



AUDIT COMMITTEE MEETING  
AGENDA

2 OCTOBER 2017

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**CITY OF GREATER GERALDTON**

**AUDIT COMMITTEE MEETING  
TO BE HELD ON MONDAY 2 OCTOBER 2017 AT 3.30PM  
IN THE COMMITTEE MEETING ROOM – CIVIC CENTRE**

**A G E N D A**

**1 DECLARATION OF OPENING**

**2 ATTENDANCE**

Present:

Officers:

By Invitation:

Apologies:

Leave of Absence:

**3 CONFIRMATION OF PREVIOUS MINUTES**

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 21 February 2017, as attached be accepted as a true and correct record of proceedings.

#### 4 ITEMS FOR AUDIT COMMITTEE REVIEW

AC053 AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL	
<b>AGENDA REFERENCE:</b>	<b>D-17-70574</b>
<b>AUTHOR:</b>	<b>M Adam, Governance Coordinator</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director Corporate and Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>12 September 2017</b>
<b>FILE REFERENCE:</b>	<b>GO/11/0020</b>
<b>ATTACHMENTS:</b>	<b>No</b>

#### EXECUTIVE SUMMARY:

The purpose of this report is for Council to review a summary of Audit Committee activities for the period 1 July 2016 to 30 June 2017.

#### EXECUTIVE RECOMMENDATION:

That Council by Simple Majority pursuant to Section 5.20 of the Local Government Act RESOLVES to

1. RECEIVE the summary of Audit Committee activities for the period.
2. RECOMMEND that Council accepts the summary of Audit Committee activities for the period July 2016 to June 2017.

#### PROPONENT:

The proponent is the City of Greater Geraldton

#### BACKGROUND:

In accordance with the *Local Government Act 1995* section 7.1A (1):

*“A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it”.*

The City of Greater Geraldton Audit Committee Charter incorporates the following reporting requirements:

*5.2 The Committee shall report annually to the Council summarising its activities during the previous financial year.*

Below is a summary of the activities of the Audit Committee for the period 1 July 2016 to 30 June 2017 for the purposes of providing the above mentioned report to Council:

#### Audit Committee Meeting – 3 October 2016

- i. Adopt the Audit Report for the financial period ending 30 June 2016 and endorse actions taken by staff to resolve identified items in the reports;
- ii. Note the summary of the Current Operational Risk Management review and the status of the City Business Continuity Management( BCM) Planning;



- iii. Note the report on the management actions from the AMD Financial Systems Audit 2016; and
- iv. Receive the annual report of Audit Committee activities for the period July 2015 to June 2016 and recommend the report for acceptance by Council.

#### Audit Committee Meeting – 21 February 2017

- i. Endorse the 2016 Compliance Audit Return and report the results to Council.
- ii. Note the summary of the City of Greater Geraldton's Current Procurement contracts;
- iii. Endorse the acceptance of the quote for Extension of external audit services for the financial year 2017/2018;
- iv. Note the results of the review of compliance – Local Government Operational Guidelines 09 – Audit in Local Government;
- v. Endorse the implementation of the Strategic Internal Audit Plan 2017-2021; and
- vi. Endorse amendment to Audit Committee Charter and recommend the proposed amendments to Council.

### **ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**

#### **Economic:**

There are no economic impacts.

#### **Social:**

There are no social impacts.

#### **Environmental:**

There are no environmental impacts.

#### **Cultural & Heritage:**

There are no cultural or heritage impacts.

### **RELEVANT PRECEDENTS:**

The Audit Committee Charter requires the committee to report annually to Council summarising the activities of the previous financial year. The Audit Committee Annual Report was last reviewed by the Committee 3 October 2016, Item number AC046.

### **COMMUNITY/COUNCILLOR CONSULTATION:**

There has been no community/councillor consultation.

### **LEGISLATIVE/POLICY IMPLICATIONS:**

There are no legislative or policy implications.

### **FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

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**INTEGRATED PLANNING LINKS:**

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT**

The provision of an annual report to Council on the activities of the Audit Committee ensures that the committee meets compliance requirements of the *Audit Committee Charter* s.5.2 and reporting recommendations of the Department of Local Government and Communities *Audit in Local Government Operational Guideline number 09- 2013*.

**ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS**

No alternatives have been considered.

AC054	STATUS OF RISK MANAGEMENT SYSTEMS
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<b>AGENDA REFERENCE:</b>	<b>D-17-72640</b>
<b>AUTHOR:</b>	<b>B Pearce, Coordinator Procurement &amp; Risk</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director Corporate &amp; Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>20 September 2017</b>
<b>FILE REFERENCE:</b>	<b>GO/11/0020</b>
<b>APPLICANT / PROPONENT:</b>	<b>City of Greater Geraldton</b>
<b>ATTACHMENTS:</b>	<b>Yes (1 confidential)</b> <b>A. City Risk Profile Report</b>

**EXECUTIVE SUMMARY:**

The purpose of this report is to advise the Audit Committee of the current status of risk management at the City.

**EXECUTIVE RECOMMENDATION;**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to

1. NOTE the City of Greater Geraldton's status with regards to:
  - a. The status of the City's risk management.
  - b. The status of Promapp.
  - c. Require the City provide a full risk management report to Council by 19 December 2017

**PROponent:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:**

As required by Local Government (Audit) Regulations 1996 Regulation 17 and the City of Greater Geraldton Risk Management Framework (RMF), the City is required to identify and manage risk to the City's operations.

**Risk Report**

The attached *Risk Report* details the following:

1. The status of identified high risks (as per RMF appendix F)
2. The status of risk treatment plans

**EMT Risk Reporting**

With the successful advent of Promapp as the centralised risk software system EMT Risk Reports have become possible.

This report is intended to be a standing monthly risk report, however due to staffing issues a few recent reports were submitted on a bimonthly basis instead.

Operational Risk Reports have been presented to EMT as follows;

1. Oct 2016 – Jan 2017 EMT Risk Report
2. Feb 2017 EMT Risk Report
2. Mar 2017 EMT Risk Report
3. May 2017 EMT Risk Report
4. Jun – July 2017 EMT Risk Report
3. Aug 2017 EMT Risk Report

In addition to these specific operational risk reports to EMT, direct risk reports have been provided to Management & Employees as follows;

1. Weekly Promapp Risk Action Email sent to all action owners
2. April -Director Risk treatment report
3. April- Management & Director treatment report
4. June -CEO risk action advice
5. July Management & Director treatment action report
6. August Director risk review

### Promapp Risk Module Implementation

With the rollout of Promapp software, the City is now able to instantly see the current status of City managed risks. The below illustrates the relative priority of each risk across the heat map, and allows management to view quickly any risks that are overdue or which require a treatment review.

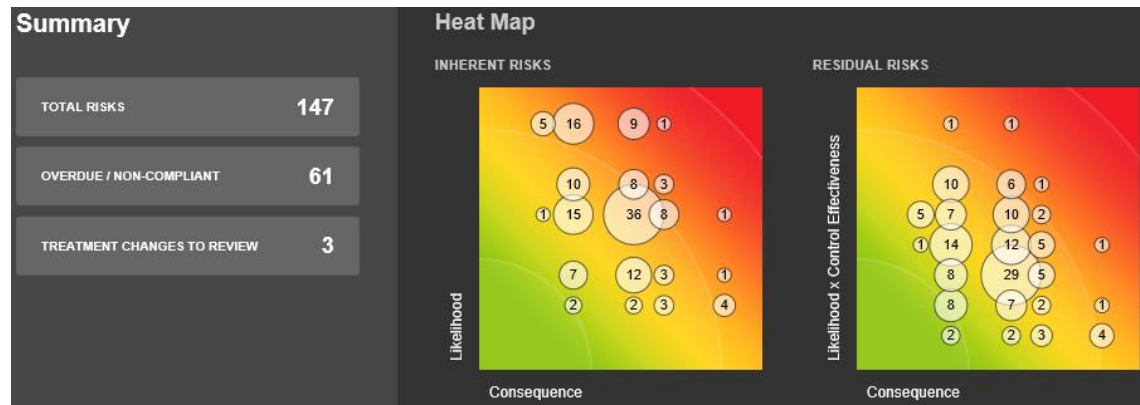
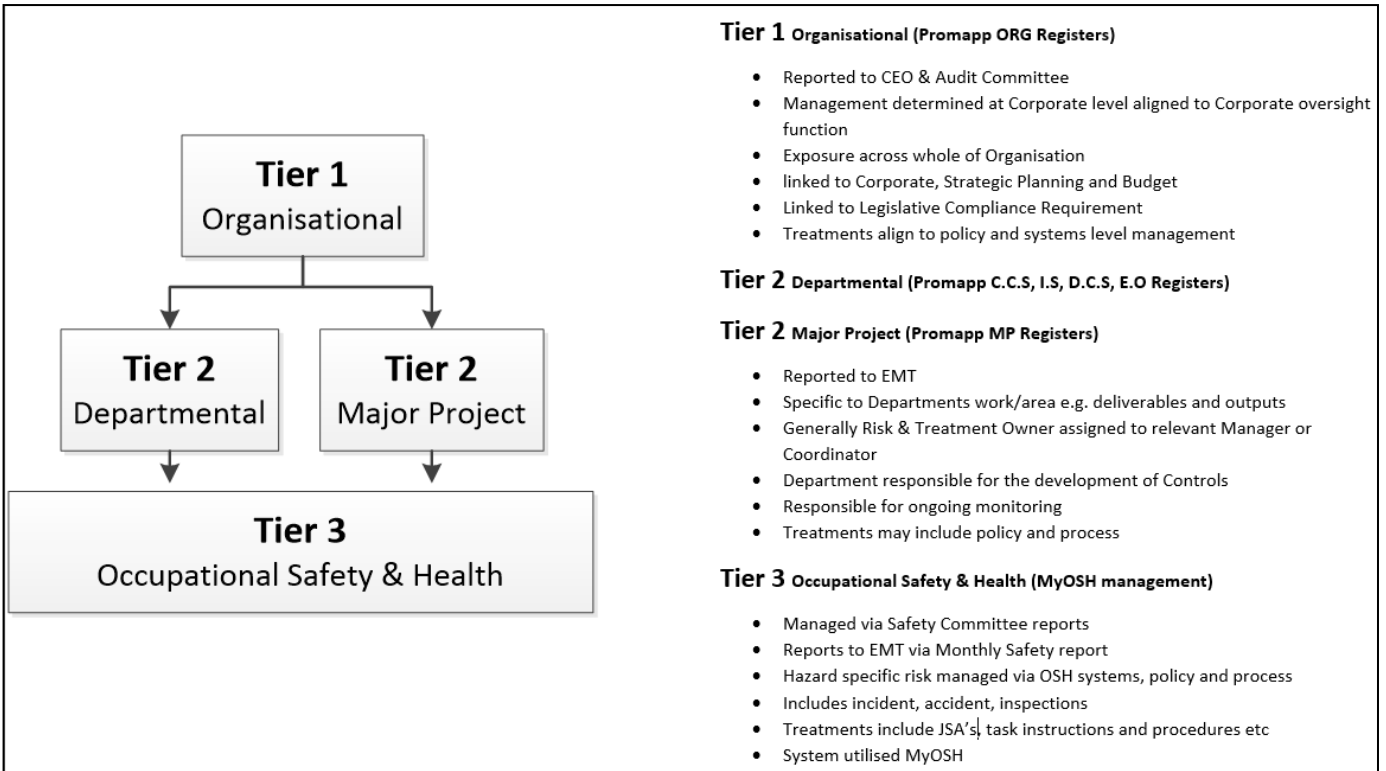


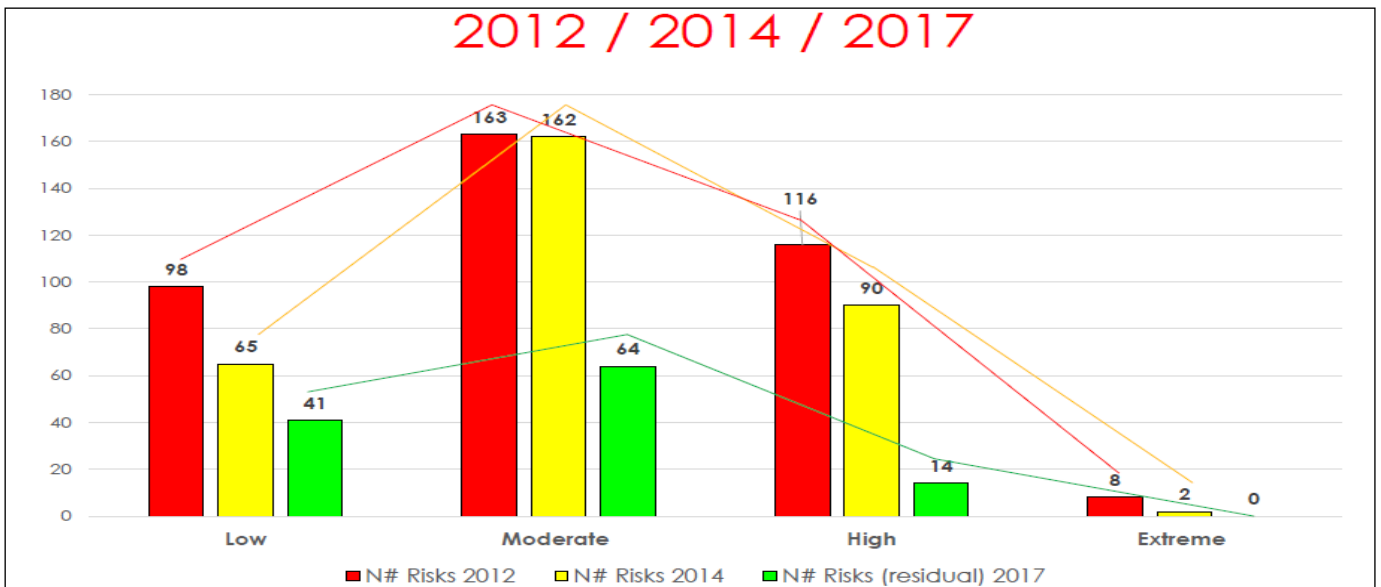
Figure extracted 7 Sept 2017

Over the last 12 months all except 2 operational areas have had 2 full risk workshops (the remaining areas have had 1 workshop each). This has enabled the City to effectively identify risks requiring management.

It should be noted in the implementation of Promapp, the City aligned all risk into three categories as follows.



This risk hierarchy has enable the City to successful remove risk duplication - see following comparisons of risk.



No risk issue has been deleted but is instead now managed in a consistent way eg right way, team and resources



**Economic:**

There are no economic impacts.

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.

**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

This item has the following relevant precedents.

1. AC039- Status of City Risk Management Activities
2. AC044 – Status of Risk Management & Compliance Activities

**COMMUNITY/COUNCILLOR CONSULTATION:**

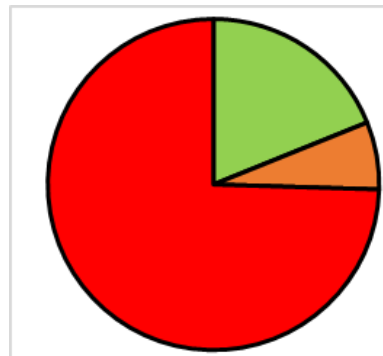
No consultation was undertaken in reference to this item.

**Risk Treatments**

Currently all risks identified in Promapp have a documented treatment plan listed either for development or confirmed as being in place.

An internal audit of 540 risk treatments and actions confirmed the following,

1. **18.9% TREATMENT ACHIEVED**  
compliant sign off, treatment plan in place
2. **6.6% PARTIALLY COMPLIANT**  
basic treatment achieved however further work required.
3. **74.6% NON-COMPLIANT**  
documented treatment not in place or overdue (see notes below)

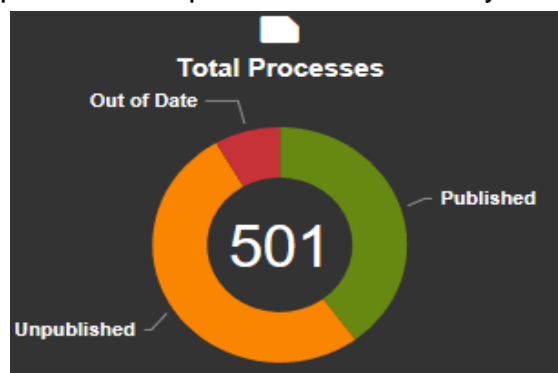


Note: that the treatments are inclusive of documented recorded to trim (City record management system) such as policies, procedures, management plans, checklists as well as documented processes in Promapp. While it is obviously preferential to document all treatments, it is acknowledged that in most cases risk is still being managed by the department.

The City is currently reviewing resource requirements to ensure all risk treatments are successful documented.

### Promapp Process Module Implementation

Since its implementation the City has commenced recording all business processes into Promapp. The graph below summarises the current number of processes captured across the City.



Published	200
Unpublished	260
Out of Date	41

Graph as at 13 Sept 2017

42 teams have successfully commenced recording processes into Promapp with 9 departments yet to record processes in Promapp.

### Promapp Training

The City has successfully trained 8 internal Promapp Champions to provide Promapp support to all staff. All Department have completed Promapp training.

### LEGISLATIVE/POLICY IMPLICATIONS:

This item has compliance and policy implications as follows;

1. Local Government (Audit) Regulations 1996 Regulation 17
2. Department of Local Government & Communities Integrated Planning
3. City of Greater Geraldton Risk Management Framework
4. Council Policy 4.7 Risk Management

### FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

### INTEGRATED PLANNING LINKS:

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

### REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

### RISK MANAGEMENT

The purpose of this report is wholly associated with the current risk management practices in the City.

### ALTERNATIVE OPTIONS CONSIDERED

No alternatives were considered.

AC055	RISK MANAGEMENT FRAMEWORK REVIEW
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<b>AGENDA REFERENCE:</b>	<b>D-17-72661</b>
<b>AUTHOR:</b>	<b>B Pearce, Coordinator Procurement &amp; Risk</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director Corporate &amp; Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>19 September 2017</b>
<b>FILE REFERENCE:</b>	<b>GO/11/0020</b>
<b>APPLICANT / PROPONENT:</b>	<b>City of Greater Geraldton</b>
<b>ATTACHMENTS:</b>	<b>Yes (x2)</b>
	<b>A. Risk Management Framework version 4</b>
	<b>B. RMF Comparison Table</b>

**EXECUTIVE SUMMARY:**

The purpose of this report is to seek the Audit Committee's endorsement of the updated Risk Management Framework.

**EXECUTIVE RECOMMENDATION;**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to

1. Endorse the updated Risk Management Framework; and
  - a. Required the updated Risk Management Framework be presented to Council for endorsement.

**PROPONENT:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:**

The Risk Management Framework requires a review every 2 years. The City completed this review and recommends it be updated to reflect the City's implementation of the Promapp Risk Module and increased maturity in the management of risk.

Please refer to the attached *Risk Management Framework Comparison* table for full details of recommend amendments inclusive of the reasons for the proposed changes.

**ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:****Economic:**

There are no economic impacts.

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.



**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

This item has the following relevant precedents;

1. AC039- Status of City Risk Management Activities
2. AC044 – Status of Risk Management & Compliance Activities

**COMMUNITY/COUNCILLOR CONSULTATION:**

The updated Risk Management Framework was issued for consultation to all City EMT and Management on 8 August 2017.

In addition the recommend updated was issued to Councillors on ## August 2017 requesting review and comments.

**LEGISLATIVE/POLICY IMPLICATIONS:**

This item has compliance and policy implications as follows;

1. Local Government (Audit) Regulations 1996 Regulation 17
2. Department of Local Government & Communities Integrated Planning
3. City of Greater Geraldton Risk Management Framework
4. Council Policy 4.7 Risk Management

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

**INTEGRATED PLANNING LINKS:**

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT**

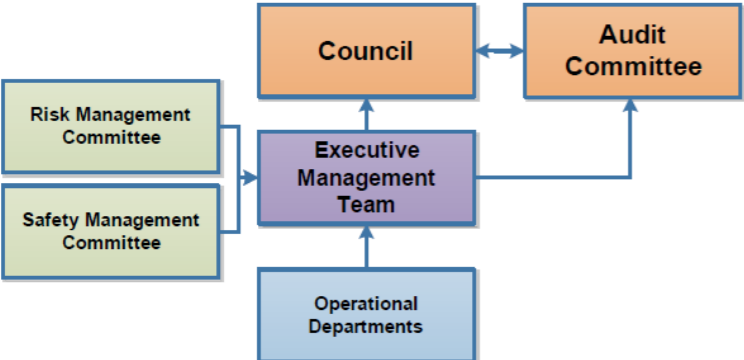
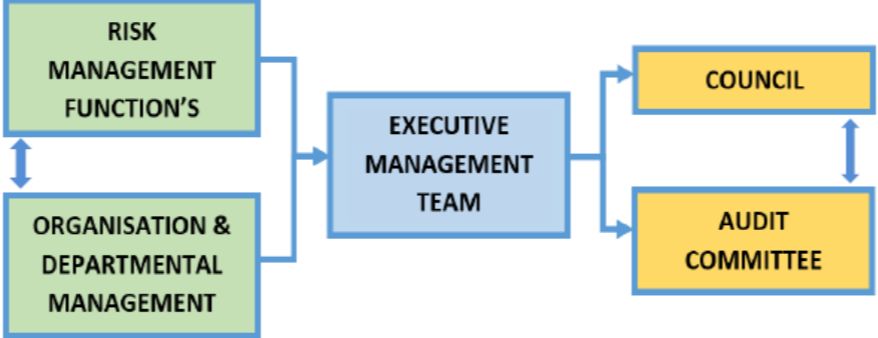
The purpose of this report is wholly associated with the current risk management practices in the City. This amendment ensures the continued management of risk in an efficient contemporary means.

**ALTERNATIVE OPTIONS CONSIDERED**

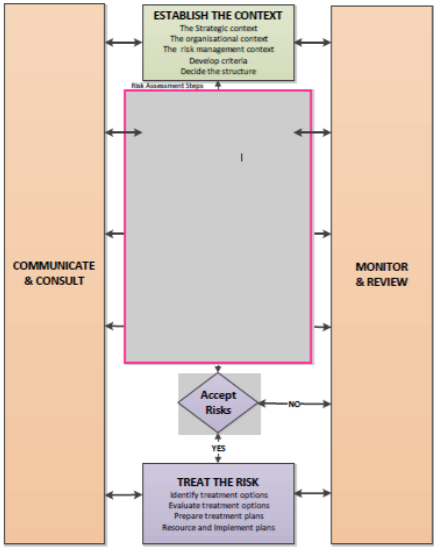
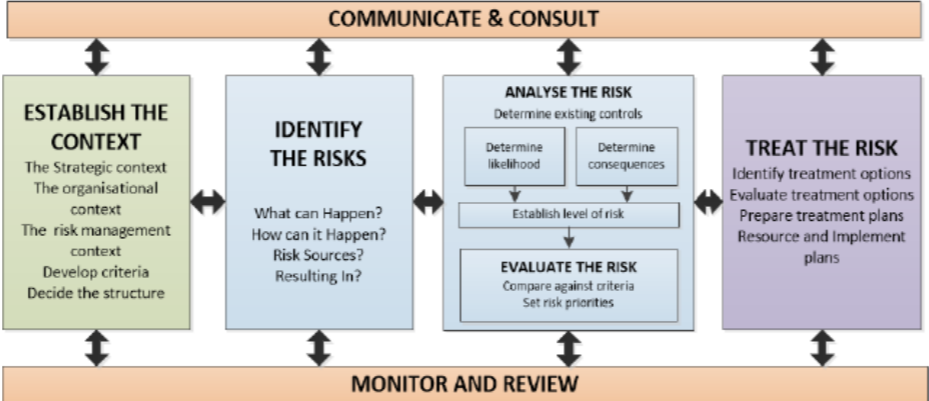
The following options were considered by City Officers:

Maintain the Version 3 risk management process and rating levels, this option however was not recommended as the City had identified issues with version 3 of the Risk Management Framework which was designed for manual management of risk. The recommend updated ensure the City can make full use of the Promapp Risk Module and update process to ensure efficiency gains in process.

Please note due to the size of the document a full replication of document content has not been included below. Instead only amendments and required supporting text required for understanding has been include.

