4 Current status of management action plan

Status: Open

**Audit Comment:**

Change management procedures not yet developed.

**Additional Management Comment in September 2017:**

No further activity has taken place on this item.

## 4.10 Land under roads

Rating: Medium

Status: Open

### 4.10.1 Observation

Although not mandatory at this stage, it appears that valuation of land under roads may be compulsory in the near future.

At present, West Wimmera Shire does not have the resources required to execute the first time adoption of this valuation. This includes:

- no existing records of road shoulders;
- limited staff resources; and
- limited expertise for this type of valuation.
- Without forward planning, Council may struggle to comply with this requirement when it becomes compulsory.

### 4.10.2 Recommendation

Management should develop a plan to address the change in policy with regard to Valuation of Land Under Roads.

In developing this plan, management should consider;

- the data that is required to be capture; and
- the resources required to capture the data and conduct the valuation.

### 4.10.3 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Finance Manager

Implementation date: 30 June 2015

Management comment and action plan:

Reserve measurements are being implemented into Asset Assist, the infrastructure asset register system, as the reserves are measured. Council are working at recognising 25% of road reserves per year with the aim of having all reserves in the asset register by 2014/2015.

#### 4.10.4 Current status of management action plan

Status: Open

**Audit Comment:**

No change from prior year.

**Additional Management Comment in September 2017:**

Council does not intend to implement land under roads until it is required to do so by the Auditor General or Local Government Victoria. Council does not believe that the valuation of land under roads adds any value whatsoever to the readability and useability of Council's financial statements.

## 4.11 Fixed asset register

Rating: Medium

Status: Open

### 4.11.1 Observation

Discussion with the asset manager and the acting finance manager gave rise to concerns over the completeness, accuracy and existence of assets recorded in the fixed asset register.

Given the heavily manual nature of the register and the limited resources to adequately monitor the assets held, the existence of some items is uncertain. There are also continuing uncertainties around the completeness of the register (this year there was \$1m in found building assets brought to account).

Furthermore, the appropriateness of asset classifications and the estimated useful lives being applied to various assets is unsatisfactory.

A range of items are currently being recorded as building assets when they should be classified as either an improvement, or they should be expensed.

### 4.11.2 Recommendation

Management should undergo a detailed review and stock take of the fixed asset register.

- Particular areas for consideration in the review include:
- the useful lives being applied to determine depreciation rates for assets;
- the appropriateness of the asset class assets are being classified to;
- the completeness of the assets in the asset register; and
- the existence of the assets in the asset register.

### 4.11.3 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer: Finance Manager

Implementation date: December 2016

#### Management comment and action plan:

Management are working their way through a detailed revision of the fixed asset registers. External assistance was utilised to ensure the asset registers were complete. An internal review has been conducted to ensure all assets on the registers do in fact exist. Civica is being used to replace excel as an asset register for non-infrastructure assets. Management are working through inputting all the relevant data into Civica. All infrastructure assets will be recorded in Asset Assist. Bridges are currently still in excel as the relevant module in Asset Assist has not yet been released.

#### 4.11.4 Current status of management action plan

Status: Open

**Audit Comment:**

No change from prior year. Deferred until asset system is fully implemented.

**Additional Management Comment in September 2017:**

Unfortunately the implementation of a new fixed assets system was unsuccessful during 2016/17. This was due to a number of issues including a lack of understanding of the resources required, and a lack of clear scoping of the implementation project.

However, despite this setback Council remains committed to installing an asset management system capable of holding fixed asset registers securely. Council is in the midst of re-scoping and investigating systems.

## Appendix A – Rating definitions

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity, propriety and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

We may include extreme, high or moderate rated issues in our reports to Parliament on the results of financial statement audits.

**Table: Rating definitions and management action**

Rating	Definition	Management action required
<b>Extreme</b>	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could cause or is causing <b>severe</b> disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a <b>material</b> misstatement in the financial report has occurred.</li> </ul>	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
<b>High</b>	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a <b>major</b> adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a <b>material</b> misstatement in the financial report that is likely to occur.</li> </ul>	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
<b>Medium</b>	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a <b>moderate</b> adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is not material and has occurred.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
<b>Low</b>	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a <b>minor</b> control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation, or</li> <li>• a misstatement in the financial report that is likely to occur but is not expected to be material, or</li> <li>• an opportunity to improve an existing process or internal control.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>