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT
<p>Executive Summary To achieve the City of Greater Geraldton (City) agreed objectives and outcomes, the following Enterprise Wide Risk Management framework has been adopted:</p> <p>The City will manage risk in accordance with the Australian/New Zealand Standard (AS/NZS ISO 31000:2009) risk management principles:</p> <p>a) maintain the highest possible integrity for services provided by the City of Greater Geraldton;</p>	<p>Executive Summary To achieve the City of Greater Geraldton's (City) agreed objectives and outcomes, the following enterprise risk management framework has been adopted.</p> <p>This framework has been development in accordance with;</p> <p>a)the mandatory management requirement detailed in in the <u>Local Government Audit Regulations 1996 Reg 17</u>;</p> <p>b) in accordance with the Australian/New Zealand Standard (AS/NZS ISO 31000:2009) risk management principles:</p>	<p>Updated to demonstrate greater alignment to Reg 17 eg legislative head of power</p>	
<p>1. Overview of Enterprise Wide Risk Management</p> <p>1.1 What is Enterprise Wide Risk Management?</p>	<p>1. Enterprise Risk Management</p> <p>1.1 What is Enterprise Risk Management?</p>	<p>Clarified wording by removing redundant wording</p>	
<p>In recognising that risk management is integral to good business practice Enterprise Risk Management and is made up of the following:</p> <p>a) City risk management policies;</p> <p>b) EMT and senior management dedicated to 'championing' the promulgation of risk management;</p> <p>c) risk management committees with EMT representation;</p> <p>d) management systems to establish and report on the profile and treatment of risks; and</p> <p>e) broadly-based culture-change programs to introduce risk management programs to employee, raise their awareness of risks, and train them to identify and deal with risk.</p>	<p>In recognising that risk management is integral to good business practice the following has been established;</p> <p>a)Council Policy 4.7 Risk Management;</p> <p>b)EMT and senior management dedicated to 'championing' the importance of risk management;</p> <p>c)EMT risk management oversight</p> <p>d) EMT monthly risk reports;</p> <p>e) regular review and report on the City's Risk Profile to Audit Committee;</p> <p>f) management systems to establish and report on the profile and treatment of risks;</p> <p>g )the implementation of effective risk management utilising Promapp risk module; and</p> <p>h) broadly-based culture-change programs to introduce risk management programs to employee, raise their awareness of risks, and train them to identify and deal with risk.</p>	<p>Updated policy reference at point (a), updated points (c) &amp; (d) to align with current process and added (e) &amp; (g)</p>	
<p>2. The City's Strategic Enterprise Wide Risk Management Framework</p>	<p>2. The City's Enterprise Risk Management Framework</p>	<p>Updated section 2 title by removing redundant wording eg. Strategic is an element of enterprise risk and is defined in 2.1</p>	
	 <p>Table 1 – Organisational Risk Structure</p>	<p>Simplified risk chart as risk and safety are subsets of the risk function and organisational and departmental management include enterprise risk, project risk and department risk</p>	
<p>2.3.1 Policies The City currently has 3 policies adopted for the management of risk throughout the City's operations;</p>	<p>2.3.1 Policies The City currently has adopted the following policy documents for the management of risk throughout the City's operations;</p>	<p>Removed (b) eg Risk Appetite and Tolerance Policy references as policy has been retired</p>	

**Risk Management Framework Amendment Comparison 2017**

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT
<p>a) The Council has adopted a Risk Management policy that outlines the intended position and requirements for risk management throughout the City.</p> <p>b) The Council has adopted a Risk Appetite and Tolerance policy which outlines the predefined risk acceptance and tolerance for City operations and the levels at which risk maybe accepted and treated.</p> <p>c) The Risk Management Framework is an operational policy that provides specific guidance on how risk management activities are to be undertaken throughout the City.</p>	<p>a) The Council has adopted a Risk Management policy that outlines the intended position and requirements for risk management throughout the City.</p> <p>b) The Risk Management Framework (this document) is an operational policy that provides specific guidance on how risk management activities are to be undertaken throughout the City.</p>		
<p><i>No comparative clause</i></p>	<p>2.3.3 Process Operational processes supporting the City’s enterprise risk management framework are summarised below.</p> <p>a) Use of Promapp Risk Module for the centralised capture and active management of identified risks e.g. central risk registers. Promapp Risk Module categorise risk into three categories as follows;</p> <p>i. Organisational Risk Portfolios are risks that are City wide risk exposures which have treatments that effect or may have stakeholders across the City,</p> <p>ii. Departmental Risk Portfolios are risks that are specific to a departments core functions and which are treated by the department.</p> <p>iii. Major Project Risk Portfolios are risks associated with a strategic or major project which requires a higher level of risk management process then a general risk action or management plan.</p> <p>b)The use of processes and templates as defined in this framework; and</p> <p>c)Risk processes as published in Promapp guiding the management of risk functions.</p>	<p>New clause required to align current use of Promapp</p>	
		<p>Updated flowchart to reduce footprint in document, content unchanged</p> <p>Position of flowchart moved to within 2.5 Enterprise Risk Management Process.</p> <p>Prior location at the conclusion of risk management documentation clause.</p>	
<p>The City’s approach to risk requires the consideration of all risks which have the effect of uncertainty on the achievement of business objectives. In sections 3 to 9 of this document each step of the process is discussed in greater detail.</p>	<p>The City’s approach to risk requires the consideration of all risks which have the potential to impact on the achievement of business objectives. In sections 3 to 9 this document each step of the process is discussed in greater detail.</p>	<p>Clarified wording as to how the City defines a risk</p>	

## Risk Management Framework Amendment Comparison 2017

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT																																																												
3.2 Use of the Risk Breakdown Structure (RBS) for Risk identification	3.2 Use of the Risk Themes for Risk identification	<p>Changed reference /definition from “Risk Breakdown Structure” to “Risk Theme”</p> <p>Risk Theme is what the City began using instead of RBS as it still captures the intent but is easier to say.</p> <p>All future references to RBS’s become risk themes</p>																																																													
The RBS to be used within City are provided at Annex B.	The Risk Theme to be used within City are provided at Annex A.	Update to Annex references																																																													
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; background-color: #e0e0e0;"><b>Risk Identified:</b></td> <td>Relate name to system impacted and explanation of c</td> </tr> <tr> <td style="background-color: #e0e0e0;"><b>Cause/s:</b></td> <td></td> </tr> </table>	<b>Risk Identified:</b>	Relate name to system impacted and explanation of c	<b>Cause/s:</b>		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; background-color: #e0e0e0;"><b>Risk Identified:</b></td> <td>Relate name to system impacted and explanation of cause.</td> </tr> <tr> <td style="background-color: #e0e0e0;"><b>Cause/s:</b></td> <td></td> </tr> </table>	<b>Risk Identified:</b>	Relate name to system impacted and explanation of cause.	<b>Cause/s:</b>		Note colour scheme updated thought document																																																					
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No comparative clause	<p><b>Risk Description used in Promapp Risk application (Organisational Departmental and Major Project)</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; background-color: #e0e0e0;">Risk Portfolio</td> <td>Register to which the risk is recorded</td> </tr> <tr> <td style="background-color: #e0e0e0;">Risk Theme</td> <td>Identify which Risk Themes this risk falls within.</td> </tr> <tr> <td style="background-color: #e0e0e0;">Risk Title</td> <td>Concise title that encompasses the risk issue</td> </tr> <tr> <td style="background-color: #e0e0e0;">Risk Description</td> <td>Additional information that documents the circumstances that could cause the risk to occur and the likely consequences that would eventuate.</td> </tr> </table> <p style="text-align: center;"><i>Table 5– Promapp Risk Description Structure</i></p> <p>An example of a risk in this format is shown below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; background-color: #e0e0e0;">Risk Portfolio</td> <td>ORG. Compliance Management</td> </tr> <tr> <td style="background-color: #e0e0e0;">Risk Theme</td> <td>Operations - Business Disruption (incl. unable to undertake services or only partial disruption).</td> </tr> <tr> <td style="background-color: #e0e0e0;">Risk Title</td> <td>Documents executed without content validation</td> </tr> <tr> <td style="background-color: #e0e0e0;">Risk Description</td> <td>Review and verification of documentation prior to execution by the City - Various check points not signed off by departments, eg. finance, budget, governance, risk, etc.</td> </tr> </table>	Risk Portfolio	Register to which the risk is recorded	Risk Theme	Identify which Risk Themes this risk falls within.	Risk Title	Concise title that encompasses the risk issue	Risk Description	Additional information that documents the circumstances that could cause the risk to occur and the likely consequences that would eventuate.	Risk Portfolio	ORG. Compliance Management	Risk Theme	Operations - Business Disruption (incl. unable to undertake services or only partial disruption).	Risk Title	Documents executed without content validation	Risk Description	Review and verification of documentation prior to execution by the City - Various check points not signed off by departments, eg. finance, budget, governance, risk, etc.	New tables demonstrating the use of risk descriptions utilising Promapp																																													
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Risk Description	Review and verification of documentation prior to execution by the City - Various check points not signed off by departments, eg. finance, budget, governance, risk, etc.																																																														
3.4 Cause of Risk	3.4 Cause of Risk	Content the same simply update format to the points now being in 2 columns																																																													
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="background-color: #e0e0e0;">LEVEL</th> <th style="background-color: #e0e0e0;">DESCRIPTOR</th> <th style="background-color: #e0e0e0;">DETAILED DESCRIPTION</th> <th style="background-color: #e0e0e0;">OPERATIONAL FREQUENCY</th> <th style="background-color: #e0e0e0;">PROJECT FREQUENCY</th> <th style="background-color: #e0e0e0;">TRANSITIONAL FREQUENCY</th> </tr> </thead> <tbody> <tr> <td style="background-color: #ff0000; color: white;">1</td> <td style="background-color: #ff0000; color: white;">Almost Certain</td> <td>The event is expected to occur in most circumstances</td> <td>More than once per year or incident is clearly imminent</td> <td>Greater than 90% chance of occurrence</td> <td>1 in 25,000</td> </tr> <tr> <td style="background-color: #ffcc00;">2</td> <td style="background-color: #ffcc00;">Likely</td> <td>The event will probably occur in most circumstances</td> <td>At least once per year</td> <td>60% - 90% chance of occurrence</td> <td>1 in 75,000</td> </tr> <tr> <td style="background-color: #ffff00;">3</td> <td style="background-color: #ffff00;">Possible</td> <td>The event should occur at some time</td> <td>At least once in 3 years</td> <td>40% - 60% chance of occurrence</td> <td>1 in 250,000</td> </tr> <tr> <td style="background-color: #ccffcc;">4</td> <td style="background-color: #ccffcc;">Unlikely</td> <td>The event could occur at some time</td> <td>At least once in 10 years</td> <td>10% - 40% chance of occurrence</td> <td>1 in 750,000</td> </tr> <tr> <td style="background-color: #00ff00;">5</td> <td style="background-color: #00ff00;">Rare</td> <td>The event may only occur in exceptional circumstances</td> <td>Less than once in 15 years</td> <td>Less than 10% chance of occurrence</td> <td>1 in 1,000,000</td> </tr> </tbody> </table>	LEVEL	DESCRIPTOR	DETAILED DESCRIPTION	OPERATIONAL FREQUENCY	PROJECT FREQUENCY	TRANSITIONAL FREQUENCY	1	Almost Certain	The event is expected to occur in most circumstances	More than once per year or incident is clearly imminent	Greater than 90% chance of occurrence	1 in 25,000	2	Likely	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurrence	1 in 75,000	3	Possible	The event should occur at some time	At least once in 3 years	40% - 60% chance of occurrence	1 in 250,000	4	Unlikely	The event could occur at some time	At least once in 10 years	10% - 40% chance of occurrence	1 in 750,000	5	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years	Less than 10% chance of occurrence	1 in 1,000,000	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="background-color: #e0e0e0;">LEVEL</th> <th style="background-color: #e0e0e0;">DESCRIPTOR</th> <th style="background-color: #e0e0e0;">DETAILED DESCRIPTION</th> <th style="background-color: #e0e0e0;">OPERATIONAL FREQUENCY</th> </tr> </thead> <tbody> <tr> <td style="background-color: #ff0000; color: white;">5</td> <td style="background-color: #ff0000; color: white;">Almost Certain</td> <td>The event is expected to occur in most circumstances</td> <td>More than once per year or incident is clearly imminent</td> </tr> <tr> <td style="background-color: #ffcc00;">4</td> <td style="background-color: #ffcc00;">Likely</td> <td>The event will probably occur in most circumstances</td> <td>At least year once per year</td> </tr> <tr> <td style="background-color: #ffff00;">3</td> <td style="background-color: #ffff00;">Possible</td> <td>The event should occur at some time</td> <td>At least once in 3 years</td> </tr> <tr> <td style="background-color: #ccffcc;">2</td> <td style="background-color: #ccffcc;">Unlikely</td> <td>The event could occur at some time</td> <td>At least once in 10 years</td> </tr> <tr> <td style="background-color: #00ff00;">1</td> <td style="background-color: #00ff00;">Rare</td> <td>The event may only occur in exceptional circumstances</td> <td>Less than once in 15 years</td> </tr> </tbody> </table>	LEVEL	DESCRIPTOR	DETAILED DESCRIPTION	OPERATIONAL FREQUENCY	5	Almost Certain	The event is expected to occur in most circumstances	More than once per year or incident is clearly imminent	4	Likely	The event will probably occur in most circumstances	At least year once per year	3	Possible	The event should occur at some time	At least once in 3 years	2	Unlikely	The event could occur at some time	At least once in 10 years	1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years	Removed project frequency and transactional frequency. These descriptors have not been used and only caused confusion with staff who always used the detailed description and operational frequency options	
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# Risk Management Framework Amendment Comparison 2017

CURRENT POLICY STATEMENT								PROPOSED								CHANGE NOTES	COUNCILLOR COMMENT	
LEVEL	DESCRIPTOR	SAFETY / HEALTH (Physical)	SAFETY / HEALTH (Psychological)	FINANCIAL IMPACT	SERVICE INTERRUPTION	REPUTATION	ENVIRONMENT	LEGAL & COMPLIANCE	LEVEL	DESCRIPTOR	SAFETY / HEALTH	FINANCIAL IMPACT	SERVICE INTERRUPTION	REPUTATION	ENVIRONMENT	LEGAL & COMPLIANCE		
1	Insignificant	Negligible stress, no leave taken, Full recovery 1 - 3 days	Temporary stress, no leave taken, short term impact with full recovery 1 - 3 days	Organisation Less than \$10,000 Dept. Project or 0-2% remaining Budget	No material service interruption, backlog cleared in 2 - 4 hours	Unsubstantiated, low impact, low profile or 'no news' item Example gossip, Facebook item seen by limited persons	Contained, reversible impact managed by on site response Example pick up bag of rubbish	Compliance No notifiable regulatory or statutory impact Legal Threat of litigation requiring small compensation. Contract No effect on contract performance.	1	Insignificant	Negligible injuries, Full recovery 1 - 3 days	Organisation Less than \$10,000 Dept. Project or 0-2% remaining Budget	No material service interruption, backlog cleared in 2 - 4 hours	Unsubstantiated, low impact, low profile or 'no news' item Example gossip, Facebook item seen by limited persons	Contained, reversible impact managed by on site response Example pick up bag of rubbish	Compliance No notifiable regulatory or statutory impact Legal Threat of litigation requiring small compensation. Contract No effect on contract performance.	Deletion of Safety/Health Psychological as a consequence category, and is now simply Safety / Health	
2	Minor	First aid injuries, Full recovery 1 - 3 weeks	Possible Sick leave, short term impact, Full recovery 1-3 weeks	Organisation \$10,000 - \$100,000 Dept. Project or 2-5% remaining Budget	Short term temporary interruption, backlog cleared < 1 - 7 days	Substantiated, low impact, low news item Example Local Paper, Everything Generation, Facebook item seen by local community	Contained, reversible impact managed by internal response Example pick up trailer of rubbish	Compliance Some temporary non-compliance Legal Minor litigation. Contract Results in meeting between two parties in which contractor expresses concern.	2	Minor	First aid injuries, Full recovery 1 - 3 weeks	Organisation \$10,000 - \$100,000 Dept. Project or 2-5% remaining Budget	Short term temporary interruption, backlog cleared < 1 - 7 days	Substantiated, low impact, low news item Example Local Paper, Everything Generation, Facebook item seen by local community	Contained, reversible impact managed by internal response Example pick up trailer of rubbish	Compliance Some temporary non-compliance Legal Minor litigation. Contract Results in meeting between two parties in which contractor expresses concern.	This category was nearly never used as is recognised as OSH. The only times this category was used in prior years is associated with catastrophic and major risk consequences and the stress of responding to them eg a subset of a more serious risk exposure.	
3	Moderate	Medically treated injuries, Full recovery 1 - 3 months	Significant, non-permanent, longer term impact, Full recovery 1-6 months	Organisation \$100,000 - \$1M Dept. Project or 5-14% remaining Budget	Medium term temporary interruption, backlog cleared within < 4 - 8 weeks	Demonstrated public outrage, substantiated public embarrassment, moderate impact, moderate news profile Example Contractor removal of asbestos sheets	Contained, reversible impact managed by external agencies Example Contractor removal of asbestos sheets	Compliance Short term non-compliance but with significant regulatory requirements imposed. Legal Single Moderate litigation or Numerous Minor Litigations. Contract Receive verbal advice that, if breaches continue, a default notice may be issued.	3	Moderate	Medically treated injuries, Full recovery 1 - 3 months	Organisation \$100,000 - \$1M Dept. Project or 5-14% remaining Budget	Medium term temporary interruption, backlog cleared within < 4 - 8 weeks	Demonstrated public outrage, substantiated public embarrassment, moderate impact, moderate news profile Example State wide Paper, TV News story, Moderate Facebook item taken up by people outside City	Contained, reversible impact managed by external agencies Example Contractor removal of asbestos sheets	Compliance Short term non-compliance but with significant regulatory requirements imposed. Legal Single Moderate litigation or Numerous Minor Litigations. Contract Receive verbal advice that, if breaches continue, a default notice may be issued.		
4	Major	Lost time or severe injury Possible Partial Full recovery 4 - 12 months	Longer term illness, severe trauma extended incapacity Possible Partial Full recovery 6 - 12 months	Organisation \$1M - \$5M Dept. Project or 15 - 20 % remaining Budget	Prolonged interruption of services, additional resources required performance affected issue resolved within < 4 - 12 weeks	Sustained and high level public outrage, substantiated public embarrassment, high impact, high news profile, third party actions Example Australia wide Paper, TV News stories, Current Affair etc Significant Facebook item taken up by large numbers of people outside City	Uncontained, reversible impact managed by a coordinated response from external agencies Example truck or train spill of diesel and oil on road reserve/park	Compliance Non-compliance results in termination of services or imposed penalties Legal Major litigation or numerous Moderate Litigations. Contract Receive written notice from the contractor threatening termination if not rectified.	4	Major	Lost time or severe injury Possible Partial Full recovery 4 - 12 months	Organisation \$1M - \$5M Dept. Project or 15 - 20 % remaining Budget	Prolonged interruption of services, additional resources required performance affected issue resolved within < 4 - 12 weeks	Sustained and high level public outrage, substantiated public embarrassment, high impact, high news profile, third party actions Example Australia wide Paper, TV News stories, Current Affair etc Significant Facebook item taken up by large numbers of people outside City	Uncontained, reversible impact managed by a coordinated response from external agencies Example truck or train spill of diesel and oil on road reserve/park	Compliance Non-compliance results in termination of services or imposed penalties Legal Major litigation or numerous Moderate Litigations. Contract Receive written notice from the contractor threatening termination if not rectified.		
5	Catastrophic	Fatality, permanent disability	Death, permanent severely disabling illness, e.g. Post-Traumatic Stress Disorder	Organisation Greater than \$10M Dept. Project or Greater than 20% remaining Budget	Indeterminate prolonged interruption of services that impacts on Public safety and core services- performance or termination of service	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions, likely to lead to the dismissal of Council Councillors or Executive Staff. Example World Wide News, TV News stories, Current Affair, 60 Minutes, Widespread Facebook item taken up by vast numbers of people outside City	Uncontained, irreversible impact Example Ship runs aground and spills oil along City coast line, ground water supply exhausted or rendered unusable	Compliance Non-compliance results in litigation, criminal charges or significant damages or penalties Legal Numerous Major Litigations. Contract Termination of Contract for default.	5	Catastrophic	Fatality, permanent disability	Organisation Greater than \$10M Dept. Project or Greater than 20% remaining Budget	Indeterminate prolonged interruption of services that impacts on Public safety and core services- performance or termination of service	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions, likely to lead to the dismissal of Council Councillors or Executive Staff. Example World Wide News, TV News stories, Current Affair, 60 Minutes, Widespread Facebook item taken up by vast numbers of people outside City	Uncontained, irreversible impact Example Ship runs aground and spills oil along City coast line, ground water supply exhausted or rendered unusable	Compliance Non-compliance results in litigation, criminal charges or significant damages or penalties Legal Numerous Major Litigations. Contract Termination of Contract for default.		

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

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		0.5	1	2	3	4
Almost Certain	4	Low 2	Moderate 4	High 8	Extreme 12	Extreme 16
Likely	3	Low 1.5	Moderate 3	High 6	High 9	Extreme 12
Possible	2	Very Low 1	Low 2	Moderate 4	High 6	High 8
Unlikely	1	Very Low 0.5	Very Low 1	Low 2	Moderate 3	Moderate 4
Rare	0.75	Very Low 0.375	Very Low 0.75	Low 1.5	Low 2.25	Moderate 3

No comparative clause

Risk Acceptance Level of Responsibility

RISK CATEGORY	VERY LOW & LOW (1-4)	MODERATE (5-9)	HIGH (10-16)	EXTREME (20-25)
Safety / Health	Manager	Manager	All Directors	CEO / Council
Service Interruption	Manager	Manager	All Directors	CEO / Council
Financial Impact	Manager	Manager	Director C.C.S.	CEO / Council
Reputation	Manager	Manager	Director C.C.S.	CEO / Council
Environment	Manager	Manager	Director D.C.S.	CEO / Council
Legal & Compliance	Manager	Manager	Director C.C.S.	CEO / Council

Table 9 – Risk Acceptance Levels of Authority

New clause that details additional officers roles in acceptance of a risk and where directors may have specific risk signoff authority dependent on their functions

# Risk Management Framework Amendment Comparison 2017

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT
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		Does the Control Address the Risk Effectively?	Is the Control Officially Documented & Communicated?	Is the Control in Operation & Applied Consistently?
Answer / Response	No =	1	1	1
	Partly =	3	2	2
	Yes =	6	3	3
	Add Scores	+	+	=

For example, a control that addresses the risk, is officially documented, and is in operation would score 12 (6+3+3), a perfect score. Section 6 sets out why the above scores are integral to the risk management ranking process.

To help employee to describe and attribute a control rating to the scores derived from the control practices matrix, the following indicative ratings can also be used:

SCORE	2015 RATING	2012 RATING	DESCRIPTION
8-12	Excellent	Excellent	Control addresses risk, is officially documented and in operation
5-7	Good	Adequate	Control addresses risk but documentation and/or operation of control could be improved
4	Fair		Control addresses risk at least partly, but documentation and/or operation of control could be improved
3	Poor	Inadequate	At best, control addresses risk, but is not documented or in operation; at worst, control does not address risk and is neither documented nor in operation

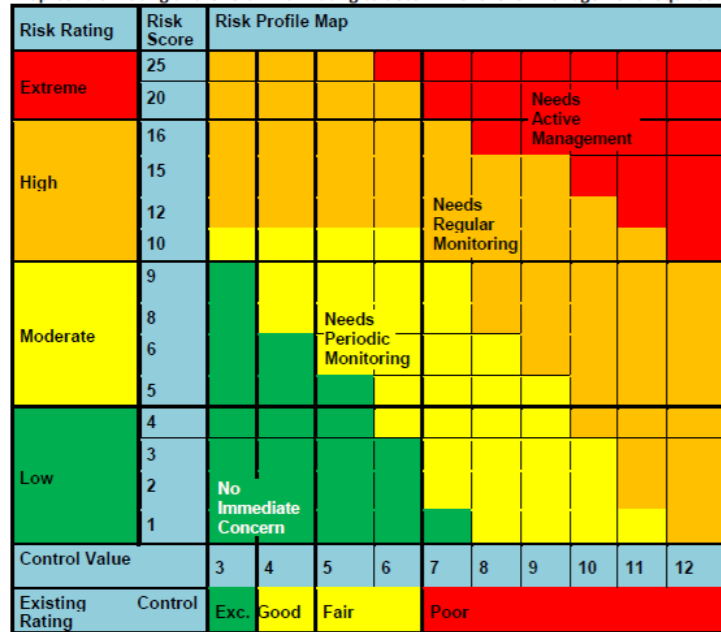
To help employee to describe and attribute a control rating to the scores derived from the control practices matrix, the following indicative ratings can also be used:

RATING	DESCRIPTION
EXCELLENT	Control addresses risk, is officially documented, in operation and has been tested to confirm effectiveness
ADEQUATE	Control addresses risk but documentation and/or operation of control could be improved
MARGINAL	Control addresses risk at least partly, but is not documented and/or operation of control needs to be improved
INADEQUATE	At best, control addresses risk, but is not documented or in operation; at worst, control does not address risk and is neither documented nor in operation

Simplification of risk control clause to enable ease of use.

Also recommend rating descriptor change to more relevant and aligned terms which are not as subjective.

Map Control Rating and Overall Risk Rating to determine level of management required



When plotted, scores for each risk meet on the ranking map above and assist in the decision making and risk treatment process, as follows:

Needs Active Management	After analysing the risks, a risk treatment plan must be established and implemented immediately. Requires senior management decision-making.
Needs Regular Monitoring	After analysing the risk, a treatment process should be adopted and implemented as a high priority, primarily focused on paying close attention to the maintenance of controls. Senior management attention is required.
Needs Periodic Monitoring	After analysing these risks a treatment process should be adopted and implemented, as soon as possible, primarily focused on monitoring risks in conjunction with a review of existing control procedures. Management responsibility should be specified.
No immediate concern	No immediate concern and can be managed by routine procedures.

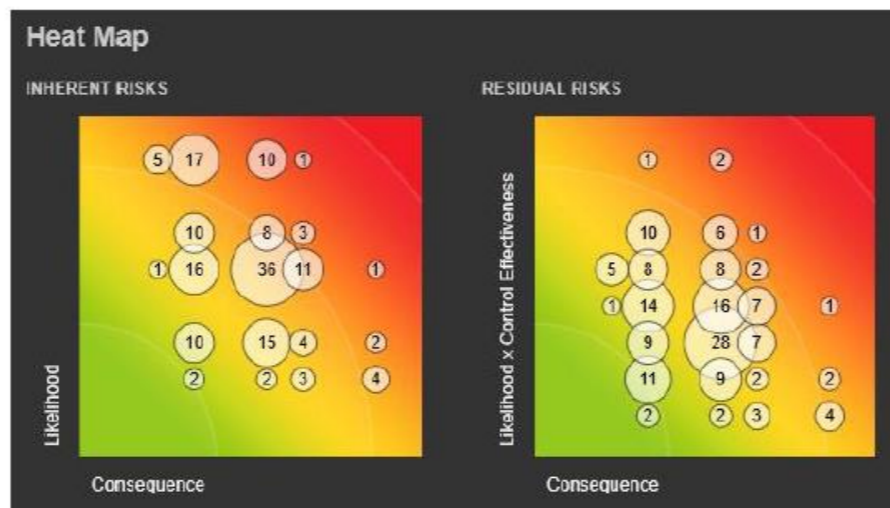
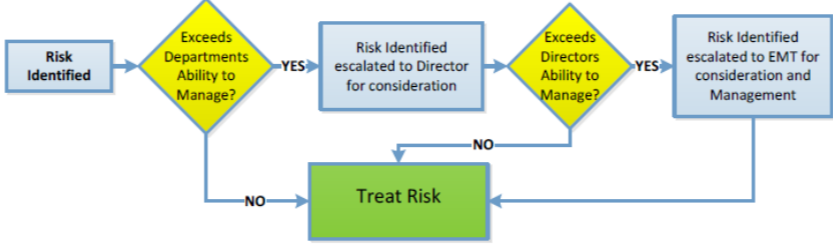


Table 12 - Promapp Risk Module Risk Heatmap

Heatmap updated to align with Promapp use.

Second chart deleted as included in subsequent review section of RMF

**Risk Management Framework Amendment Comparison 2017**

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT																				
<p>7.1 Risk Management Plans</p> <p>As a product of the risk assessment process risk management plans should be developed for each relevant service unit, project or activity. Risk management plans are to be used to document and summarise risk management processes and individual treatment plans.</p>	<p>7.1 Risk Management Plans</p> <p>As a product of the risk assessment process risk management plans should be developed for each major project. A risk management plan is not required for risks that are captured within Departmental and Organisational Risk Portfolios have the risk structure and responsibilities established.</p>	<p>Update to align with Promapp use</p>																					
<table border="1" data-bbox="290 449 742 762"> <thead> <tr> <th>Risk Level</th> <th>Treatment Plan Actioned</th> </tr> </thead> <tbody> <tr> <td>Extreme</td> <td>Eliminate or mitigate immediately</td> </tr> <tr> <td>High</td> <td>Within one month</td> </tr> <tr> <td>Moderate</td> <td>Within three months</td> </tr> <tr> <td>Low</td> <td>Action not required</td> </tr> </tbody> </table>	Risk Level	Treatment Plan Actioned	Extreme	Eliminate or mitigate immediately	High	Within one month	Moderate	Within three months	Low	Action not required	<table border="1" data-bbox="1160 457 1656 720"> <thead> <tr> <th>Risk Level</th> <th>Treatment Plan Actioned</th> </tr> </thead> <tbody> <tr> <td>Extreme</td> <td>Eliminate or mitigate immediately</td> </tr> <tr> <td>High</td> <td>Within one month</td> </tr> <tr> <td>Moderate</td> <td>Within three months</td> </tr> <tr> <td>Low &amp; Very Low</td> <td>Action not required</td> </tr> </tbody> </table> <p data-bbox="1240 741 1635 762"><i>Table 14 – Risk Treatment minimum timeframes</i></p>	Risk Level	Treatment Plan Actioned	Extreme	Eliminate or mitigate immediately	High	Within one month	Moderate	Within three months	Low & Very Low	Action not required	<p>Update to risk treatment plan review requirements to include Very Low as a risk level</p>	
Risk Level	Treatment Plan Actioned																						
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Moderate	Within three months																						
Low & Very Low	Action not required																						
<p>To that end, the Risk Escalation process for City is provided at Annex G. The proforma to be used as part of this process is attached at Annex H.</p>	<p>To that end, the Risk Escalation process for the City is captured in the Promapp Risk Module and summarised below.</p>  <p data-bbox="1317 1146 1584 1167"><i>Table 15 – Risk Escalation process</i></p>	<p>Deletion of escalation process as which is now managed in Promapp via separate process</p> <p>These Annex's eg the process and a separate form for escalation have been deleted.</p>																					
<p>7.8 Risk Documentation and Maintenance</p>	<p>7.8 Risk Documentation and Maintenance</p>	<p>Content the same simply update format to the points now being in 2 columns</p>																					
<table border="1" data-bbox="270 1297 762 1635"> <thead> <tr> <th>Risk Level</th> <th>Reviewed (by Risk Owner)</th> </tr> </thead> <tbody> <tr> <td>Extreme</td> <td>Weekly</td> </tr> <tr> <td>High</td> <td>Monthly</td> </tr> <tr> <td>Moderate</td> <td>6 Monthly</td> </tr> <tr> <td>Low</td> <td>Annually</td> </tr> </tbody> </table>	Risk Level	Reviewed (by Risk Owner)	Extreme	Weekly	High	Monthly	Moderate	6 Monthly	Low	Annually	<table border="1" data-bbox="1127 1270 1694 1602"> <thead> <tr> <th>Risk Level</th> <th>Reviewed (by Risk Owner)</th> </tr> </thead> <tbody> <tr> <td>Extreme</td> <td>Weekly</td> </tr> <tr> <td>High</td> <td>Monthly</td> </tr> <tr> <td>Moderate</td> <td>6 Monthly</td> </tr> <tr> <td>Low &amp; Very Low</td> <td>Annually</td> </tr> </tbody> </table> <p data-bbox="1228 1629 1688 1650"><i>Table 16 – Risk Review minimum timeframes</i></p>	Risk Level	Reviewed (by Risk Owner)	Extreme	Weekly	High	Monthly	Moderate	6 Monthly	Low & Very Low	Annually	<p>Update to risk review requirements to include Very Low as a risk level</p>	
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**Risk Management Framework Amendment Comparison 2017**

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT																																													
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Risk Level	Authority Level																																															
Extreme Risk	CEO																																															
High Risks	CEO																																															
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Environment	Manager	Manager	Director D.C.S.	CEO / Council																																												
Legal & Compliance	Manager	Manager	Director C.C.S.	CEO / Council																																												
<p data-bbox="71 583 463 615">8.3.2 Risk Reporting within City</p> <p data-bbox="71 646 914 709">In order to ensure the ongoing maintenance and effectiveness of the Risk Management Program, a number of reports will be generated.</p> <p data-bbox="71 741 433 772">These reports are as follows:</p> <ul data-bbox="71 804 801 1150" style="list-style-type: none"> <li>i. Monthly Risk Report to EMT; and</li> <li>ii. Quarterly Risk Report to Audit Committee.</li> <li>iii. Annual Risk Report to Council</li> <li>iv. 2 yearly comprehensive Risk Report to Audit Committee</li> <li>v. Risk Management Committee Tabled Items</li> <li>vi. Risk Escalation Reports (refer to 7.5 for details)</li> </ul>	<p data-bbox="973 646 1359 678">8.3.2 Risk Reporting within City</p> <p data-bbox="973 709 1816 772">In order to ensure the ongoing maintenance and effectiveness of the Risk Management Program, a number of reports will be generated.</p> <p data-bbox="973 804 1329 835">These reports are as follows:</p> <ul data-bbox="973 867 1685 1150" style="list-style-type: none"> <li>a)Monthly Risk Report to EMT</li> <li>b)Risk Report to Audit Committee whenever meeting held</li> <li>c)Annual Risk Report to Council</li> <li>d)2 yearly comprehensive Risk Report to Audit Committee</li> <li>e)Risk Escalation Reports (refer to 7.5 for details)</li> </ul>	<p data-bbox="1872 888 2436 919">Clarified wording to align with current practice</p>																																														
<p data-bbox="71 1245 492 1276">8.3.3 Monthly Risk Report to EMT</p> <p data-bbox="71 1308 902 1465">The monthly Risk Report is to be provided by each Department to Governance &amp; Risk. Governance &amp; Risk shall then consolidate a summary risk report that shall be presented to EMT. The aim of the report is to provide information to the EMT in relation to compliance against City risk management requirements.</p> <ul data-bbox="71 1497 931 1623" style="list-style-type: none"> <li>a) The compilation of the report is not arduous and should take only a few minutes to complete.</li> <li>b) The format for the Monthly Risk Report is provided at Annex E.</li> </ul>	<p data-bbox="973 1276 1389 1308">8.3.3 Monthly Risk Report to EMT</p> <p data-bbox="973 1339 1846 1434">A monthly summary risk report that shall be presented to EMT. The aim of the report is to provide information to the EMT in relation to compliance against City risk management requirements.</p> <ul data-bbox="973 1465 1834 1591" style="list-style-type: none"> <li>a)This report shall provide an overview of the City's risk profile and the effectiveness of risk controls,</li> <li>b)The format for the Monthly Risk Report is provided at Annex E.</li> </ul>	<p data-bbox="1872 1413 2436 1444">Clarified wording to align with current practice</p>																																														
<p data-bbox="71 1686 700 1717">8.3.4 Quarterly Risk Report to the Audit Committee</p> <p data-bbox="71 1749 937 1843">The Risk Management Committee will provide a quarterly report to the Council Audit Committee (through EMT) on the status of risk management across the City.</p> <p data-bbox="71 1875 863 1906">The format for the Quarterly Risk Report is provided at Annex F.</p>	<p data-bbox="973 1738 1596 1770">8.3.4 Quarterly Risk Report to the Audit Committee</p> <p data-bbox="973 1801 1846 1864">A quarterly report to the Council Audit Committee (through EMT) on the status of risk management across the City.</p>	<p data-bbox="1872 1738 2478 1864">Removed risk report reference, this report still was not utilised, recommend alignment to EMT monthly report and jan 17 risk report as example reports</p>																																														



**Risk Management Framework Amendment Comparison 2017**

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT																								
<p>The Escalation Performa outlined in Annex H shall be utilised to submit this request through to the Chairperson of the Risk Management Committee.</p>	<p>Deleted</p>	<p>Clause no longer required as Annex H deleted</p>																									
<p>No comparative clause</p>	<p><b>8.4 Measuring Risk Management Performance</b></p> <p>The measurement of risk management performance within the City will involve three distinct activities:</p> <p>a) Measuring Compliance. This measures whether the City is complying with it's the Risk Management Policy directives.</p> <p>b) Measuring Maturity. This measures the maturity of the Risk Management Framework within the City against industry best practice.</p> <p>c) Measuring the Value Add. This measures the extent to which risk management is contributing to the achievement of the City's objectives and outcomes.</p> <p><b>8.4.1 Measuring Compliance</b></p> <p>Like all programs within an organisation the risk management framework will be subject to compliance auditing. This auditing is aimed at ensuring that the fundamental requirements detailed in the City Risk Management Framework and Policy are being adhered to.</p> <p>There are some requirements of the risk management framework that if not carried out, can have a significant impact on the Risk Management Framework within the City.</p> <table border="1" data-bbox="1003 1024 1819 1486"> <thead> <tr> <th>Requirement</th> <th>Key Performance Indicator (KPI)</th> <th>Measure and Target</th> </tr> </thead> <tbody> <tr> <td>All the City personnel are to receive risk management training in order to improve their risk management skills</td> <td>% of personnel that have received the City approved risk management training</td> <td>95% of staff have received the City approved risk management training</td> </tr> <tr> <td>All Departments to conduct formal risk workshops at least quarterly</td> <td>% quarterly risk reviews conducted</td> <td>100% of quarterly risk reviews are conducted</td> </tr> <tr> <td>All Departments are to maintain a populated risk register in the specified format</td> <td>% of the City organisations that are maintaining a risk register</td> <td>100%</td> </tr> <tr> <td>When Relevant Reports are to be provided to the appropriate committees not later than 7 days prior to the committee meeting</td> <td>% of reports provided to the appropriate committees within specified timeframes</td> <td>100%</td> </tr> <tr> <td>All risks outside the target level are to be escalated to the appropriate authority within 24 hours of analysis being completed</td> <td>% of risks outside the target level of risk escalated to the appropriate authority within 24 hours of analysis being completed</td> <td>&gt;95%</td> </tr> <tr> <td>Treatment actions are to be completed within specified timeframes</td> <td>% of treatment actions completed within specified timeframes</td> <td>&gt;90%</td> </tr> <tr> <td>The controls for the risks with Catastrophic and Major consequences are to be maintained, as far as possible, at Excellent, with evidence to support the assessment</td> <td>% controls for risks with Catastrophic and Major consequences that are Excellent, with evidence to support the assessment</td> <td>&gt;85%</td> </tr> </tbody> </table> <p style="text-align: center;"><i>Table 18 – Risk Management Key Performance Indicators</i></p> <p>It is conceivable, however, that an organisation has 100% compliance against all of the Risk Management Framework requirements and yet risk management is <i>not</i> contributing to the achievement of effective outcomes. Therefore, measuring compliance is not, on its own, an effective way of measuring the effectiveness of the risk management program.</p> <p><b>8.4.2 Framework Maturity Assessment</b></p> <p>The City will undertake a review of the maturity of the Risk Management Framework annually. An example of the output from such</p>	Requirement	Key Performance Indicator (KPI)	Measure and Target	All the City personnel are to receive risk management training in order to improve their risk management skills	% of personnel that have received the City approved risk management training	95% of staff have received the City approved risk management training	All Departments to conduct formal risk workshops at least quarterly	% quarterly risk reviews conducted	100% of quarterly risk reviews are conducted	All Departments are to maintain a populated risk register in the specified format	% of the City organisations that are maintaining a risk register	100%	When Relevant Reports are to be provided to the appropriate committees not later than 7 days prior to the committee meeting	% of reports provided to the appropriate committees within specified timeframes	100%	All risks outside the target level are to be escalated to the appropriate authority within 24 hours of analysis being completed	% of risks outside the target level of risk escalated to the appropriate authority within 24 hours of analysis being completed	>95%	Treatment actions are to be completed within specified timeframes	% of treatment actions completed within specified timeframes	>90%	The controls for the risks with Catastrophic and Major consequences are to be maintained, as far as possible, at Excellent, with evidence to support the assessment	% controls for risks with Catastrophic and Major consequences that are Excellent, with evidence to support the assessment	>85%	<p>Wholly new section This will enable the City to measure and ensure that risk is not only embedded in process but is also adding a benefit to operations.</p>	
Requirement	Key Performance Indicator (KPI)	Measure and Target																									
All the City personnel are to receive risk management training in order to improve their risk management skills	% of personnel that have received the City approved risk management training	95% of staff have received the City approved risk management training																									
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CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT
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an assessment is shown below:

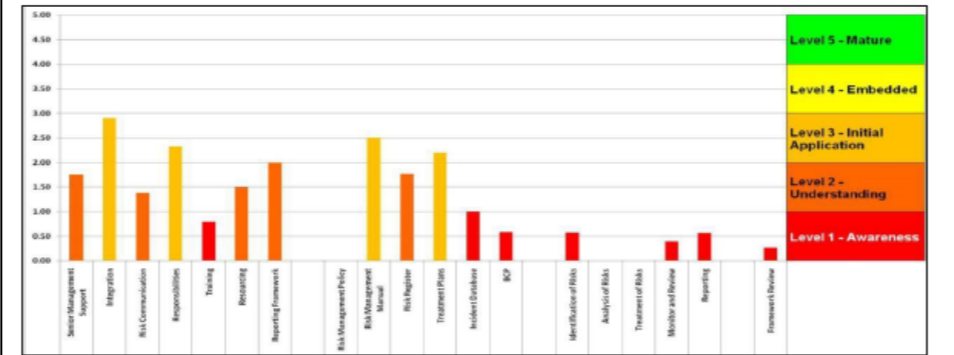


Table 19 – Example Output from Enterprise Risk Maturity Assessment

The outcomes of the assessment will highlight the current risk maturity of the City. The maturity scale is as follows:

Level 1	Level 2	Level 3	Level 4	Level 5
Awareness	Understanding	Initial Application	Embedded	Mature
There is a general understanding within the organisation of the benefits of risk management to the organisation, however, at this stage, no active measures have been taken that would constitute the implementation of a Risk Management Framework.	A Risk Management Framework has been designed and implementation has commenced or has been programmed to commence in the near future. There may be some risk management being done within the organisation, however, this is on an ad-hoc basis and is reliant on individuals within the organisation, as opposed to leadership from senior management.	A Risk Management Framework has been implemented in all key functional areas within the organisation; however, there are areas within the organisation that have yet to incorporate sound risk management practices into their processes.	A Risk Management Framework has been implemented in all key functional areas within the organisation, however, not all of the functional areas can be regarded as 'best practice' in relation to their risk management but steps are being taken to continually improve.	A Risk Management Framework has been implemented in all key functional areas within the organisation, and all of the functional areas can be regarded as 'best practice' in relation to their risk management.

The current maturity of the City as assessed by a Risk subject matter expert is between 'Initial Application (Level 3) and 'Embedded (Level 4). The goals for the City in terms of risk management maturity are as follows:

- a) By December 2018 - Achieve 85% "Embedded" status across the City (Level 4);
- b) By June 2018 - Achieve 100% "Embedded" (Level 4) with at least 50% of attributes being assessed as 'mature' (Level 5); and
- c) By June 2019 – confirmed 100% "Embedded" (Level 4) with at least 85% of attributes being assessed as 'mature' (Level 5).

Achieving these goals will demonstrate an improvement in the risk culture across the City.

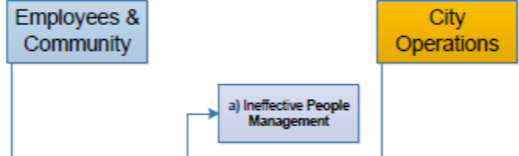
8.4.3 Measuring the Value Add

The measurement of the contribution of the Risk Management Framework to the City performance is more difficult than the measurement of compliance and maturity.

It is impossible to assert that the implementation of the Risk Management Framework has for example, resulted in a 17% improvement in the delivery of services because there may be other factors that contributed to the improvement.

What has been demonstrated by similar risk maturity methods conducted in other organisations is that there is a direct correlation between improved risk management and improved Enterprise performance.

**Risk Management Framework Amendment Comparison 2017**

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT																								
	<p>To that end, performance against the following Enterprise performance measures are to be used to demonstrate the value add of risk management to the City:</p> <table border="1" data-bbox="991 275 1822 537"> <thead> <tr> <th>Financial</th> <th>Compliance</th> <th>Safety</th> <th>Reputation</th> </tr> </thead> <tbody> <tr> <td>Profit &amp; Loss</td> <td>Number of Reportable Compliance Incidents</td> <td>Number of Safety Incidents</td> <td>Customer Satisfaction</td> </tr> <tr> <td>Financial Surplus</td> <td>Number of Punitive Findings from Regulators</td> <td>Worker's Compensation Payments (\$)</td> <td>Customer Complaints</td> </tr> <tr> <td>Return on Investment (ROI)</td> <td>Number of claims against the City</td> <td>Lost Days to Injury</td> <td>Ratio of Negative to Positive Press</td> </tr> <tr> <td>Successful attainment of grant funds</td> <td></td> <td>Worker's Compensation Premiums</td> <td>Staff Satisfaction</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Staff Turnover</td> </tr> </tbody> </table> <p style="text-align: center;"><i>Table 20 –Measuring risk value add</i></p> <p>The performance against these measures is to be recorded at the same time that each maturity assessment is conducted. In doing so, the relationship between the improvement in the risk management program can be linked to improvement in Enterprise performance.</p> <p>This is to be reported in an annual 'State of the Risk Framework &amp; Assessment of Risk Profile' report to the Audit Committee at the first meeting of the beginning of each financial year.</p>	Financial	Compliance	Safety	Reputation	Profit & Loss	Number of Reportable Compliance Incidents	Number of Safety Incidents	Customer Satisfaction	Financial Surplus	Number of Punitive Findings from Regulators	Worker's Compensation Payments (\$)	Customer Complaints	Return on Investment (ROI)	Number of claims against the City	Lost Days to Injury	Ratio of Negative to Positive Press	Successful attainment of grant funds		Worker's Compensation Premiums	Staff Satisfaction				Staff Turnover		
Financial	Compliance	Safety	Reputation																								
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Successful attainment of grant funds		Worker's Compensation Premiums	Staff Satisfaction																								
			Staff Turnover																								
<p>NOTE: Refer to the <i>City Crisis and Business Continuity Management Procedures Manual</i> for greater detail of the process and implementation of BCM within the City</p>	<p>NOTE: Refer to the <i>City of Greater Geraldton Business Continuity Plan</i> for greater detail of the process and implementation of BCM within the City</p>	<p>Simplified BCP plan name</p>																									
<p>Occupational Safety and Health Act 1984                      19. Duties of employers                      Occupational Safety and Health Regulations 1996                      3.1. Identification of hazards, and assessment and reduction of risks, duties of employer etc. as to                      3.32. Risks to be reduced in first instance by means other than protective clothing and equipment                      3.38. Atmospheric hazards, duties of employer etc. to identify etc.  <i>City of Greater Geraldton Risk Management Framework April 2015 Version 3 Page 35 of 72</i>                      3.108. Excavation work, employer etc. to assess means of reducing risks from                      3.109. Excavation work, employer etc. to reduce risk from                      3.140. Designer of work for commercial client to give client report                      3.143. High-risk construction work, safe work method statements required for                      4.29. Means of reducing risks in relation to plant                      5.15. Risk from exposure to hazardous substance, duties of employer to assess etc                      5.22. Monitoring of risk from exposure to hazardous substance, when required etc                      5.54. Lead-risk job, employer etc. to assess if work is</p>	<p>Deleted</p>	<p>Removed redundant OSH risk sections which are still apply but which are covered in legislation and City safety management systems</p>																									
<p style="text-align: center;"><b>Appendix A</b></p> <p style="text-align: center;"><b>Risk Breakdown Structure</b></p> <p><small>To enable the City's risks to be identified, documented, recorded and compared on a consistent basis, a Risk Breakdown Structure has been developed. These groups and areas should be used for all risk identification and recording activities.</small></p>	<p style="text-align: center;"><b>Appendix A</b> <b>Risk Themes</b></p>  <pre>                     graph TD                         EC[Employees &amp; Community] --- IPM[a) Ineffective People Management]                         CO[City Operations] --- IPM                     </pre>	<p>Redundant additional page and wording deleted</p>																									

**Risk Management Framework Amendment Comparison 2017**

CURRENT POLICY STATEMENT	PROPOSED	CHANGE NOTES	COUNCILLOR COMMENT
<p>Risk Management Committee</p> <p>Senior Risk Advisor</p> <p>OH&amp;S Officer(s)</p>	<p>Roles and responsibility amendment</p> <p>Risk Management Committee (EMT and invited specialist officers)</p> <p>Coordinator Procurement &amp; Risk</p> <p>Safety Advisors</p>	<p>EMT is acting as risk committee</p> <p>Update to titles</p>	
<p>APPENDIX C Risk Assessment Template</p> <p>APPENDIX D Risk Management Plan Template</p> <p>APPENDIX E Monthly Risk Report Template</p> <p>APPENDIX F Quarterly Risk Report Template</p> <p>APPENDIX G Risk Escalation Process</p> <p>APPENDIX H Risk Escalation Form</p> <p>Appendix I Glossary of Terms</p> <p>Appendix J References</p>	<p>APPENDIX C Risk Assessment Template D-17-22241 Risk Assessment Template</p> <p>APPENDIX D Risk Management Plan Templates D-17-30694 Project Risk Management Plan template D-17-22244 Event Risk Management plan Template</p> <p>APPENDIX E Monthly EMT Risk Report Template D-17-60641 EMT Risk Report</p> <p>Appendix F Glossary of Terms</p> <p>Appendix G References</p> <p>2015 Annex F, G &amp; H deleted</p>	<p>New templates attached aligned to current process</p> <p>2015 Annex F, G &amp; H deleted as incorporated in to Promapp processes</p>	





# Risk Management Framework

## Risk Management Framework Endorsed

Responsible Officer	Document Owner	Endorsed by EMT	Endorsed by Audit Committee	Adopted by Council
Senior Risk Advisor	Director, Corporate and Commercial Services	25 Mar 2015	17 Feb 2015	<b>CCS108</b> 28 April 2015
Coordinator Procurement & Risk	Director, Corporate and Commercial Services			

*Next review date November 2019*

## Version Control

Version N#	Date	Comment	Reference
<b>V1-23/01/12</b>		First draft updated following C Wood i.e. Risk Appetite & Tolerance Policy updated and attached, minor document changes.	
<b>V2-6/2/12</b>		Draft updated following reviewed by C Wood i.e. RMWG ToR updated	
<b>V2-8/2/12</b>		Draft updated following EMT meeting review i.e. RMWG ToR updated, added CGG Operational Policy cover page and document control	
<b>V2-14/01/15</b>		Complete rewrite of Framework to bring in line with Dept of Local Government & Communities Guidelines and AS NZS 31000:2009 Risk Management Standard	
<b>V3-24/02/15</b>		Version 3 presented to Audit Committee and minor amendments undertaken i.e. grammatical and terminology	
<b>V3-17/03/15</b>		Version 3 presented to RMC and minor amendments undertaken i.e. grammatical and terminology	
<b>V4 - 27/06/17</b>		Biannual review to ensure currency, update to risk templates, general process updated to reflect full implementation of Promapp as software application for management of risk, amendment to risk matrices	

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## Executive Summary

To achieve the City of Greater Geraldton's (City) agreed objectives and outcomes, the following enterprise risk management framework has been adopted.

This framework has been developed in accordance with;

- a) the mandatory management requirement detailed in in the [Local Government Audit Regulations 1996 Reg 17](#); and
- b) in accordance with the Australian/New Zealand Standard (AS/NZS ISO 31000:2009) risk management principles:
  - i. maintain the highest possible integrity for services provided by the City of Greater Geraldton;
  - ii. safeguard the City of Greater Geraldton's physical and non-physical assets including employees, Councillors & Mayor financial and property (both physical and intellectual);
  - iii. create an environment where all employees will assume responsibility for managing risk;
  - iv. achieve and maintain legislative and regulatory compliance, professional standards and codes of conduct based on the best available information;
  - v. ensure resources and operational capabilities are identified and responsibility for managing risk allocated; and
  - vi. demonstrate transparent and responsible risk management processes which align with accepted best practice through the implementation of a comprehensive risk management process which addresses uncertainty and the nature of that uncertainty together with continuous improvement of the process.

This document provides the City and its employees a comprehensive approach to identifying and managing risk in relation to this framework. It will help all employees address not only the insurable and retained risks, but also risks associated with areas such as change management, service delivery, legislative compliance. This will provide a sound basis for corporate and operational planning, help to minimise costly surprises, lead to better outcomes in terms of program efficiency and effectiveness, and support management decision making on a daily basis – all of which will ultimately enhance the City's delivery of services to the community.

This document comprises two distinct components:

- a) first, an overview of the City's enterprise risk management framework is provided. This maps the City's approach and the structures and processes that support an integrated risk management environment which links business objectives, risk and related controls;
- b) second, it sets out the specific processes associated with risk management activities within the City. It facilitates the preparation and documentation of comprehensive operational risk management plans to enable implementation of risk management practices across the City.

In addressing both the strategic and process aspects of risk management in the City, this document is a resource available for management to use as a reference and as a basis for implementing the training required to ensure employees involved in risk management activities are appropriately skilled in the required City risk management processes.

It is expected that this document, and the methods and concepts used within it, will be reviewed and updated periodically. Like all activities undertaken by the City it will be subject to continuous improvement as new and more advanced practices in risk management evolve.

# 1. Enterprise Risk Management

## 1.1 What is Enterprise Risk Management?

The standard defines a risk “as the effect of uncertainty of achieving your objectives. The City interpretation of this in the City context defines a risk as “the possibility of an event or situation which could impact of the City achieving its objectives”. A risk may be the chance of something occurring that has the potential to cause loss, damage or injury. Risk management is the application of management policies and processes to enable the systematic identification, analysis, treatment and monitoring of risk. Risk management allows opportunities to be taken when appropriate while also minimising the likelihood and impact of undesirable events or outcomes.

## 1.2 Who should use this document?

Risk management is everyone’s responsibility and therefore this document will be a useful reference for all City employees.

## 1.3 Terminology

A number of key terms and concepts are used frequently throughout this document. Among these are the concepts of risk, likelihood and consequence. Risk is anything that may hinder the City from achieving its objectives. Risk encompasses:

- a) the possibility of good things not happening (risk as opportunity);
- b) the threat of bad things happening (for example a hazard); and
- c) the potential that actual results will not equal anticipated outcomes (risk as uncertainty).

Risk not only includes the possibility of economic or financial loss or gain but also injury or death, asset damage, environmental harm, business interruption, reputation and image concerns and legal and compliance.

Risk has the following primary elements:

- d) the likelihood of something happening or not happening,
- e) the consequences of it happening or not happening; and
- f) the effectiveness of current treatment plans.

A detailed glossary of terms used throughout this document is set out at Appendix A.

## 1.4 Risk Management Standards & Guidelines

While AS/NZS ISO 31000:2009 provides a generic framework within which organisations can implement risk management, The City has made use of a number of other standards when developing and implementing risk management in the City. These standards include Australian Corporate Governance Standards AS 8000 - 8004: 2003, the AS/NZS 4801 (Managing Safety and Health) and as stated, AS/NZS ISO 31000:2009 Risk management - Principles and guidelines The Department of Local Government & Communities Risk Management Resources and the RiskCover WA Government Risk Management Guidelines.

Note: The above listed Standards and Guidelines should not be considered as a comprehensive list of risk management resources. Consideration should be given when undertaking risk activities as to if specific risk advise or guidance on specialist areas should be sought.

Risk management is now widely accepted as a critical element of sound corporate governance practice and as a valuable tool for integrating all aspects of management planning and decision making.

In recognising that risk management is integral to good business practice the following has been established;

- a) Council Policy 4.7 Risk Management;
- b) EMT and senior management dedicated to 'championing' the importance of risk management;
- c) EMT risk management oversight
- d) EMT monthly risk reports;
- e) regular review and report on the City's Risk Profile to Audit Committee;
- f) management systems to establish and report on the profile and treatment of risks;
- g) the implementation of effective risk management utilising Promapp risk module;and
- h) broadly-based culture-change programs to introduce risk management programs to employee, raise their awareness of risks, and train them to identify and deal with risk.

## 1.5 Overview of this document

Beyond this introduction, Section 2 provides an overview of City's enterprise risk management framework. This maps the City's approach and the structures and processes that support an integrated risk management environment which links business objectives, risk and related controls.

Sections 3 - 9 set out the specific processes and steps associated with enterprise wide risk management activities within the City. These sections facilitate the preparation and documentation of comprehensive risk management plans to enable implementation of risk management practices across the City.

Section 10 provides readers with an overview of the broad approach and processes that will support the formal implementation of risk management across the organisation.

Sections 11 – 13 provides an overview of related strategies that are related to the successful implementation of this Risk Management Framework.

A number of appendices are located at the back of the document. These contain a glossary of terms and a number of blank templates of documentation that are prepared during the course of the risk management process. These templates are designed to assist initial data capture and management.

To enable electronic data capture and reporting of risk management process outcomes, these templates, also appear on the City's Intranet within the Corporate Governance Section.

# 2. The City's Enterprise Risk Management Framework

## 2.1 Strategic Approach to Enterprise Risk Management

The City is working towards being a vibrant, progressive City where family, lifestyle choice, natural environment and prosperity go hand in hand.

The City is committed to making decisions responsibly and acting with integrity, honesty and respect. It is accountable to its community for the decisions it makes and for the management of public assets and resources. It is open to scrutiny through its annual report.

The City's management practices must therefore not only be directed to achieving its aims and objectives in an efficient and effective manner, but also to identifying and managing those risks that prevent it from achieving these aims and objectives.

Consequently, the City's enterprise wide risk management approach has six key features:

- a) communication and consultation with key stakeholders at all stages of the risk management process;
- b) identifying objectives - these objectives may be related to the City's strategic priorities, operations, processes, functions, projects, services, assets activities, programs or business units;
- c) analysing risks taking into consideration the causes and sources of risk, their positive and negative consequences, and the likelihood that those consequences can occur;
- d) evaluating the risks to achieve the identified objectives;
- e) implementing ways of dealing with risks in order to achieve the desired objectives; and
- f) monitoring and reviewing of the City's strategic and operational risk profile and implementing a continuous improvement approach to risk management.

### 2.1.1 Strategic business objectives

Enterprise risk management will assist the City to achieve its strategic and operational objectives as outlined in the Strategic and Corporate Plans and increase its value to the community. These objectives may be related to a strategic priority project, activity, program or Department at any level in the City. A clear understanding of the relevant objectives, and what is being done to achieve them, provides a sound basis for identifying key risks across the City and dealing with them effectively.

This will help to align the City's strategic and corporate business objectives and planning processes, through the budgeting process to the work performed by employee. Everyone has a role to play in achieving the City's business objectives, and using risk management in the day-to-day working environment can assist this process. Sound risk management practices will help ensure that the City takes advantage of opportunities while also mitigating threats to its objectives and operations.

### 2.1.2 Risks

Risk is everywhere and always has been. However, the City is growing more complex as an organisation, involving a wide range of stakeholders and providing a diversity of services. What has also changed is that we are now taking a systematic view of risk, and focusing on ways of dealing with it comprehensively. A focus on risks is required because the City is currently:

- a) encouraging line management to accept and introduce new business practices and improvements;
- b) dealing with increased customer awareness and expectations;
- c) facing new threats and opportunities in its operating environment; and
- d) assessing management information needed to support its business objectives.

Consequently, the implementation of effective risk management processes is vital to achieving the vision of the City and adding value to all we do equal to, or exceeding our customers' expectations.

### 2.1.3 Controls

Internal controls are those processes in place within the City which assist in limiting the risks associated with pursuing business objectives. Controls include all policies, practices and procedures,

management systems and structures that assist the City to operate efficiently, effectively and ethically.

If the City’s control framework is robust, risks will continue to be managed effectively in a changing environment.

To ensure this is the case, the City’s enterprise wide risk management approach aims to build controls into existing management structures and processes. The actions resulting from each risk management review will require management and employees to work within the City and departmental procedures and guidelines to develop solutions which fit our business. Leadership and commitment from management is also required to achieve behavioral and organisational change. As a result, change management is a key factor in successfully implementing risk management practices.

The City aims to move from a reactive approach to risk, where risk is dealt with in an ad hoc fashion, to a point where all employees have embraced the concepts and the processes are working seamlessly. To achieve this aim, the City’s enterprise risk management framework sets out a clear and robust process to ensure that objectives, risks and controls are addressed within an integrated framework.

## 2.2 Corporate Governance and Risk Management

Risk management is a key component of corporate governance. It is broader than having safe footpaths and roads. It involves consideration of the activities of the organisation which may include, but is not limited to the social, culture, political, legal, regulatory, financial, technological, economic, natural and competitive environment, key drivers and trends, relationships with key stakeholders, governance, processes and structures.

### 2.2.1 Organisation structures

In line with best practice approaches to corporate governance the City has established relevant enterprise risk management structures and processes. The organisational structure to support risk management in the City is shown below.

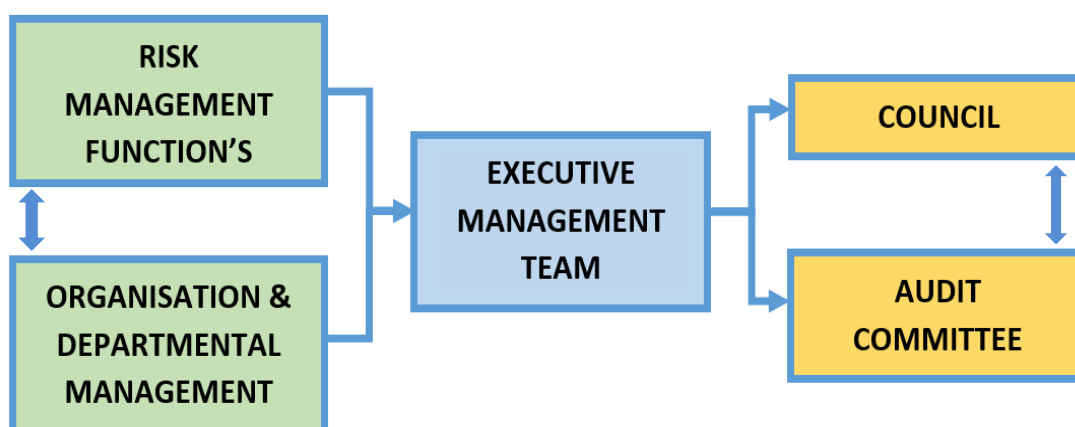


Table 1 – Organisational Risk Structure

### 2.2.2 City Strategic Management Processes

Risk management activities are a key part of all business processes. In particular, there is a strong relationship between the risk management process and the cycle of corporate and operational planning activities, as seen in the diagram below. As the vision, strategy and business objectives are established for each City service unit, so too should related risks be identified and assessed.

When strategic and corporate plans and budgets are prepared; City service units should identify and assess risks to their objectives, leading to a ranking of risks, and finally, to the establishment of appropriate risk treatments and controls. However, it is important to remember that risk management is not a once a year process, risk management happens every day.

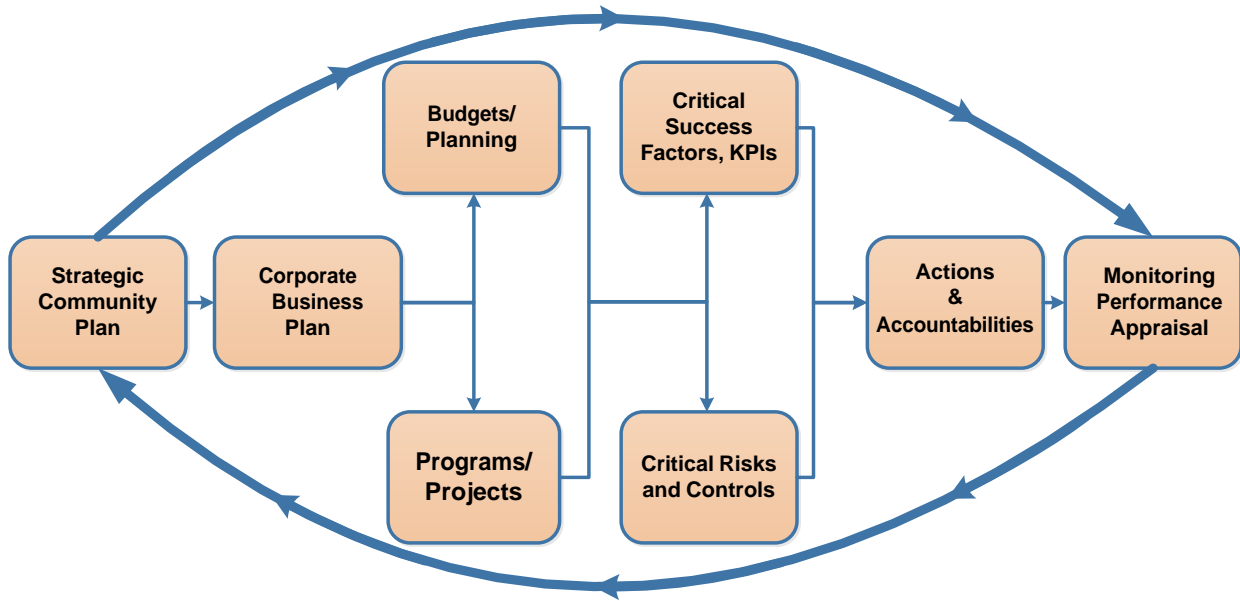


Table 2 – City’s strategic management processes which involves risk management at each step

To embed risk management more deeply as an integral part of the City’s operations it is necessary to:

- a) ensure risk management processes are included in, and seen as integral to, the City’s corporate planning, budgeting and reporting processes;
- b) ensure risk management is integrated with other governance practices such as audit, legal and regulatory compliance, disaster management and business continuity;
- c) incorporate risk management into continuous improvement programs;
- d) tie risk management objectives to each relevant project, activity or work group;
- e) include the outcome of risk management activities in reporting of programs, reviews and evaluation processes; and
- f) incorporate risk management into performance appraisals of employees.

## 2.3 Enterprise Risk Management Policies and Principles

### 2.3.1 Policies

The City currently has adopted the following policy documents for the management of risk throughout the City’s operations;

- a) The Council has adopted a Risk Management policy that outlines the intended position and requirements for risk management throughout the City.
- b) The Risk Management Framework (this document) is an operational policy that provides specific guidance on how risk management activities are to be undertaken throughout the City.

### 2.3.2 Principles

Operating principles that support the City’s enterprise risk management framework are summarised



below.

The City aims to demonstrate sound enterprise risk management principles which align with best practice. The City is actively committed to:

- a) identify and rank all significant strategic and operational risks using the City’s risk management process;
- b) ensure risk management becomes part of day-to-day management;
- c) provide employees with the policies and procedures necessary to manage risks;
- d) ensure employees are aware of risks and how to manage them; and
- e) monitor its strategic and operational risk profile and implement a continuous improvement approach to risk management.

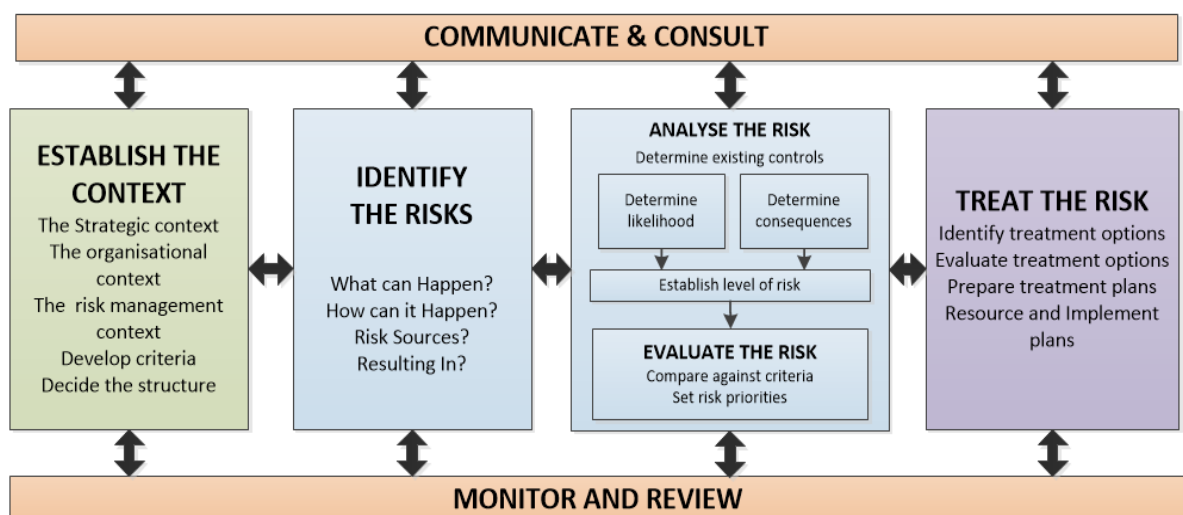
### 2.3.3 Process

Operational processes supporting the City’s enterprise risk management framework are summarised below.

- a) Use of Promapp Risk Module for the centralised capture and active management of identified risks e.g. central risk registers. Promapp Risk Module categorise risk into three categories as follows;
  - i. **Organisational Risk Portfolios** are risks that are City wide risk exposures which have treatments that effect or may have stakeholders across the City,
  - ii. **Departmental Risk Portfolios** are risks that are specific to a departments core functions and which are treated by the department.
  - iii. **Major Project Risk Portfolios** are risks associated with a strategic or major project which requires a higher level of risk management process then a general risk action or management plan.
- b) The use of processes and templates as defined in this framework; and
- c) Risk processes as published in Promapp guiding the management of risk functions.

## 2.4 The Enterprise Risk Management Process

2.5 The City’s risk management process has been adapted from the Australian Standard AS / NZS ISO 31000:2009 and is based on the 7–step approach set out in the diagram below.



The City's approach to risk **requires the consideration of all risks which have the potential to impact on the achievement of business objectives.** In sections 3 to 9 this document each step of the process is discussed in greater detail.

The objective is to identify all unacceptably high and extreme level risks and put in place processes and structures to deal with them. Lower level risks are also considered, but priority should be given to high and/or extreme risk areas, and treating these through the management process at the Department level.

This process is not linear, it is cyclical and ongoing. Monitoring and review of all stages of the process is critical, and ensuring that a periodic review of risks and controls is in place is critical to the success of the process.

## 2.6 Risk Management Documentation

The City's risk management process requires documentation of all relevant activities to enable those involved to complete this process with confidence. It will provide an auditable document history to all accountability management. All City risk management documentation requirements are set out within this document. To further assist those involved in documenting the risk management process, the appendices include blank templates that are to be used to ensure appropriate and consistent recording of outcomes. See Appendix C - F for the primary documents available for use. Electronic templates are available in Trim (the City's central records management system). All risk management plans for Organisational, Departmental or Major Projects are to be recorded into Promapp. All risk management plans or assessments for small scale projects or activities within the scope of a departments functions are to be captured using the template in the Appendix C to the document; and or to be record into Trim.

# 3. Enterprise Risk Management Process

## 3.1 Overview

Before commencing the risk management process outlined in the diagram above, the context of the service unit or task under consideration should be established. Establishing the context requires consideration of your goals, objectives and strategies, the scope and parameters of the activity, or area of the organisation to which the risk management process is being applied.

Some starting questions that may assist include:

- a) Do we understand the expectations of our customers and stakeholders?
- b) What laws, regulations, rules or standards apply to the organisation?
- c) What are the vision, mission and values of the organisation?
- d) What are the specific service aims and objectives and how do they relate to the Strategic, Corporate and Operational Plans?
- e) Who is involved, both internally and externally?
- f) Do we understand the level of acceptable risk?

After establishing the context it is necessary to carry out a risk identification review to document the risks to be managed. Comprehensive identification using a well- structured, systematic process is critical, because a potential risk not identified at this stage will be excluded from further analysis. Identification should include all risks, whether or not they are under the control of the City. The preferred approach to identifying risks is brainstorming in a group workshop, thus bringing together



expertise that covers all aspects of interest in the activity being reviewed.

The aim of the risk identification process is to generate a comprehensive list of events which might affect the City’s objectives and operations. These risks are then considered in more detail, to identify the potential impact of each risk.

### 3.2 Use of the Risk Themes for Risk identification

Within organisations of the complexity of City, the identification of risk becomes problematic without a well-developed Risk Themes. The Risk Theme provides a means for the organisation to structure the risks being addressed or tracked. The Risk Theme could be considered as a hierarchically organised depiction of the identified risks arranged by risk category.

Another benefit of the Risk Theme is that if all risks are placed in a hierarchical structure as they are identified, and the structure is organised by source, the total risk exposure to the organisation can be more easily understood, and planning for the risk more easily accomplished.

Of greater significance, the Risk Theme provides the ability to identify the cumulative effect to the City of like risks. In doing so, EMT and Council is able to respond more effectively to these emerging issues.

The Risk Theme to be used within City are provided at **Annex A**.

### 3.3 Common Risk Description Structure

After identifying a risk, it is vital that it is captured in a manner that allows the risk to be fully understood by the entire stakeholder community. There are 2 methods that can be used to describe a risk within City.

The 2 process are aligned to the system of risk management used eg

- a) centralised management of risk via Promapp Risk Module; and
- b) Small scale project risk management utilising excel or word templates

#### Risk Description used in Risk Management Plans and Assessments (small scale projects)

<b>Risk Identified:</b>	Relate name to system impacted and explanation of cause.
<b>Cause/s:</b> <i>Risk Source</i>	Explanation of what might cause the risk event to occur (list each cause).
<b>Consequence:</b>	Identify local consequences and attempt to identify how these affect major areas.
<b>Risk Theme</b>	Identify which Risk Themes this risk falls within.

Table 4– Risk Description Structure

An example of a risk in this format is shown below:

<b>Risk Identified:</b>	<b>Cause/s:</b> <i>Risk Source</i>	<b>Resulting In</b>	<b>Risk Theme</b>
<b>Dept Inability to quantify condition of current software application</b>	<ol style="list-style-type: none"> <li>1. Lack of data</li> <li>2. Inaccurate data</li> <li>3. Lack of support systems</li> <li>4. Lack of clarification of roles and responsibilities</li> <li>5. Lack of resources to undertake assessment</li> <li>6. Management of contractors has been inconsistent</li> <li>7. Some services below ground</li> </ol>	<ol style="list-style-type: none"> <li>1. Estate deterioration</li> <li>2. Pay for services not received (CMS)</li> <li>3. Duplication of service/report of same information</li> <li>4. Unforeseen failure</li> <li>5. Negative impact on reputation</li> <li>6. Increased costs (project and maintenance cost)</li> </ol>	<b>d) Failure of IT &amp;/or Communication Systems, Data &amp; Infrastructure</b>

## Risk Description used in Promapp Risk application (Organisational Departmental and Major Project)

<b>Risk Portfolio</b>	Register to which the risk is recorded
<b>Risk Theme</b>	Identify which Risk Themes this risk falls within.
<b>Risk Title</b>	Concise title that encompasses the risk issue
<b>Risk Description</b>	Additional information that documents the circumstances that could cause the risk to occur and the likely consequences that would eventuate.

*Table 5– Promapp Risk Description Structure*

An example of a risk in this format is shown below:

<b>Risk Portfolio</b>	ORG. Compliance Management
<b>Risk Theme</b>	Operations - Business Disruption (incl. unable to undertake services or only partial disruption),
<b>Risk Title</b>	Documents executed without content validation
<b>Risk Description</b>	Review and verification of documentation prior to execution by the City - Various check points not signed off by departments, eg. finance, budget, governance, risk, etc.

### 3.4 Cause of Risk

Having identified a list of risks, it is necessary to consider possible causes and consequences. There are many ways an event can be initiated. It is important that no significant causes are omitted. This will ensure that the risk strategies determined will reduce or manage not only the risk itself, but also the causes of the risk.

Approaches used to identify risks include;

- a) Checklists,
- b) Judgments based on experience
- c) Judgments based on documented records or past incidents,
- d) Flowcharts,
- e) Scenario analysis.
- f) Brainstorming,
- g) Interviews,
- h) Workshops, and
- i) Systems analysis

The approach used will depend on the nature of the activities under review and the types of risks.

Whilst assessing risk at the Department level it may be found that the “cause” of a risk/s may be similarly experienced by another service unit, and therefore a corporate wide risk strategy may be appropriate.

Some questions to assist further consideration of risks in the profile may include:

- a) What are the underlying causes that are giving rise to risks that have been identified?
- b) Are other parts the City facing the same risks/issues?
- c) Is a corporate wide risk management strategy required?

### 3.5 Consequence of Risk

Determine the likely consequence for each risk, for example, the impact it will have on the services being provided by the City as a whole. This might be significant financial loss, fatality or injury, loss of major infrastructure, or indeed may cause major reputation damage for the City.

The information generated in understanding the cause and consequence of risk will assist in the next step of analysing the risk rating (the measure of likelihood x level of consequence).

## 4. Assessing the Likelihood and Consequences of Risks

### 4.1 Analysis of Risk

This section of the risk management process concentrates on the likelihood of occurrence and the consequence of each risk.

Sections 4.2 and 4.3 set out detailed information about the meaning of likelihood and consequence, while the glossary in Appendix I contains definitions of these and other terms.

Risk is analysed by combining estimates of likelihood and consequence in the context of existing control measures to arrive at a level of risk. The objectives of this analysis are to sort risks into relevant ranking levels so that not only major risks are clearly identified but minor risks are also noted.

This ranking can later be used to assist in the assessment and treatment of risks. Likelihood and consequence concepts should be applied to all risks identified at stage one of the risk management process so that lower level risks can be excluded from further more detailed risk considerations. Although low risks may not be subject to further risk management processes, it is important that they are documented and added to the risk profile to demonstrate the completeness of the risk analysis.

### 4.2 Risk Likelihood Ratings

Some events happen once in a lifetime; others can happen almost every day. Analysing risks requires an assessment of their frequency of happening.

The following table provides broad descriptions to support likelihood ratings.

LEVEL	DESCRIPTOR	DETAILED DESCRIPTION	OPERATIONAL FREQUENCY
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year <b>or</b> incident is clearly imminent
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

Table 6 – Likelihood Matrix (Select the likelihood rating of each identified risk)

### 4.3 Risk Consequence Ratings

Consequences can be described in a number of ways. To ensure that all dimensions are considered, a risk in the City can have consequences in terms of:

a) Dollar cost;

b) human impact;

- c) damage to reputation and image;
- d) damage to property and assets;
- e) harm to the environment;
- f) strategy, or loss of opportunity;
- g) service delivery and meeting of customer expectations;
- h) Regulatory or legal compliance.

It is important to note that each consequence can be rated, in terms of its severity, from catastrophic to insignificant. To assist in determining the level of consequence that a risk poses for the City, the following table provides a summary of each type of risk consequence relevant to the City as well as their relative severity ratings. It is also necessary to consider only the impact statements that relate to the risk being assessed, for example, a decision made by the City may have financial consequences only.

*Table 7 – Consequence Matrix over page (Select the Consequence levels of each identified risk)*

LEVEL	DESCRIPTOR	SAFETY / HEALTH	FINANCIAL IMPACT	SERVICE INTERRUPTION	REPUTATION	ENVIRONMENT	LEGAL & COMPLIANCE
1	Insignificant	Negligible injuries, Full recovery 1 – 3 days	<p><b>Organisation</b> Less than \$10,000</p> <p><b>Dept. Project</b> 0-2% remaining Budget</p>	No material service interruption, backlog cleared in 2 – 4 hours	<p>Unsubstantiated, low impact, low profile or 'no news' item</p> <p><i>Example gossip, Facebook item seen by limited persons</i></p>	<p>Contained, reversible impact managed by on site response</p> <p><i>Example pick up bag of rubbish</i></p>	<p><b>Compliance</b> No noticeable regulatory or statutory impact</p> <p><b>Legal.</b> Threat of litigation requiring small compensation.</p> <p><b>Contract.</b> No effect on contract performance.</p>
2	Minor	First aid injuries, full recovery 1 – 3 weeks	<p><b>Organisation</b> \$10,000 - \$100,000</p> <p><b>Dept. Project</b> 2-5% remaining Budget</p>	Short term temporary interruption – backlog cleared < 1 – 7 days	<p>Substantiated, low impact, low news item</p> <p><i>Example Local Paper, Everything Geraldton, Facebook item seen by local community</i></p>	<p>Contained, reversible impact managed by internal response</p> <p><i>Example pick up trailer of rubbish</i></p>	<p><b>Compliance</b> Some temporary non compliances</p> <p><b>Legal.</b> Single Minor litigation.</p> <p><b>Contract.</b> Results in meeting between two parties in which contractor expresses concern.</p>
3	Moderate	Medically treated injuries, Full recovery 1 – 3 months	<p><b>Organisation</b> \$100,000 - \$1M</p> <p><b>Dept. Project</b> 5-14% remaining Budget</p>	Medium term temporary interruption backlog cleared by additional resources within < 2 – 4 weeks	<p>Demonstrated public outrage, Substantiated public embarrassment, moderate impact, moderate news profile</p> <p><i>Example State wide Paper, TV News story, Moderate Facebook item taken up by people outside City</i></p>	<p>Contained, reversible impact managed by external agencies</p> <p><i>Example Contractor removal of asbestos sheets</i></p>	<p><b>Compliance</b> Short term non compliance but with significant regulatory requirements imposed</p> <p><b>Legal.</b> Single Moderate litigation or Numerous Minor Litigations.</p> <p><b>Contract.</b> Receive verbal advice that, if breaches continue, a default notice may be issued.</p>
4	Major	Lost time or severe injury Possible Partial /full recovery 4 – 12 months	<p><b>Organisation</b> \$1M - \$9M</p> <p><b>Dept. Project</b> 15 -20 % remaining Budget</p>	Prolonged interruption of services, additional resources required; performance affected issue resolved within < 4 – 12 weeks	<p>Sustained and high level public outrage, Substantiated public embarrassment, high impact, high news profile, third party actions</p> <p><i>Example Australia wide Paper, TV News stories, Current Affair etc Significant Facebook item taken up by large numbers of people outside City</i></p>	<p>Uncontained, reversible impact managed by a coordinated response from external agencies</p> <p><i>Example truck or train spill of diesel and oil on road reserve/ park</i></p>	<p><b>Compliance</b> Noncompliance results in termination of services or imposed penalties</p> <p><b>Legal.</b> Single Major litigation or numerous Moderate Litigations.</p> <p><b>Contract.</b> Receive written notice from the contractor threatening termination if not rectified.</p>
5	Catastrophic	Fatality, permanent disability	<p><b>Organisation</b> Greater than \$10M</p> <p><b>Dept. Project</b> Greater than 20% remaining Budget</p>	Indeterminate prolonged interruption of services that impacts on Public safety and services– <b>non-performance or termination of service</b>	<p>Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions, Likely to lead to the dismissal of Council/ Councillors or Executive Staff.</p> <p><i>Example World Wide News, TV News stories, Current Affair, 60 Minutes, Widespread Facebook item taken up by vast numbers of people outside City</i></p>	<p>Uncontained, irreversible impact</p> <p><i>Example Ship runs aground and spills oil along City coast line, ground water supply exhausted or rendered unusable</i></p>	<p><b>Compliance</b> Noncompliance results in litigation, criminal charges or significant damages or penalties</p> <p><b>Legal.</b> Numerous Major Litigations.</p> <p><b>Contract.</b> Termination of Contract for default.</p>

#### 4.4 Risk Analysis Matrix

As cited earlier, risk is analysed by combining estimates of likelihood and consequence. To determine the risk ranking for a particular risk, use the risk ranking matrix below to combine your selected likelihood and consequence ratings for each risk identified.

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
		0.5	1	2	3	4
Almost Certain	4	Low 2	Moderate 4	High 8	Extreme 12	Extreme 16
Likely	3	Low 1.5	Moderate 3	High 6	High 9	Extreme 12
Possible	2	Very Low 1	Low 2	Moderate 4	High 6	High 8
Unlikely	1	Very Low 0.5	Very Low 1	Low 2	Moderate 3	Moderate 4
Rare	0.75	Very Low 0.375	Very Low 0.75	Low 1.5	Low 2.25	Moderate 3

Table 8 – Risk Matrix

#### Risk Acceptance Level of Responsibility

RISK CATEGORY	VERY LOW & LOW (1-4)	MODERATE (5-9)	HIGH (10-16)	EXTREME (20-25)
Safety / Health	Manager	Manager	All Directors	CEO / Council
Service Interruption	Manager	Manager	All Directors	CEO / Council
Financial Impact	Manager	Manager	Director C.C.S.	CEO / Council
Reputation	Manager	Manager	Director C.C.S.	CEO / Council
Environment	Manager	Manager	Director D.C.S.	CEO / Council
Legal & Compliance	Manager	Manager	Director C.C.S.	CEO / Council

Table 9 – Risk Acceptance Levels of Authority

#### Risk Acceptance Criteria

RISK RANK	DESCRIPTOR	CRITERIA FOR RISK ACCEPTANCE
Very Low & Low (1-4)	Acceptable	<b>No Immediate Concern,</b> Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring
Moderate (5-9)	Monitor	<b>Needs Periodic Monitoring,</b> Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring
High (10-16)	Urgent Attention Required	<b>Needs Regular Monitoring,</b> Risk acceptable with excellent controls, managed by senior management / executive and subject to quarterly monitoring
Extreme (20-25)	Unacceptable	<b>Needs Active Management,</b> Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring

Table 10 – Risk Acceptance Authority

## 5. Identification and Assessment of Controls

### 5.1 Overview of Controls

Corporate governance practices within the City would be incomplete and ineffective without an adequate internal control system.

In the City, controls generally include the following Council policies

- a) Delegations & Authorizations
- b) Operational policies
- c) Published Promapp processes and guidelines
- d) standards or specifications
- e) codes of practice
- f) management plans, systems or structures
- g) regulations or other Enterprise protocols
- h) legislation

The existence and proper application of these and other controls at all levels helps to ensure that the City operates efficiently, effectively and ethically.

### 5.2 Assessing Controls

Formal controls are likely to be in place already for many risk exposures. The degree and effectiveness of existing controls over risks needs to be considered to allow a definitive risk ranking process. These controls need to be identified clearly and their effectiveness assessed. Major risks that are not subject to effective controls may cause catastrophic consequences. Some controls are informal and their effectiveness may be anecdotal, so there is an important need to establish whether the control process is adequate, and the extent to which it is followed.

Controls fit into four distinct types as detailed below:

- i. **Preventative Controls.** These controls are aimed at preventing the risk occurring in the first place. They include: plans, policies, procedures, Safe Work Method Statements .etc.
- ii. **Detective Controls.** These controls are used to identify when a risk has become an issue/incident. They include: audits, stocktakes, and reviews, safety incident reports .etc.
- iii. **Mitigating Controls.** These controls are aimed at minimising the consequences that arise from the issue/incident. They include: Business Continuity Plans and Disaster Recovery Plans, Personal Protective Equipment .etc.
- iv. **Corrective Controls.** Corrective controls restore the system or process back to the state prior to a harmful event. For example, a business may implement a full restoration of a system from backup tapes after evidence is found that someone has improperly altered the payment data.

Once existing controls have been identified, it is necessary to evaluate them for effectiveness. The fact that proven processes are being followed does not necessarily mean that risk is being mitigated. The experience levels of the personnel undertaking the processes and the rigour with which the processes are being followed and supervised will also impact upon the control effectiveness.



For each risk identified, the first question to be asked is, “Is there anything in place at the moment that would effectively lessen the likelihood or the impact of this risk?” If the answer to this question is yes, then the next question that needs to be asked is: “how effective are the current controls in preventing this risk from occurring or reducing the impact”.

Experience has demonstrated that there is a direct correlation between the effectiveness of an existing control and the likelihood of the risk occurring (i.e. the more effective the control, the less likely the risk is to occur) and/or the impact of the risk (i.e. non effective controls may increase the impact).

The outcome of this evaluation should then influence further analysis of the likelihood and potential consequences of the risk.

### 5.3 The Control Practices Matrix

As discussed in sections 5.1 and 5.2 it is not only necessary to identify controls but also to assess them. This assessment process is used to confirm that the control is in place and to validate the effectiveness, or otherwise, of each relevant identified control. The control practices matrix below provides a convenient way of doing this.

To assess control practices in place, the following questions apply:

- a) Does the control address the risk effectively?
- b) Is the control officially documented and communicated?
- c) Is the control in operation and applied consistently?

The table set out below should be used (see also Appendix C, Risk Workshop Template) to score the control related responses to the above questions. Scores are to be added to give a total control rating.

To help employee to describe and attribute a control rating to the scores derived from the control practices matrix, the following indicative ratings can also be used:

RATING	DESCRIPTION
<b>EXCELLENT</b>	Control addresses risk, is officially documented, in operation and has been tested to confirm effectiveness
<b>ADEQUATE</b>	Control addresses risk but documentation and/or operation of control could be improved
<b>MARGINAL</b>	Control addresses risk at least partly, but is not documented and/or operation of control needs to be improved
<b>INADEQUATE</b>	At best, control addresses risk, but is not documented or in operation; at worst, control does not address risk and is neither documented nor in operation

Table 11– Risk Control ratings.

## 6. Overall Risk Management Ranking

### 6.1 Introduction

Following the identification and analysis of significant risks and assessment of related controls, it



remains to rank each risk. Ranking of risks allows a risk profile to be compiled at each location under review as a basis for determining priorities and actions. Risk ranking requires knowledge and consistency. The 2-step process set out below assists in ensuring that this occurs.

## 6.2 Step 1: Document Risk and Control Ratings

From the risk profile, document individual risk ratings, taking into consideration likelihood and consequence to arrive at a combined risk rating (to obtain this rating, use the risk ranking matrix at section 4.4). Then consider and document the existing internal controls relevant to this risk, using the control practices matrix set out in section 5.3 (for Risk Workshop Template see *Appendix C*)

## 6.3 Step 2: Overall Risk Management Ranking Map

The results can be placed on the risk maps, as set out below, to arrive at the overall risk management ranking. This map clearly sets out the actions required by management to manage each risk efficiently and effectively. It ensures that priorities are established which allow management resources to be directed to the relevant areas. At the same time it provides management with a robust framework that allows them to feel confident in their approach to risk in the operations under their control.

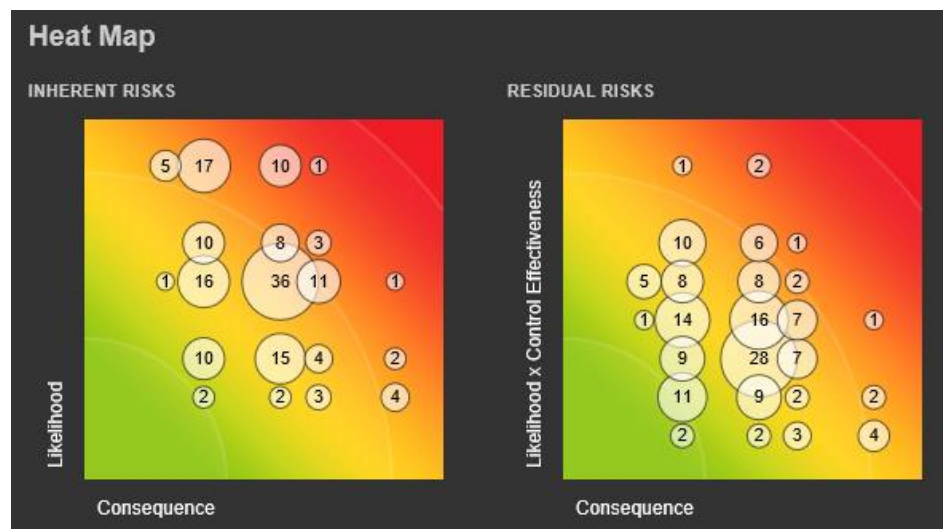


Table 12 - Promapp Risk Module Risk Heatmap

# 7. Enterprise Risk Management and Treatment

## 7.1 Risk Management Plans

As a product of the risk assessment process risk management plans should be developed for each major project. A risk management plan is not required for risks that are captured within Departmental and Organisational Risk Portfolios have the risk structure and responsibilities established.

Risk management plans are to be used to document and summarise risk management processes and individual treatment plans.

Preparation of these plans enable the documentation of each phase of the risk management process, while also allowing the clear identification of the responsibilities associated with implementation and monitoring

By completing a risk management plan in the format set out (*Appendix D*), relevant City employees can establish accountability, and ensure that risk management is seen as part of each employee member's responsibilities.

Risk management plans allow for reporting back to Council, EMT, relevant management and through to the Risk Management Committee. These plans are flexible, allowing for continual updating and reassessment as risks confronting the City change or the likelihood and consequences change.

## 7.2 Risk Treatment Plans

### 7.2.1 Format of risk treatment plans

Risk treatment plans should document the way in which selected risk treatment options are to be implemented for all major risks. Risk treatment plans will be completed after the need has been identified through the completion of risk management plans. The risk treatment plans should follow the format set out below (template at *Appendix C and D*).

### 7.2.2 Undertaking risk treatment

Risk treatment involves identifying the range of options for treating risk, evaluating those options, selecting the preferred treatment, preparing risk treatment plans and implementing them.

Preparation of risk treatment plans often requires input from higher levels of management, particularly if the risk is shared across a number of departments and a corporate wide strategy is required. In some circumstances, advice from risk control and insurance specialists may be required.

In completing the risk treatment plans and working through the risk treatment decision tree (section 7.3) it will be necessary to select the most appropriate treatment from all available options. At this point it is important to document the benefits of the response selected compared with the costs. Implementing risk treatment plans is one of the essential elements of a successful risk management process. To ensure that treatment plans are actioned requires management of the process by relevant senior employees.

This management planning process should include:

- a) allocation of risk treatment responsibilities;
- b) approval or allocation of resources needed for treatment;
- c) establishment of deadlines, or in the case of long-term treatment processes, agreement on milestones and deadlines; and
- d) report back agreement – format and dates;

The diverse nature of the City is such that risk treatment implementation plans will need to be tailored to meet the specific needs of each service unit, project or activity.

A successful risk treatment plan implementation process is only possible if systems are in place to ensure that responsibilities are assigned, management and employees are held accountable for their actions and the process is subject to adequate monitoring and review (refer to section 8). If the action plans developed have long lead times, consideration should be given to implementing interim measures and actions, if needed. If, for whatever reason, action plans cannot all be implemented at the time of being approved, specific action plans should be prioritised based on risk rankings.

Similar risks can be identified across a number of departments. A consolidated risk profile report will identify these and note requirements for corporate wide risk management strategies. Consultation and communication across all affected departments will be essential for the successful implementation of risk treatment plans.

## 7.3 The Risk Treatment Process

The decision tree set out below should be used as a guide when assessing risk treatment in order to arrive at an acceptable level of residual risk.

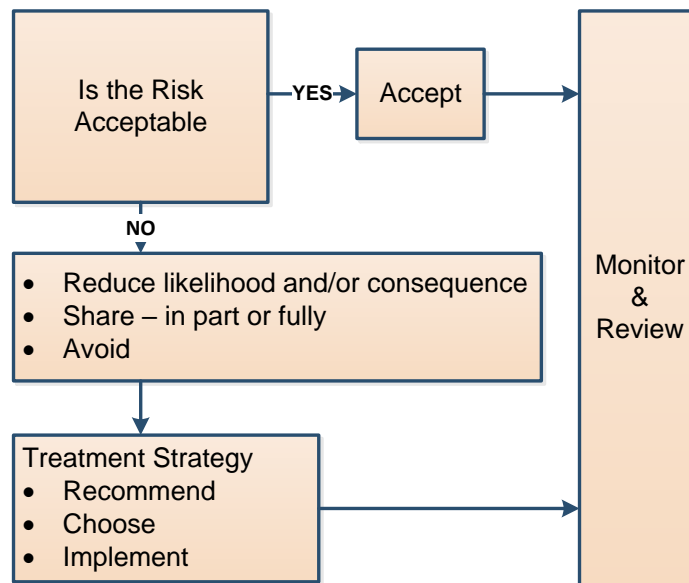


Table 13 – Risk Treatment Process

All risks identified as requiring further treatment should be considered in the context of the treatment options available. These treatment options should be considered weighing the cost of implementing each option against the potential benefits. In some cases a cost benefit analysis may be required to assist in the selection process.

When significant risk reductions can be obtained at relatively low cost, such options should be implemented. As a general guide, risks should be reduced to the lowest possible level after taking into consideration the costs associated with risk reduction.

When assessing risk treatment options, it is important to understand that it will often be most appropriate to combine several treatment options. Risk responses may be specific to one risk or they might address a range of risks.

Risk Treatment Plans must be implemented as per the following timeframes,

Risk Level	Treatment Plan Actioned
<b>Extreme</b>	Eliminate or mitigate immediately
<b>High</b>	Within one month
<b>Moderate</b>	Within three months
<b>Low &amp; Very Low</b>	Action not required

Table 14 – Risk Treatment minimum timeframes

### 7.3.1 Risk Treatment Options

There are three broad treatment options available for the mitigation of identified risks. These are outlined in the below.

### 7.3.1.1 Avoid

This option seeks to treat the risk by avoiding the event that would lead to the risk. There will be few, if any, risks identified within City where this treatment strategy will be an option.

### 7.3.1.2 Treat

Under this option, responsibility for the treatment of the risk is kept in-house. Risk Treatments that will reduce the likelihood and/or consequence of the risk are developed and recorded in the Risk Register.

It needs to be remembered, however, that risk treatments are only effective if they are completed. To that end, all risk treatments need to be adequately resourced in terms of funding and allocation of personnel. In addition, to ensure accountability within the City, all risk treatments are to have an owner assigned.

Upon completion of the risk treatments, the Risk Register is to be updated to reflect completion of the treatment and the risk is to be reassessed as to whether these actions have been successful in reducing the likelihood and/or consequence.

### 7.3.1.3 Transfer/Sharing

Risk transfer/sharing involves devolving responsibility for the management of an activity for which risks have been identified to another party, or, transferring certain consequences (usually financial) to another party. Examples of transferring or sharing of risk include:

- i. **Contracting and/or Insurance.** Contracting and insurance are perhaps the most widely used form of risk transfer. It should be remembered, however, that it is virtually impossible to transfer all of the risk to a third party. As an example, a contract can cover the City against financial loss by transferring the risk to the Contractor, however, any issues that arise from the contract may still result in a death/injury or reputation consequences to the City that can't be transferred.
- ii. **Escalation.** Risks are escalated for a number of reasons:
  - i. The residual risk (after treatment risk level) is above the City's appetite/tolerance;
  - ii. The risk treatment actions are outside the control of the City; or
  - iii. The Level in which the risk resides has attempted risk treatment actions, however, their efforts have not been successful.

When a risk has been escalated, management of the risk has not been transferred per se as the consequences will still impact on the area concerned. That said, the treatment of all or part of the risk has been transferred to Line Management. In the case where a risk has been escalated, Line Management is to maintain active visibility on the progress of actions and report back to their Directorate (or when relevant EMT) at regular intervals. More guidance on Risk Escalation is detailed in section 7.5.

**The overarching principles in relation to risk transfer/sharing is that if the City owns all or part of the Consequences it still owns the risk.**

### 7.3.1.4 Accept/Retain

Risks are accepted or retained for a number of reasons:

- i. There are no treatment options available (i.e. the risk event is outside City's sphere of influence);
- ii. The level of the risk is so low that it does not warrant treatment; or
- iii. Risk treatment would cost more than the consequences of the risk (but not just in dollar terms).

Where a decision to accept a risk is taken, the risk is still to be recorded in the Risk Register along with the reasons behind the decision not to treat the risk and must include details of who accepted the decision to accept the risk.

Risk acceptance may only be undertaken in line with the risk acceptance criteria detailed in section 4.4.

## 7.4 Cost Effectiveness of Risk Treatments

Determining whether a risk is cost effective or not is not as simple as identifying that the Consequence is \$40,000 and to treat the risk would cost \$80,000. **Cost effectiveness in relation to risk treatment is not simply an issue of cost.**

A risk may have no financial impacts at all, however may have other Major or Catastrophic consequences, particularly in relation to Safety or Reputation. In such cases, it may be prudent to still treat the risk to reduce the consequences against these consequence categories, thus reducing the risk level to within the appetite of the City.

That is why it is absolutely vital that risks are assessed against all consequence categories. If risks are not fully assessed, it is difficult, if not impossible, to conduct an assessment of cost effectiveness.

### 7.4.1 Residual Risk

Residual risk is the risk level that remains after risk treatment activities have been completed. After determining the risk treatments for each risk, the risk is to be reassessed to determine the post-mitigation risk level. It should be noted, however, that the risk does not reach the residual level of risk until **after** all mitigation actions have been completed.

For risks where the decision is taken to accept the risk, the residual risk level (i.e. post-mitigation) will be the same as the pre-mitigation risk level.

## 7.5 Risk Escalation

The escalation of risk to the party best able to deal with it or to the appropriate level for acceptance of a risk beyond the organisation's risk appetite is a fundamental foundation of the risk management process. Not all risks can be treated at a Department level, however, without a structured and documented escalation process, personnel at that level may be put in a position where they feel they have to accept a risk beyond their control, authority or accountability.

To that end, the Risk Escalation process for the City is captured in the Promapp Risk Module and summarised below.

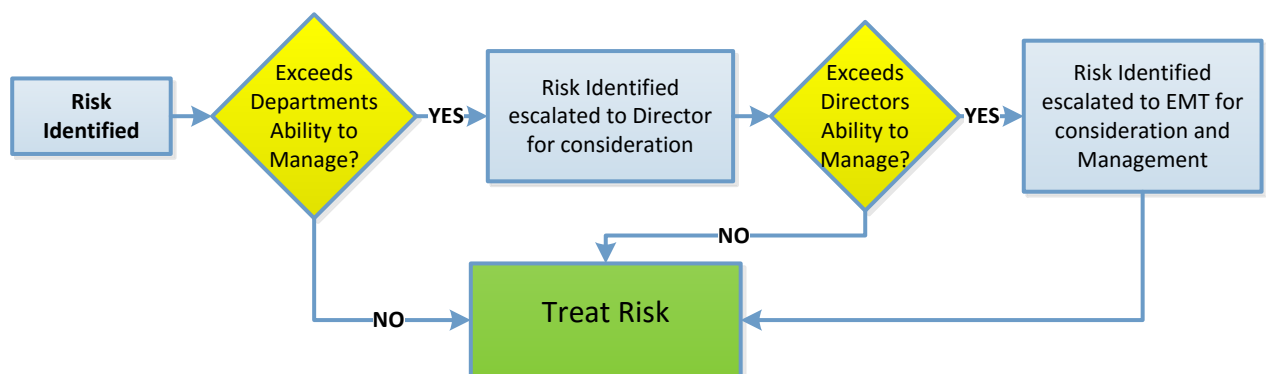


Table 15 – Risk Escalation process

## 7.6 Contingency Plans

Contingency Plans are plans that are developed to deal with the risk if it eventuates, i.e. if the risk event occurs. Essentially, the main benefit of developing a Contingency Plan is to ensure that some consideration has been taken at an early stage as to what the strategy will be to recover from the situation and to minimise the impact.

In essence, developing Contingency Plans allows the City to be proactive in dealing with Risks prior to them arising.

It should be noted that if a Contingency Plan is developed it needs to be costed and will form part of the

consequence rating for the risk (for example if the risk eventuates, the cost of a Civic Centre closure for a protracted period of time needs to be factored amongst the Consequences).

As a general rule, Contingency Plans should be developed for risks with a pre-mitigation risk score of High or Extreme, regardless of the post-mitigation (residual risk) score.

## 7.7 Accountability and Responsibility

To ensure that accountability and responsibility is part of the risk management framework, it is important that all City employees understand their roles and responsibilities.

The framework adopted by the City automatically allows accountability and responsibility to be delegated through the processes required to implement risk management. The risk management plans at section 7.1 require the nomination of responsible employees and ensures that they understand what is required from them. This level of accountability is then brought to the next level of authority within the City through the reporting process of section 8.3. Monitoring within the reporting framework allows continuous accountability for larger activities/projects, while risk management linkages to Strategic and Corporate business plans and budgets (section 2.2) ensure that EMT is aware of both successful and unsuccessful risk management on an organisation-wide basis, when actual key performance indicators and related results are reported against the plan.

Refer to Appendix B for Roles & Responsibilities

## 7.8 Risk Documentation and Maintenance

The preparation, maintenance and retention of risk management documentation has several advantages. In summary it allows:

- a) accountability and support for decisions taken;
- b) subsequent reviews to be completed to consider the effectiveness of risk management plans;
- c) reviews to highlight good and poor results to ensure all employee within the City learn from the collective risk management experiences of the entire organisation;
- d) documentation to be used to assist with the management of future similar projects, activities, work groups, etc.;
- e) communication between all interested parties; for example:
  - i. Risk Management Committee
  - ii. Safety Committee
  - iii. EMT
  - iv. Audit Committee
  - v. Council
- f) later justification for actions taken if project activity is not as successful as planned;
- g) all members of a risk management team to understand their role, the strategy adopted and the outcomes expected.

This communication process allows for continued accountability and responsibility (section 2.2). All risk management plans require documentation and must be retained.

# 8. Monitoring and Review

## 8.1 The Monitoring and Review Process



To support the risk management system at the City and Department level, it is necessary to have a process of monitoring and review in place.

This ensures that the summarised information presented to senior personnel is accurate, complete and based on latest available data.

Ongoing review is required to ensure that management and treatment plans remain relevant. Factors impacting upon risk assessments and control practices can also change and therefore the risk management cycle should be repeated at regular intervals to ensure continued effective risk management.

As noted in section 7.1, risk management plans require the relevant line management to document monitoring plans and to be held accountable for these commitments.

## 8.2 Methods of Review

Monitoring and review procedures should be determined as part of the risk management plan. As a guide, some possible methods of review include the following options:

- a) self assessment;
- b) physical inspections;
- c) checking and monitoring success of actions and the extent to which the risk remains;
- d) audit and reassessment of risk to achieving specified objectives.

Reviews must be undertaken as per the following timeframes,

Risk Level	Reviewed (by Risk Owner)
Extreme	Weekly
High	Monthly
Moderate	6 Monthly
Low & Very Low	Annually

Table 16 – Risk Review minimum timeframes

It should be noted that when there is a significant change to circumstances, all risks should be reviewed at that time. Examples of the types of changes that would trigger a full review include (but are not limited to):

- a) Changes to Key personnel;
- b) Significant changes to Management plan;
- c) Significant changes to structure;
- d) Changes to governing Legislation.

Conducting such reviews will ensure that the Risk Register remains current.

### 8.2.1 Retiring Risks

Risks are to be retired after the chance of something happening has clearly passed. It is important, however,

that appropriate approval is provided (and recorded in the Risk Register) when a risk is to be retired.

The following table provides the approval authority for the retirement of risks:

RISK CATEGORY	VERY LOW & LOW	MODERATE	HIGH	EXTREME
Safety / Health	Manager	Manager	All Directors	CEO / Council
Service Interruption	Manager	Manager	All Directors	CEO / Council
Financial Impact	Manager	Manager	Director C.C.S.	CEO / Council
Reputation	Manager	Manager	Director C.C.S.	CEO / Council
Environment	Manager	Manager	Director D.C.S.	CEO / Council
Legal & Compliance	Manager	Manager	Director C.C.S.	CEO / Council

*Table 17 – Risk Retiring Levels of Authority*

It should be noted, however, that within a City context very few risks will be retired. Risks are not to be retired simply because no treatment is required or treatments have already been implemented and the risk has reached its target level.

Examples of risks that could be retired include risks associated with one off Events or Projects with defined start and end dates.

### 8.3 Review and Reporting

#### 8.3.1 Risk Register

A critical element for any Risk Management Program is the recording of risks. Risks that are not recorded are not able to be managed and the risk exposure of City is unlikely to be reduced. The most effective means of capturing risk is through the use of a Risk Register.

The Risk Register captures all of the information necessary to ensure the risk can be effectively managed. An effective Risk Register follows the Risk Management Process as defined in the Standard and allows for the capture of all identified risks, the controls and their effectiveness, the assessed risk level, the treatment strategy and individual treatment actions.

In the case of City, Risk Registers will be informed by a number of other Legislated/ regulated/mandated registers such as:

- a) Hazard Register;
- b) Asbestos Register;
- c) Chemicals Register;
- d) Electrical Goods Register;
- e) Asset Register; and
- f) Incident Register.

### 8.3.2 Risk Reporting within City

In order to ensure the ongoing maintenance and effectiveness of the Risk Management Program, a number of reports will be generated. These reports are as follows:

- a) Monthly Risk Report to EMT
- b) Risk Report to Audit Committee whenever meeting held
- c) Annual Risk Report to Council
- d) 2 yearly comprehensive Risk Report to Audit Committee
- e) Risk Escalation Reports (refer to 7.5 for details)

These reports are discussed in greater detail below.

### 8.3.3 Monthly Risk Report to EMT

A monthly summary risk report that shall be presented to EMT. The aim of the report is to provide information to the EMT in relation to compliance against City risk management requirements.

- a) This report shall provide an overview of the City's risk profile and the effectiveness of risk controls,
- b) The format for the Monthly Risk Report is provided at **Annex E**.

### 8.3.4 Quarterly Risk Report to the Audit Committee

A quarterly report to the Council Audit Committee (through EMT) on the status of risk management across the City.

### 8.3.5 Annual Risk Report to Council

The Risk Management Committee shall provide an annual report to Council (through EMT) on the overall status of risk management across the City.

### 8.3.6 2 yearly comprehensive Risk Report to Audit Committee

The Risk Management Committee shall provide a biannual (2 years) report to the Audit Committee (through EMT) on the overall status of risk management across the City. The aim of this report is to ensure compliance with Local Government (Audit) Regulations 1996 Regulation 17 which requires the CEO to report on the effectiveness of the City's risk management systems, internal controls and legislative compliance.

### 8.3.7 Risk Management Committee Tabled Items

There will be risks identified that have wider impacts across either multiple Departments or in some cases the whole City. Where this is the case any member of staff may table a risk item for consideration at the next Risk Management Committee Meeting.

Any requested risk item must be submitted to the Chairperson of the Risk Management Committee for approval prior to its inclusion on the agenda.

## 8.4 Measuring Risk Management Performance

The measurement of risk management performance within the City will involve three distinct activities:

- a) **Measuring Compliance.** This measures whether the City is complying with its the Risk Management Policy directives.
- b) **Measuring Maturity.** This measures the maturity of the Risk Management Framework within the City against industry best practice.
- c) **Measuring the Value Add.** This measures the extent to which risk management is contributing to the achievement of the City's objectives and outcomes.

### 8.4.1 Measuring Compliance

Like all programs within an organisation the risk management framework will be subject to compliance auditing. This auditing is aimed at ensuring that the fundamental requirements detailed in the City Risk Management Framework and Policy are being adhered to.

There are some requirements of the risk management framework that if not carried out, can have a significant impact on the Risk Management Framework within the City.

Requirement	Key Performance Indicator (KPI)	Measure and Target
All the City personnel are to receive risk management training in order to improve their risk management skills	% of personnel that have received <b>the City approved</b> risk management training	95% of staff have received the City approved risk management training
All Departments to conduct formal risk workshops at least quarterly	% quarterly risk reviews conducted	100% of quarterly risk reviews are conducted
All Departments are to maintain a populated risk register in the specified format	% of the City organisations that are maintaining a risk register	100%
<b>When Relevant</b> Reports are to be provided to the appropriate committees not later than 7 days prior to the committee meeting	% of reports provided to the appropriate committees within specified timeframes	100%
All risks outside the target level are to be escalated to the appropriate authority within 24 hours of analysis being completed	% of risks outside the target level of risk escalated to the appropriate authority within 24 hours of analysis being completed	>95%
Treatment actions are to be completed within specified timeframes	% of treatment actions completed within specified timeframes	>90%
The controls for the risks with Catastrophic and Major consequences are to be maintained, as far as possible, at Excellent, with evidence to support the assessment	% controls for risks with Catastrophic and Major consequences that are Excellent, with evidence to support the assessment	>85%

Table 18 – Risk Management Key Performance Indicators

It is conceivable, however, that an organisation has 100% compliance against all of the Risk Management Framework requirements and yet risk management is *not* contributing to the achievement of effective outcomes. Therefore, measuring compliance is not, on its own, an effective way of measuring the effectiveness of the risk management program.

### 8.4.2 Framework Maturity Assessment

The City will undertake a review of the maturity of the Risk Management Framework annually. An example of the output from such an assessment is shown below:

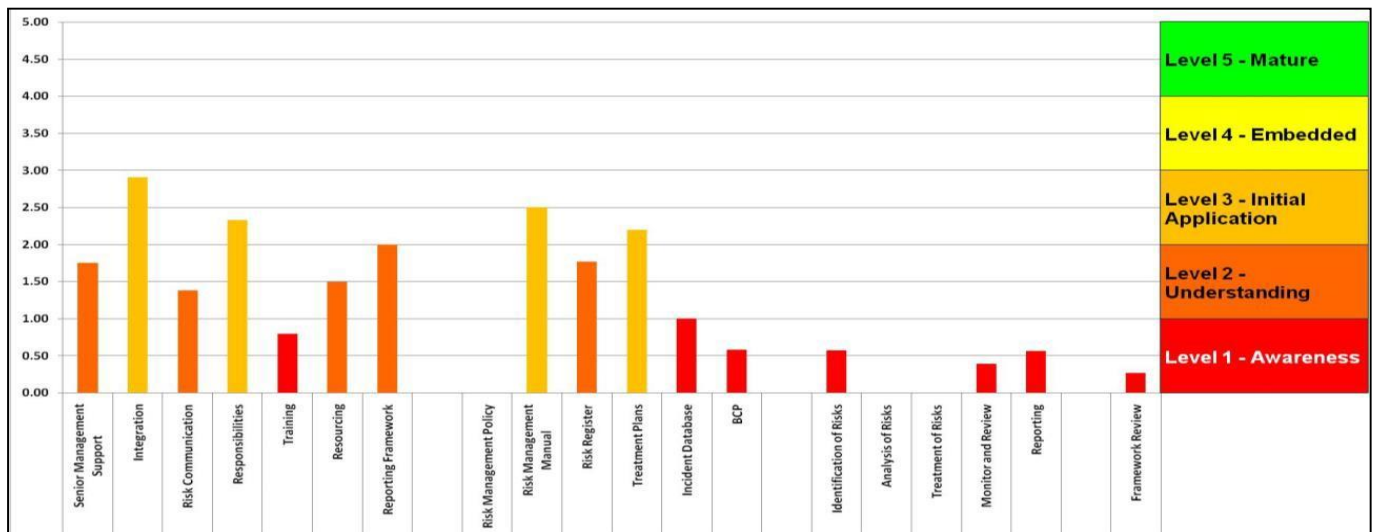


Table 19 – Example Output from Enterprise Risk Maturity Assessment

The outcomes of the assessment will highlight the current risk maturity of the City. The maturity scale is as follows:

Level 1	Level 2	Level 3	Level 4	Level 5
Awareness	Understanding	Initial Application	Embedded	Mature
There is a general understanding within the organisation of the benefits of risk management to the organisation, however, at this stage, no active measures have been taken that would constitute the implementation of a Risk Management Framework.	A Risk Management Framework has been designed and implementation has commenced or has been programmed to commence in the near future.  There may be some risk management being done within the organisation, however, this is on an ad-hoc basis and is reliant on individuals within the organisation, as opposed to leadership from senior management.	A Risk Management Framework has been implemented in all key functional areas within the organisation; however, there are areas within the organisation that have yet to incorporate sound risk management practices into their processes.	A Risk Management Framework has been implemented in all key functional areas within the organisation, however, not all of the functional areas can be regarded as 'best practice' in relation to their risk management but steps are being taken to continually improve.	A Risk Management Framework has been implemented in all key functional areas within the organisation, and all of the functional areas can be regarded as 'best practice' in relation to their risk management.

The current maturity of the City as assessed by a Risk subject matter expert is between 'Initial Application (Level 3) and 'Embedded (Level 4). The goals for the City in terms of risk management maturity are as follows:

- a) By December 2018 - Achieve 85% "Embedded" status across the City (Level 4);
- b) By June 2018 - Achieve 100% "Embedded" (Level 4) with at least 50% of attributes being assessed as 'mature' (Level 5); and
- c) By June 2019 – confirmed 100% "Embedded" (Level 4) with at least 85% of attributes being assessed as 'mature' (Level 5).

Achieving these goals will demonstrate an improvement in the risk culture across the City.

### 8.4.3 Measuring the Value Add

The measurement of the contribution of the Risk Management Framework to the City performance is more difficult than the measurement of compliance and maturity.

It is impossible to assert that the implementation of the Risk Management Framework has for example, resulted in a 17% improvement in the delivery of services because there may be other factors that contributed to the improvement.

What has been demonstrated by similar risk maturity methods conducted in other organisations is that there is a direct correlation between improved risk management and improved Enterprise performance.

To that end, performance against the following Enterprise performance measures are to be used to demonstrate the value add of risk management to the City:

Financial	Compliance	Safety	Reputation
Profit & Loss	Number of Reportable Compliance Incidents	Number of Safety Incidents	Customer Satisfaction
Financial Surplus	Number of Punitive Findings from Regulators	Worker's Compensation Payments (\$)	Customer Complaints
Return on Investment (ROI)	Number of claims against the City	Lost Days to Injury	Ratio of Negative to Positive Press
Successful attainment of grant funds		Worker's Compensation Premiums	Staff Satisfaction
			Staff Turnover

*Table 20 –Measuring risk value add*

The performance against these measures is to be recorded at the same time that each maturity assessment is conducted. In doing so, the relationship between the improvement in the risk management program can be linked to improvement in Enterprise performance.

This is to be reported in an annual 'State of the Risk Framework & Assessment of Risk Profile' report to the Audit Committee at the first meeting of the beginning of each financial year.

## 9. Communication and Consultation

Communication of risk and consultation with the stakeholder community are essential to supporting sound risk management decisions.

The activities, being conducted within the City are diverse and at times complex and involve multiple (and diverse) stakeholders. As such, the communication and consultation processes must be effective in providing visibility to all stakeholders of the risks involved in the conduct of the activity.

Communication and consultation with an organisation's stakeholder community in relation to Risk Management will:

- a) **Make Risk Management Explicit and Relevant.** Discussing with stakeholders and involving them in all aspects of the Risk Management process makes Risk Management a conscious and formal discipline.
- b) **Add Value to the City.** Sharing information and perspectives on risk across the stakeholder community will help to create Enterprise coherence, which is particularly relevant given the complexity and range of the activities undertaken within the City.



- c) **Integrate Multiple Perspectives.** Since stakeholders can have a significant impact on Risk Management activities, it is important that their perceptions of risk be identified and recorded and the underlying reasons for them understood and addressed.
- d) **Develop Trust.** Through communication and consultation, the organisation will develop an association with its stakeholder community and, in doing so, establish relationships based on trust.
- e) **Enhance Risk Assessment.** Utilising stakeholder experience and expertise will often improve the understanding of the risk.
- f) **Facilitate Effective Risk Treatment.** Stakeholder experience and expertise are crucial in developing treatments that will be effective. Including the stakeholder community in the Risk Management process will also allow for the allocation of treatments to the most appropriate party, be it within or outside of the City.

### 9.1 Stakeholder Management

An organisation's stakeholders are those who may affect, be affected by, or perceive themselves to be affected by the City. Identifying and capturing stakeholder needs, positions, issues and concerns will help to understand the stakeholder and will assist with the development of communication strategies. It will also provide the basis upon which risks associated with dealing with the particular stakeholder can be identified.

Stakeholders fall into two categories:

- a) **Primary Stakeholder.** Primary stakeholders are those with a significant amount of influence in relation to the City. Examples of primary stakeholders include (but are not limited to): internal staff; EMT; Contractors etc.
- b) **Secondary Stakeholder.** Secondary stakeholders are stakeholders who have less in relation to influence but demonstrate an interest in the City. Examples of City secondary stakeholders include (but are not limited to): sub-contractors, visitors, and members of the public, and Media.

Each stakeholder will have their own interest in, and perceptions of the City. They will also have a specific level of power to influence the outcomes and conduct of the City's activities to satisfy their expectations. If their needs are not met, they could become a source of risk for the City and undermine the capacity of the City to deliver its outcomes

The level of communication the City has with each of these stakeholder groups will be determined by their level of interest and/or influence, as detailed below:

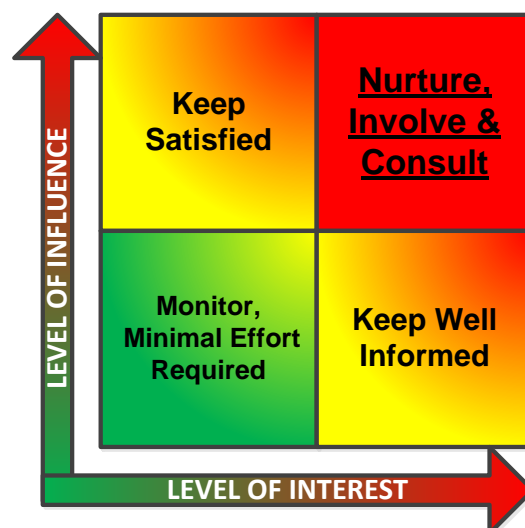


Table 21 – Risk Stakeholder Involvement levels

To effectively manage City stakeholders it is important to:

- a) Know **who** they are;
- b) Consult with, identify and agree on **expectations**;
- c) **Prioritise** these stakeholders in order to manage stakeholder expectations; and
- d) **Integrate** stakeholder risks and opportunities into the Risk Register.

All parts of the City are to identify and prioritise their stakeholder community and through their engagement programs ensure that all of their expectations are identified and agreed.

## 9.2 Special Requirements for Communication with Health and Safety Representatives

The Occupational Safety & Health Act 1984 Section 19 (c) requires the City consult so far as is reasonably practicable, with employees who carry out work, who are (or are likely to be) directly affected by a work health and safety matter. If the employees are represented by a safety and health representative, the consultation must involve that representative.

Consultation involves sharing of information, giving employees a reasonable opportunity to express views and taking those views into account before making decisions on health and safety matters.

Consultation with employees and their safety and health representative is required at each step of the risk management process. By drawing on the experience, knowledge and ideas of your workers you are more likely to identify all hazards and choose effective control measures.

# 10. Implementation Agenda

## 10.1 Approach

Once a standard risk management process has been developed, it must then be implemented throughout the City. At the highest level this process involves three key phases summarised below.

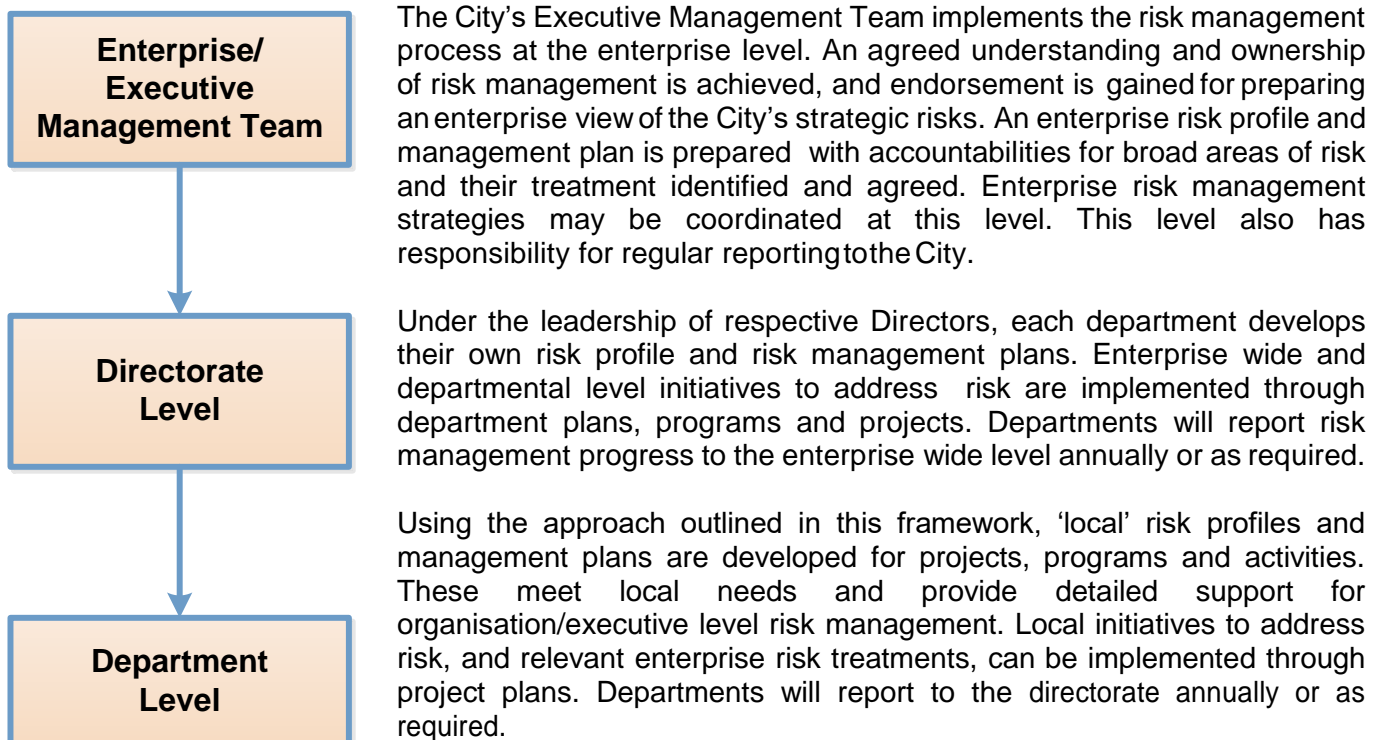


Table 22 – Risk Implementation

The City's approach to the implementation of risk management is to focus on the areas in priority order. This approach is based upon an initial rating of the City's risks and risk management practices on an organisation-wide basis so as to focus on areas of key importance. This ensures resources are focused on key areas or high risk areas that require the most urgent risk management.

## 11. Risk Management Knowledge & Skills Development

The knowledge and skill development component of the Risk Management Framework is aimed at increasing the understanding and skills of managers, team leaders and employees for the application of their risk management accountabilities and responsibilities.

As the approach to risk management matures other learning related activities will be provided.

The initial learning strategy has been 'built up' over time and targeted increased awareness of risk management for all managers, team leaders and employees of the Council commensurate with their responsibilities.

### 11.1 Raising Awareness

#### 11.1.1 Induction

Staff Induction is currently used to emphasise the responsibilities of all employees to observe and report potential risk issues.

In terms of public risk, Induction emphasises that every staff member has a responsibility to themselves, their work colleagues and the community, generally to avoid (and report) risk.

#### 11.1.2 Risk Training

All employees have an annual Learning and Development Plan as well as a biannual corporate training package which when amalgamated then becomes the basis of the Corporate Learning and Development Program. Any specific training needs are noted through this process.

Additionally, a range of general risk management training opportunities is required for all staff with risk and treatment ownership.

### 11.2 General Awareness

The following approaches are already in place:

- a) All position descriptions emphasise risk management as a corporate responsibility;
- b) Each team agenda will have risk management as a discussion item;
- c) All meetings are minuted and minutes made available to employees; and
- d) Helpful hints on general issues of risk management are publicised on the Intranet.
- e) At least one Managers meeting annually will have a 'risk management' theme

### 11.3 Methods to Ensure Consistent Application of the Risk Management Framework across the City

The following approaches are already in place or are currently being implemented:

- a) Training will be provided on an 'as required' basis to management and employees with functional responsibilities for risk management within the City;

- b) Training will focus on policies, procedures and the use of the Promapp Risk Module and risk assessment templates
- c) Each area to review risk as per section 8.2
- d) Each area reviewing its Business Continuity Plan at least annually.

## 12. Business Continuity Management

Business Continuity Planning is an integral part of the City' Risk Management Framework and is undertaken to ensure that stakeholders and the community can rely on the continuation of services from the City, even in times of crisis.

The City has developed a Business Continuity Plan (BCP) that identifies the processes and resources required to ensure we can continue to meet critical objectives under a conceivable disaster.

Business Continuity Management (BCM) involves the following steps:

- a) Perform a risk and vulnerability analysis;
- b) Conduct a business impact analysis;
- c) Develop response strategies/options;
- d) Develop resource requirements;
- e) Develop continuity plans; and
- f) Plan Validation

The steps are similar to, or an extension of, those used during the risk assessment and treatment exercise.

By undertaking BCM analysis while completing a risk assessment, the processes and resources essential to the operations of the City are identified. The risks associated with these processes and resources must therefore receive the highest level of priority for treatment, continuous monitoring and improvement.

The City's BCP is reviewed annually as part of our overall risk management.

Because Information Technology is such an integral but complicated part of the overall BCP, the IT department have a separate but complementary BCP.

NOTE: Refer to the **City of Greater Geraldton Business Continuity Plan** for greater detail of the process and implementation of BCM within the City

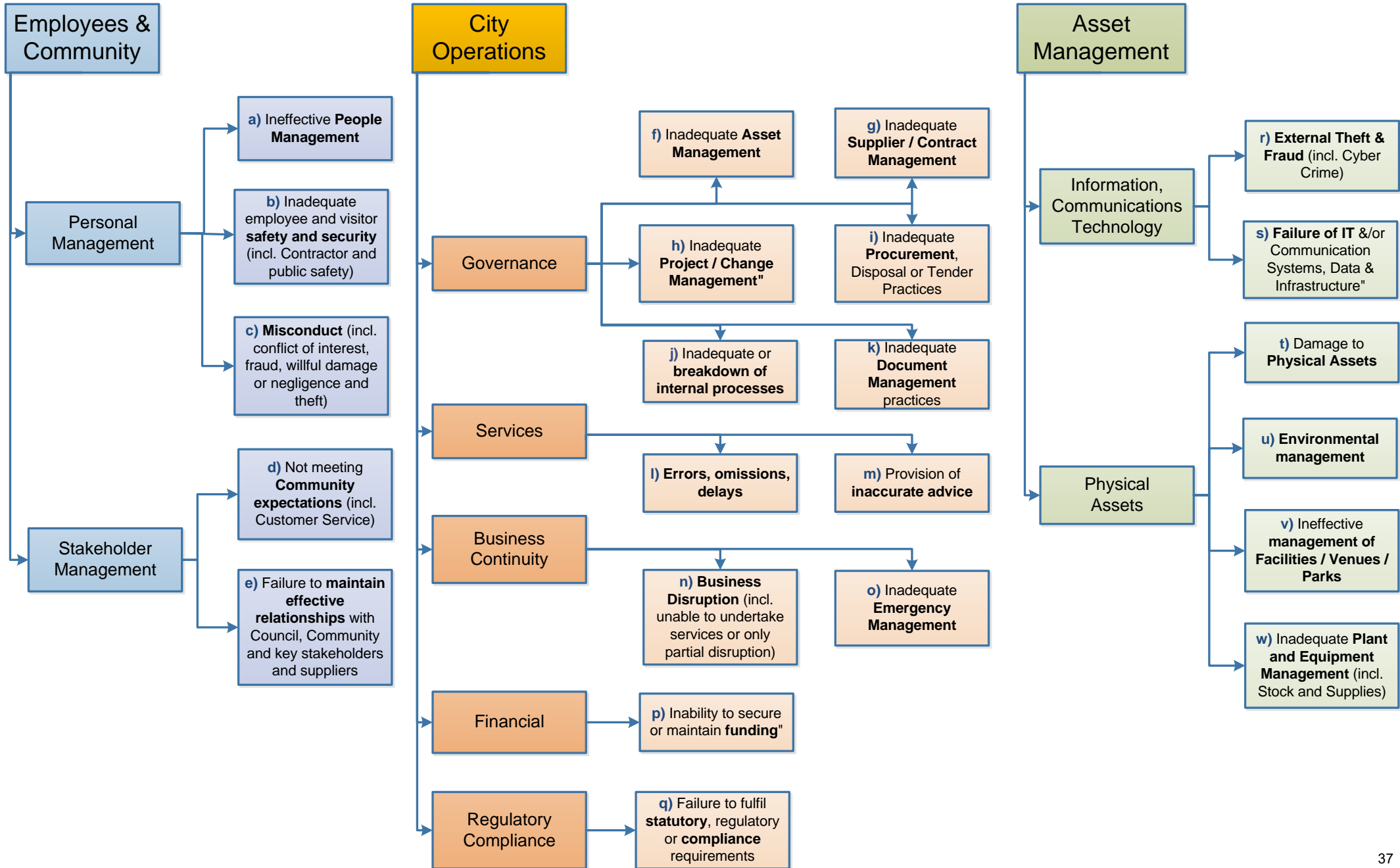
## 13. Occupational Safety & Health Risk Management

Occupational Safety and Health is a distinct subset of risk management which has legislated risk management functions that must be undertaken.

City employees when undertaking Safety related risk functions are to make use of the templates and forms as set out in the Safety Management System and are to ensure that all risk management method is aligned to the processes and structure as outlines in this risk management framework.

# Appendix A

## Risk Themes



Risk Theme Category		Examples of Risks in Risk Theme Category
Employees & Stakeholders	a) Ineffective <b>People Management</b>	Induction, Loss of corporate knowledge, Loss of staff, Performance management, Recruitment/selection, Harassment, Dismissal, Ethics/behaviours
	b) Inadequate employee and visitor <b>safety and security</b> (incl. Contractor and public safety)	Ergonomics, Emergency / Evacuation, Safe work practices, Injury/accidents management Legislation, Stress
	c) <b>Misconduct</b> (incl. conflict of interest, fraud, willful damage or negligence and theft)	Theft, Harassment, Corruption, Negligent action, Conflict of Interest, Probity, Poor Governance, Legislation, CCC or regulatory involvement
	d) Not meeting <b>Community expectations</b> (incl. Customer Service)	Reputation damage, Efficiency, inability to meet community wants
	e) Failure to <b>maintain effective relationships</b> with Council, Community and key stakeholders and suppliers	Community expectations, Media management, Reputation Damage, Community addenda
City Operations	f) Inadequate <b>Asset Management</b>	Asset Knowledge, poor maintenance, budget, user safety, life of asset
	g) Inadequate <b>Supplier / Contract Management</b>	Contract performance, Contractor Insolvency, Document Control Contract Breach or dispute, Variations, cost increase
	h) Inadequate <b>Project / Change Management"</b>	Project management processes, Stakeholder management, Risk Management, Communication, Cost
	i) Inadequate <b>Procurement, Disposal or Tender Practices</b>	Tendering Procedures, Legislation, Poor Governance
	j) Inadequate or <b>breakdown of internal processes</b>	Efficiency, Continuous improvement, Policies and procedures
	k) Inadequate <b>Document Management</b> practices	Security systems, Confidentiality, Policies and procedures, Records management, Data Base access
	l) <b>Errors, omissions, delays</b>	Advice, Customer service, negligence, system breakdowns
	m) Provision of <b>inaccurate advice</b>	Reputation damage, Complaints, Abusive behaviour, claims against City, Decision making
	n) <b>Business Disruption</b> (incl. unable to undertake services or only partial disruption)	Business continuity, ICT Systems operation, Asset Loss, People Loss, Key Supplier Loss, Unable to Access Facilities
o) Inadequate <b>Emergency Management</b>	Emergency Procedures, Disaster Response and Recovery, Natural disaster	



Risk Theme Category		Examples of Risks in Risk Theme Category
City Operations <i>Cont.</i>	<b>p) Inability to secure or maintain funding</b>	Accounts payable, Delegations of authority Budget, Internal controls, Legislation, Audit, Poor Governance
	<b>o) Failure to fulfil statutory, regulatory or compliance requirements</b>	Noncompliance, Fines or action against City, Penalties, Service Termination
Asset Management	<b>r) External Theft &amp; Fraud (incl. Cyber Crime)</b>	Cyber-crime, Identity theft, ICT System security, Leak/ miss use of confidential information
	<b>s) Failure of IT &amp;/or Communication Systems, Data &amp; Infrastructure"</b>	Communication system, Infrastructure, Licenses and agreements, Confidentiality Contingency/recovery, Reporting, Change management
	<b>t) Damage to Physical Assets</b>	Vandalism, Maintenance, driver/user error, programed maintenance
	<b>u) Environmental management</b>	Biodiversity, Bushfire, Climate, Contamination, Compliance, Natural resources
	<b>v) Ineffective management of Facilities / Venues / Parks</b>	Facilities management, Maintenance programs, Cost management, User/community complaints, public safety
	<b>w) Inadequate Plant and Equipment Management (incl. Stock and Supplies)</b>	Stock Management, Servicing and Maintenance

# Appendix B

## Roles and Responsibilities

Role	Responsibility
<b>Council</b>	<ul style="list-style-type: none"> <li>a) Adopt a Risk Management Policy that complies with the requirements of AS/NZS ISO 31000:2009 and to review and amend the Policy in a timely manner and/or as required.</li> <li>b) Be satisfied that risks are identified, managed &amp; controlled appropriately to achieve Council's Strategic Objectives.</li> <li>c) Appoint and resource the Audit Committee.</li> <li>d) Provide adequate budgetary provision for the financing of risk management including approved risk mitigation activities.</li> <li>e) Review Council's risk appetite.</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>a) Review adequacy and effectiveness of the Risk Management Framework.</li> <li>b) Review risk management policies, procedures and guidelines.</li> <li>c) Review and approve allocation of risk and audit resources in conjunction with the City's Risk Profile.</li> <li>d) Receive reports regarding identified risks/mitigation and their effectiveness from Risk Management Committee.</li> <li>e) Monitor changes to City's risk profile and highlight material changes to Council.</li> <li>f) Review risk management strategies.</li> <li>g) Monitor performance of implementing action plans arising from risk assessments.</li> </ul>
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>a) Adopt the Risk Management Framework for the City.</li> <li>b) Promote the effective management of risk across the City's operations.</li> <li>c) Ensure that Councillors are aware of risk management objectives.</li> <li>d) Has ultimate responsibility for managing risk across the City.</li> <li>e) Responsible for the recognition and adoption of risk management as a key function of the City, and to ensure the inclusion of risk management as a priority within City's Strategic Community, Corporate Business Plans, Annual Report, and other appropriate City documentation.</li> <li>f) Accountability for the appropriate and timely implementation and maintenance of sound risk management practice and processes for strategic and operational risks, to reduce or prevent the adverse effects of risk.</li> <li>g) Demonstrating a commitment to risk management for and by all employees.</li> <li>h) Ensuring resources are appropriately allocated throughout the organisation to meet City's risk management requirements.</li> <li>i) Report to the Audit Committee on risk and mitigation activities.</li> </ul>
<b>Directors &amp; Managers</b>	<ul style="list-style-type: none"> <li>a) Managers &amp; Directors are responsible for the implementation of the Risk Management Policy and Framework, and;</li> <li>b) Must make regular risk assessments of performance resources in co-operation with those with employees are carried out;</li> <li>c) Must make regular risk assessments within their area of responsibilities to identify existing or potential risk to their areas performance.</li> <li>d) To develop and manage, in conjunction with managers, a Corporate Risk Register of the City's Strategic and Operational Risks.</li> <li>e) To identify owners for Risks and ensure any Risk treatment plans are being managed effectively by the Risk owners.</li> </ul>

Role	Responsibility
<b>Risk Management Committee</b> (EMT and invited specialist officers)	<ul style="list-style-type: none"> <li>a) To implement and follow the AS/NZS ISO 31000:2009 Risk Management Standard for the City of Greater Geraldton (CGG).</li> <li>b) Each member will effectively be a “Risk Champion” for their Directorate and bring required focus and attention to the identified Risks of CGG.</li> <li>c) Each member will be advocates for Risk Management principles and reaffirm to colleagues the importance and benefits of effective Risk Management to the City.</li> <li>d) The Chairperson of the Committee will report monthly or as needed to Executive Management Team (EMT) to provide status updates and to escalate specific Risks as appropriate.</li> <li>e) The Chairperson of the Committee will provide a report to the Audit Committee quarterly and to the Council annually.</li> <li>f) To provide assurance to EMT and Council that the City Risk is being managed effectively.</li> <li>g) To provide a basis from which to establish a risk-based schedule for internal audits.</li> <li>h) To provide Members with the opportunity to consider Risk Management as an individual development opportunity.</li> <li>i) Ensure compliance with Regulation 17, specially section 1(a) risk management</li> </ul>
<b>Coordinator Procurement &amp; Risk</b>	<ul style="list-style-type: none"> <li>a) Develop and review policies, manuals and systems to ensure statutory compliance in the mitigation of operational and corporate risks.</li> <li>b) Ensure the development and implementation of the risk assessment and management framework.</li> <li>c) Lead the identification and prioritisation of risks at strategic and operational levels.</li> <li>d) Ensure that appropriate education and training programs are in place to support managers and employees to embrace risk management as a best practice business activity.</li> <li>e) Facilitate and assist operational teams to develop risk management strategies.</li> <li>f) Actively participate in the development of an enterprise business continuity plan and test the plan annually to ensure effectiveness.</li> <li>g) Assist scheduling of the risk management committee meetings and agenda.</li> <li>h) Coordinate the risk management committee evaluation of individual Council risk assessments.</li> <li>i) Coordinate the annual risk self-assessment of operations and develop an operational risk management plan to action improvement opportunities identified.</li> <li>j) Manage the best practice audit undertaken by LGIS</li> <li>k) Maintain and annual review the City risk management framework. This includes but is not limited to undertaking, in conjunction with relevant areas, corporate risk assessments to identify and assist with the implementation of internal controls including risk treatment strategies to address risks and link them to corporate and section business plans.</li> <li>l) Prepare reports for executive meetings on risk management matters.</li> <li>m) Maintain the City’s Business Continuity Management Plans, Policies and Procedures</li> <li>n) Ensure annual review of Business Continuity Management Plans</li> </ul>
<b>Safety Advisors</b>	<ul style="list-style-type: none"> <li>a) Develop &amp; facilitate implementation of a Safety Management System throughout the City</li> <li>b) Ensure that the Safety Management System is based on risk management standards and is consistent with the City Risk Management Framework.</li> <li>c) Assist Risk Management Committee in relation to safety related 3rd party risk assessments.</li> </ul>

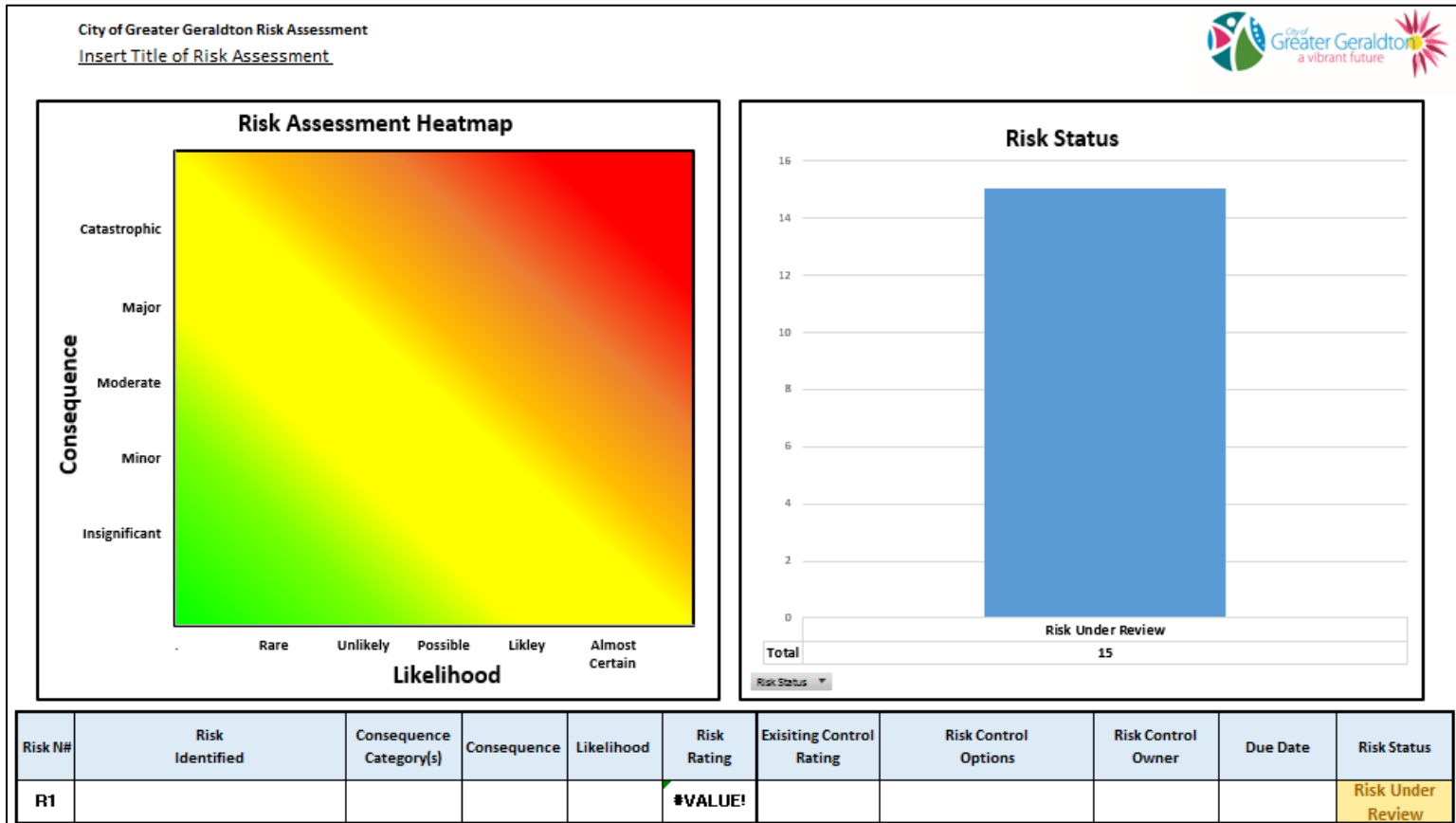
Role	Responsibility
<b>Project Managers</b>	<ul style="list-style-type: none"> <li>a) Ensure that the Council's Risk Management Framework is applied to the projects within their area of responsibility.</li> <li>b) Where the project is considered to materially influence the achievement of Council's Corporate Objectives, ensure that a project risk assessment is undertaken and provided to the Risk Management Committee for endorsement.</li> <li>c) In conjunction with Corporate Services undertake risk assessments related to 3rd party liability risk and implement prioritised mitigation strategies.</li> <li>d) Ensure that when Contractor insurance is required for a project that the insurance is maintained for the life of the project.</li> <li>e) Undertake risk management plans for all proposed projects in consultation with the relevant stakeholders.</li> <li>f) Ensure design and construction includes agreed features to minimise future risk.</li> </ul>
<b>Staff with Site Management Oversight</b>	<ul style="list-style-type: none"> <li>a) Report and analyse incidents, damage and hazards occurring at the site.</li> <li>b) In conjunction with the Manager Governance and Risk and the Senior Risk Advisor, develop and manage a contingency plan for the site.</li> <li>c) Encourage the public to respect Council property.</li> <li>d) Ensure appropriate processes are in place to secure all buildings and assets</li> </ul>
<b>Employees &amp; Contractors</b>	<ul style="list-style-type: none"> <li>• Identify and assess risks associated with personal tasks and activities. Ensure personal compliance with risk management policies, framework and procedures in performance of duties / activities.</li> <li>• Ensure that any hazards identified are escalated to the relevant Line Manager.</li> <li>• Perform duties in a manner that is within an acceptable level of risk to their health and safety, and that of other employees and the community.</li> <li>• Comply with quality assurance procedures where applicable.</li> <li>• Make Risk control and prevention a priority when undertaking tasks.</li> <li>• Report any hazard or incidents as detected to their Manager or the City Responsible Officer (for contractors).</li> <li>• Personal responsibility for sound operational risk management practices within the work environment commensurate with their position.</li> <li>• Undertake risk &amp; opportunity assessments for all proposed projects in consultation with the relevant Manager General Manager.</li> </ul>
<b>Committee members</b>	<ul style="list-style-type: none"> <li>• Understand and observe appropriate risk management processes.</li> <li>• Undertake risk assessments for all proposed projects in consultation with the Manager Corporate Services or appointed Manager</li> </ul>

# APPENDIX C

## Risk Assessment Template

### D-17-22241 Risk Assessment Template

Extract example of Excel Risk Assessment Template



# APPENDIX D

## Risk Management Plan Templates

### [D-17-30694 Project Risk Management Plan template](#)

Extract example of Project Risk Management Plan Table of Contents

INSERT PROJECT NAME PROJECT RISK MANAGEMENT PLAN (ISSUE N.01)		
TABLE OF CONTENTS		
1	INTRODUCTION.....	1
1.1	Project Background.....	1
1.2	Project Objectives.....	1
1.3	Document Scope and Objectives .....	2
1.4	Plan Updates.....	2
1.5	Terminology.....	2
2	RISK MANAGEMENT RESPONSIBILITIES .....	2
2.1	Project Manager.....	2
2.2	Risk Coordinator (if there is one).....	3
2.3	Risk Owner.....	3
2.4	Other Project Staff.....	3
3	RISK MANAGEMENT WITHIN INSERT PROJECT NAME PROJECT .....	3
3.1	Overview .....	3
3.2	Project Risk Management.....	4
4	RISK MANAGEMENT PROCESS.....	5
4.1	General.....	5
4.2	Communication and Consultation.....	5
4.3	Establish the Context.....	6
4.3.1	General.....	6
4.3.2	Critical Success Factors .....	6
4.3.3	Likelihood Criteria.....	7
4.3.4	Consequence Criteria.....	7
4.3.5	Overall Risk Level/Score .....	7
4.3.6	Evaluation Criteria .....	8
4.4	Risk Identification .....	8
4.4.1	General.....	8
4.4.2	Not Used .....	9
4.4.3	Common Risk Description Structure .....	9
4.5	Risk Analysis.....	9
4.5.1	General.....	9
4.5.2	Controls.....	9
4.6	Risk Evaluation.....	10
4.7	Risk Treatment .....	10
4.7.1	General.....	10
4.7.2	Treatment Options .....	11
4.7.3	Treatment Considerations.....	12
4.8	Monitoring and Review of Risks .....	13
5	DOCUMENT.....	13
5.1	General.....	13
5.2	Risk Register .....	14
6	REPORTING.....	14
6.1	General.....	14
6.2	Reporting Requirements .....	14
7	CONTINGENCY ALLOCATION AGAINST RISKS.....	14
7.1	General.....	14
7.2	Contingency budget management .....	14
7.2.1	Project contingency budget.....	14
7.2.2	Assigning contingency.....	15
7.2.3	Unassigning contingency .....	15
7.2.4	Funding of changes to Project scope .....	15
8	CONCLUSION.....	15
9	ANNEXES:.....	15



## D-17-22244 Event Risk Management plan Template

Extract example of Event Risk Management Plan Table of Contents

<b>Table of Contents</b>	
<b>Document Control</b> .....	<b>1</b>
Version Control.....	
Confidentiality Notice.....	
Distribution List.....	
<b>Introduction</b> .....	<b>2</b>
<b>Establishing the Context</b> .....	<b>3</b>
Event Overview.....	
Event Stakeholders.....	
Event Objectives & Deliverables.....	
Risk Management Process.....	
Risk Assessment & Acceptance Criteria.....	
<b>Event Risk Register</b> .....	<b>8</b>
<b>Detailed Risk Treatment Plans</b> .....	<b>9</b>
<b>Appendices</b> .....	<b>10</b>
A – Event Site Plan.....	
B – Event Management Plan / Running Schedule / Operational Plan.....	
C – Event Emergency Plan.....	
D – Traffic Management Plan.....	
E – Waste Management Plan.....	
F – Insurance Certificates.....	

## D-17-61306 Risk Action Plan Template

Extract example of Risk Action Plan Template

### RISK ACTION PLAN

For use with High & Extreme Risks requiring specific risk plans



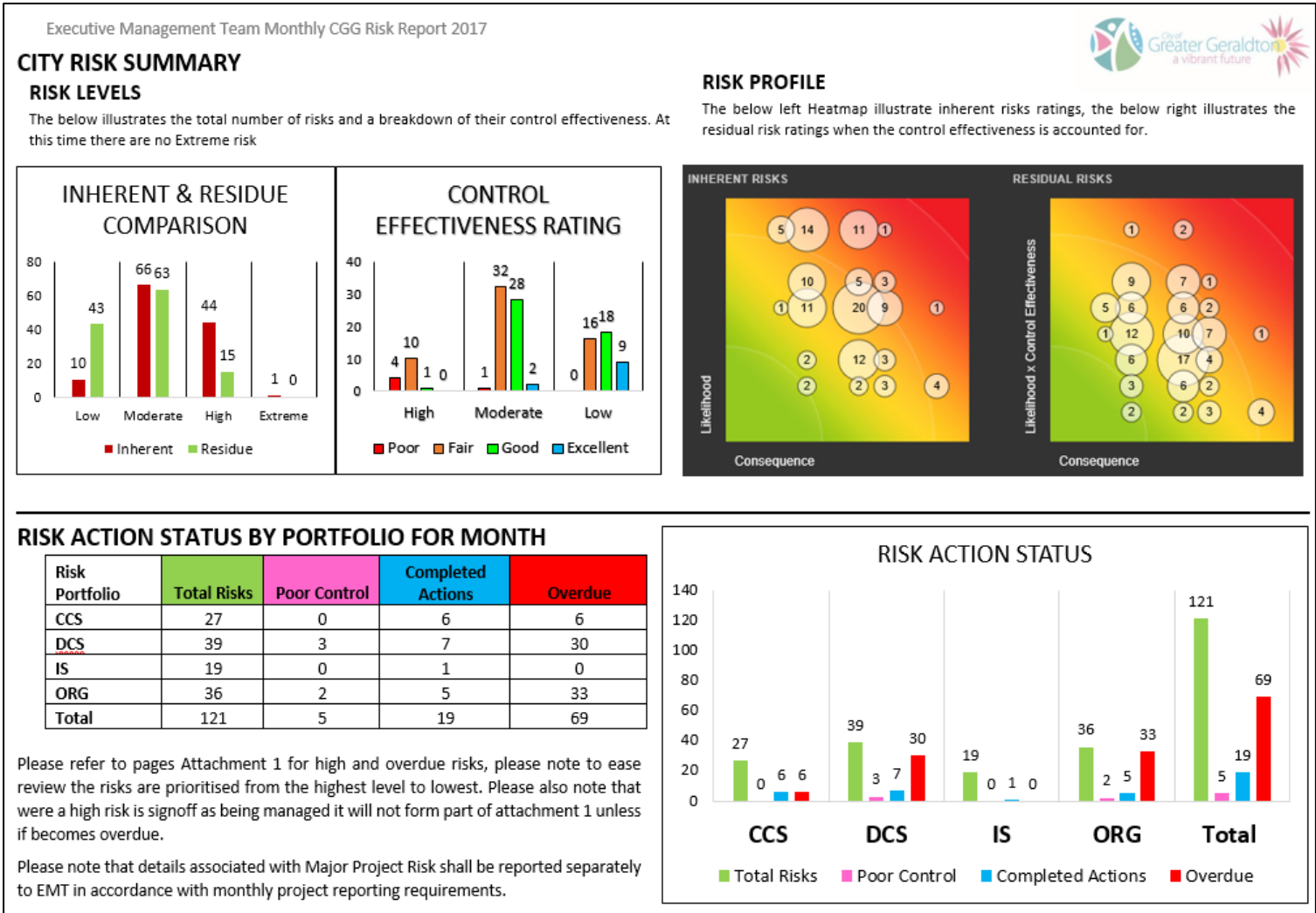
<b>RISK ACTION PLAN (Promapp Treatment Ref. MC00####)</b>	
<b>Risk</b> Promapp Risk Ref. R00###	Insert Risk description
<b>Risk Rating</b>	Inherent Rating Insert Residual Rating Insert
<b>Summary (RESPONSE AND IMPACT)</b>	
Insert statement outlining the impacts if the risk was to occur and a summary of the required response.	
1) Required Actions	1. Insert Required actions to prevent the risk eventuating 2. Insert required actions if the risk occurs 3. Insert required actions post risk event
2) Resource Requirements	1. Insert resource requirements for management eg people, equipment etc
3) Roles & Responsibilities	1. Parties involved and their involvement in the management of the risk
4) Timing	1. Insert required timeframes to manage risk
5) Reporting/ Monitoring	1. insert frequency of risk reporting and monitoring

# APPENDIX E

## Monthly EMT Risk Report Template

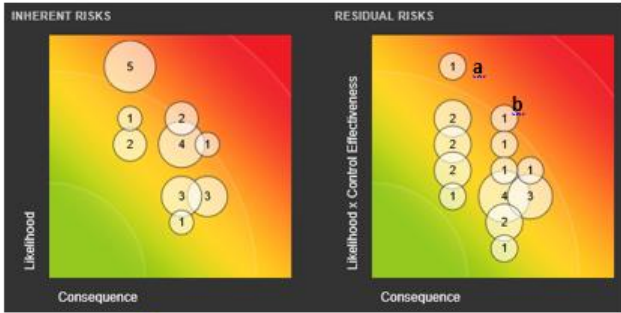
### D-17-60641 EMT Risk Report

Extract example of EMT Risk report



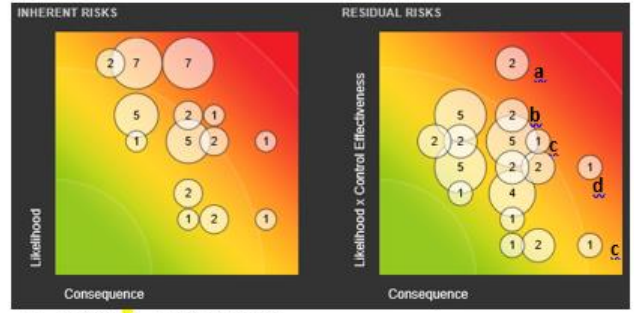
## PORTFOLIO RISK PROFILE

### ORGANISATIONAL RISK REGISTERS



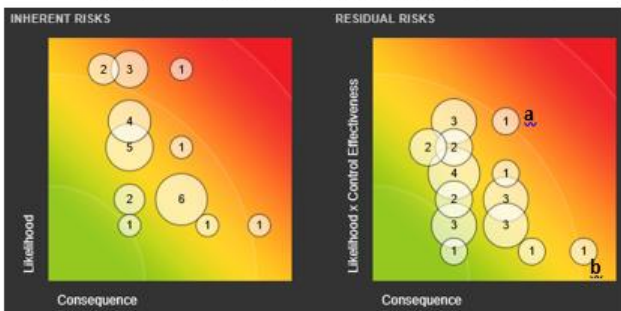
- a. – [R0256](#) \*
- b. – [R245](#) \*

### DEVELOPMENT & REGULATORY SERVICES RISK REGISTERS



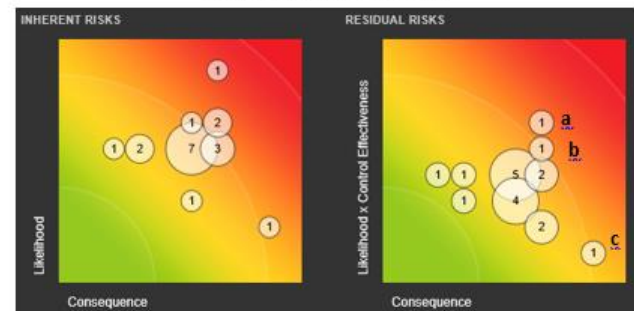
- a. – [R00147](#) \* [R00277 \(pg.1\)](#)
- b. – [R00140](#) \* [R0266](#) \*
- c. – [R00190 \(pg.1\)](#)
- d. – [R00283](#) \*
- e. – [R00296](#) \*

### CORPORATE & COMMERCIAL SERVICES & EXEC OFFICE



- a. – [R00254](#) \*
- b. – [R00260](#) \*

### INFRASTRUCTURE SERVICES



- a. – [R00263](#) \*
- b. – [R00213](#) \*
- c. – [R00149](#) \*

## SIGNIFICANT RISK MATTERS FOR THE MONTH example headings

1. RISK ACTION DEADLINE AMENDMENTS
2. RISK OWNERSHIP
3. RISK AUDITING
4. RISK MANAGEMENT FRAMEWORK REVIEW
5. BUSINESS CONTINUITY MANAGEMENT PLANNING (BCM)
6. PROJECT RISK
7. RISKS REQUIRING PARTICULAR ATTENTION

# Appendix F

## Glossary of Terms

Terms	Definitions
<b>Assurance</b>	A process that provides confidence that planned objectives will be achieved within an acceptable degree of residual risk. An evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.
<b>Audit</b>	The formal examination of the CGG accounts, financial situation, internal controls, systems, policies and processes and compliance with applicable terms, laws, and regulations.
<b>Compliance</b>	A state of being in accordance with established internal rules, guidelines, policies, specifications, social ethics and norms and legislation.
<b>Consequence</b>	The outcome of an event affecting objectives expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event.
<b>Contingency</b>	Contingency is an allowance for future increases to estimated costs for project cost elements and is the aggregate of amounts (if any) included in the Project Approval: <ul style="list-style-type: none"> <li>• to meet the assessed risk of project acquisition cost increases that may arise as a result of underestimates due to inherent cost uncertainties;</li> <li>• to meet the residual project risk after all planned risk mitigation/elimination/treatment measures; and</li> <li>• to meet 'unknown unknowns'.</li> </ul>
<b>Contingency Plan</b>	Contingency Plans are plans that are developed to deal with the risk if it eventuates, i.e. if the risk event occurs a predefined set of actions will be implemented.
<b>Controls</b>	All the policies, procedures, practices and processes in place to provide reasonable assurance of the management of the City's risks.
<b>Control Self-Assessment</b>	A formal assurance activity whereby managers make a formal analysis of risks and controls and identify key controls that collectively confirm acceptable operation. These controls are then formally checked and reported on a regular basis.
<b>Corporate Governance</b>	All the principles, policies, management systems and structures by which the City is directed, managed and controlled.
<b>Cost</b>	Cost of activities, both direct and indirect, involving any negative impact, including money, time, labour, disruption, goodwill, political and intangible losses
<b>Decision tree</b>	A method of breaking down events visually into smaller, more manageable steps. These steps are represented as branches on a "tree" with alternative decisions and options and steps leading to various potential outcomes. Decision trees can be useful during risk identification, scenario analysis and the evaluation of risk treatment options.

Terms	Definitions
<b>Enterprise Risk Management</b>	The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects
<b>Environment</b>	An incident or situation, that occurs in a particular place during a particular interval of time
<b>Event</b>	An occurrence or change of a particular set of circumstances
<b>Frequency</b>	A measure of the rate of occurrence of an event expressed as the number of occurrences of an event in a given time (see also Likelihood and Probability)
<b>Hazard</b>	A source of potential harm or a situation with a potential to cause loss
<b>Inherent Risk</b>	A measure of risk in its natural state (i.e. without any specific controls in place); i.e. where the factors preventing its occurrence or limiting its impact are largely outside the control of an organisation. A risk that is impossible to manage or transfer away.
<b>Insurable Risk</b>	A risk that can be treated via the application of insurance as a risk financing technique.
<b>Level of risk</b>	The magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood
<b>Likelihood</b>	Used as a qualitative description of probability or frequency of something happening
<b>Loss</b>	Any negative consequence, financial or otherwise
<b>Monitor</b>	To check, supervise, observe critically, or record the progress of an activity, action or system on a regular basis in order to identify change from the performance level required or expected
<b>Operational Risks</b>	Operational risks are associated with the development and implementation of operational plans or the processes, functions or activities of the City. They are the risks associated with your normal business functions. Operational risks should be assessed by the parties familiar with the particular function or service with which the risks are associated.
<b>Project Risks</b>	Project risks are associated with specific projects or discreet initiatives. All projects will go through a life cycle, i.e. conception to planning, scoping, contracting, design, construction, testing/commissioning, hand-over and operation. Project risks exist at every stage, and they need to be identified and managed to ensure the successful completion of the project.
<b>Promapp Risk module</b>	The City's centralised software application untitled for management of risk.
<b>Residual Risk</b>	The remaining level of risk after risk treatment measures have been taken
<b>Risk</b>	The effect of uncertainty of the City achieving its objectives. It is measured in terms of consequences and likelihood.
<b>Risk Acceptance</b>	An informed decision to accept the consequences and the likelihood of a particular risk.
<b>Risk Analysis</b>	A process to comprehend the nature of risk and to determine the level of risk
<b>Risk Assessment</b>	The overall process of risk identification, risk analysis and risk evaluation



Terms	Definitions
<b>Risk Avoidance</b>	An informed decision not to become involved in, or to withdraw from, a risk situation.
<b>Risk Control</b>	The part of risk management that involves the implementation of policies, standards, procedures and physical changes to eliminate or minimise adverse risks
<b>Risk Control</b>	A relative assessment of actual level of control that is currently present and effective Effectiveness compared with that which is reasonably achievable for a particular risk.
<b>Risk Evaluation</b>	The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria
<b>Risk Financing</b>	The methods applied to fund risk treatment and the financial consequences of risk
<b>Risk Identification</b>	The process of finding, recognising and describing risks
<b>Risk Level</b>	The level of risk calculated as a function of likelihood and consequence
<b>Risk Management</b>	Coordinated activities to direct and control the City with regard to risk
<b>Risk Management Framework</b>	The components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation
<b>Risk Management Plan</b>	The product of documenting the steps and results of the risk management framework and process. Risk Management Plans may apply to specific the City business units, activities or projects. These Plans demonstrate that the process has been undertaken properly, and need to contain information as specified to the appropriate level of detail.
<b>Risk Management Policy</b>	A statement of the overall intention and direction of the City related to risk management
<b>Risk Management Process</b>	The systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk
<b>Risk Owner</b>	The City officer with the accountability and authority to manage a risk
<b>Risk Profile</b>	The description of any set of risks. NOTE The set of risks can contain those that relate to the whole organization, part of the organization, or as otherwise defined.
<b>Risk Portfolio</b>	The Promapp Risk Module reference to a Risk Register.
<b>Risk Reduction</b>	A selective application of appropriate techniques and management principles to reduce either likelihood of an occurrence or its consequences, or both
<b>Risk Register</b>	A system or file that holds all information on identifying and managing a risk
<b>Risk Retention</b>	Intentionally or unintentionally retaining the responsibility for loss or financial burden of loss within the organisation



Terms	Definitions
<b>Risk Sharing</b>	Sharing with another party the burden of loss, or benefit of gain from a particular risk
<b>Risk Source</b>	Element which alone or in combination has the intrinsic potential to give rise to risk. A risk source can be tangible or intangible.
<b>Risk Transfer</b>	Shifting the responsibility or burden for loss to another party through legislation, contract, insurance or other means. Risk transfer can also refer to shifting a physical risk or part thereof elsewhere.
<b>Risk Treatment</b>	Selection and implementation of appropriate options for dealing with risk
<b>Stakeholders</b>	Those people and organisations who may affect, be affected by, or perceive themselves to be affected by a decision or activity
<b>Strategic Risk</b>	Strategic risks concern the whole of the agency. They are the risks associated with long-term organisational objectives and the means by which those objectives will be achieved. Strategic risk assessment is normally conducted at a Board or Executive level and is most effective when integrated with the strategic planning process.
<b>The Standard</b>	AS/NZS ISO 31000:2009, Risk Management – Principles and Guidelines Standards Australia.

## Appendix G

### References

- a) CGG CP-006 – Risk Management Policy
- b) CGG CP-008 Occupational Health & Safety Policy
- c) CGG Risk Management Committee Terms of Reference
- d) City of Greater Geraldton Business Continuity Plan
- e) AS/NZS ISO 31000:2009 Risk Management Principles & Guidelines AS/NZS ISO 31010:2009 Risk Assessment Techniques
- f) HB 158-2010 Delivering assurance based on ISO 31000:2009 - Risk management - Principles and guidelines
- g) HB 327:2010 Communicating and Consulting about Risk
- h) AS 8000 - 8004: 2003 Australian Corporate Governance Standards AS/NZS 4801 (Managing Safety and Health)
- i) AS/NZS 5050:2010 Business continuity - Managing disruption-related risk
- j) AS/NZS IEC 62198:2015 Managing risk in projects—Application guidelines
- k) Department of Local Government & Communities Risk Management Resources
- l) RiskCover WA Government Risk Management Guidelines



*City of*  
**Greater Geraldton**  
a vibrant future



AC056	STATUS OF BUSINESS CONTINUITY PLAN
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<b>AGENDA REFERENCE:</b>	<b>D-17-72652</b>
<b>AUTHOR:</b>	<b>B Pearce, Coordinator Procurement &amp; Risk</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director Corporate &amp; Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>20 September 2017</b>
<b>FILE REFERENCE:</b>	<b>GO/11/0020</b>
<b>APPLICANT / PROPONENT:</b>	<b>City of Greater Geraldton</b>
<b>ATTACHMENTS:</b>	<b>No</b>

**EXECUTIVE SUMMARY:**

The purpose of this report is to provide the Audit Committee with an update on the City's Business Continuity Plan (BCP).

**EXECUTIVE RECOMMENDATION;**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to

1. NOTE the City of Greater Geraldton's updated Business Continuity Plan; and
2. HOLD a BCP exercise in the first quarter 2018;
  - a. Require a report back to the Audit Committee on the completion of a BCP exercise.

**PROponent:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:**

The City has during the period of May – August updated the Continuity Plan (BCP) to reflect recent amendments to the City's structure and services.

A BCP desktop exercise was deferred in recent months due to the disruption associated with the recruitment of the CEO and a number of management roles.

The BCP still requires some critical functions to be finalised in Promapp. This will be completed over the next 6 – 12 months depending on resource availability and process criticality. Once this is completed the BCP will be able to respond to the loss of core operational staff which is the final outstanding BCP response scenario.

The BCP is ready for an exercise associated with the loss of core operational ICT and infrastructure resources.

It is expected that once all positions are filled and processes are captured a desktop exercise shall be scheduled in the first quarter of 2018.

**ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:****Economic:**

There are no economic impacts.

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.

**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

This item has the following relevant precedents;

1. AC039- Status of City Risk Management Activities
2. AC044 – Status of Risk Management & Compliance Activities

**COMMUNITY/COUNCILLOR CONSULTATION:**

No consultation was undertaken in reference to this item.

**LEGISLATIVE/POLICY IMPLICATIONS:**

This item has compliance and policy implications as follows;

1. Local Government (Audit) Regulations 1996 Regulation 17
2. Department of Local Government & Communities Integrated Planning
3. City of Greater Geraldton Risk Management Framework
4. Council Policy 4.7 Risk Management

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

**INTEGRATED PLANNING LINKS:**

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT**

The BCP is a major risk mitigation to the disruption to City operations. Its successful implementation has better equipped the City to deal with a potential disruption.

**ALTERNATIVE OPTIONS CONSIDERED**

No alternatives were considered.

**AC057 INFORMATION TECHNOLOGY INTERNAL AUDIT REPORT**

<b>AGENDA REFERENCE:</b>	<b>D-17-72994</b>
<b>AUTHOR:</b>	<b>A Van der Weij, Financial Accountant</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director Department of Corporate and Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>19 September 2017</b>
<b>FILE REFERENCE:</b>	<b>FM/3/0003</b>
<b>APPLICANT / PROPONENT:</b>	<b>City of Greater Geraldton</b>
<b>ATTACHMENTS:</b>	<b>Yes x1 A. Internal Audit Report</b>

**EXECUTIVE SUMMARY:**

This report provides the Audit Committee with the Information Technology Internal Audit Report presented by AMD Chartered Accountants.

**EXECUTIVE RECOMMENDATION;**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. NOTE the findings and recommendations described in the Information Technology Internal Audit Report; and
2. ENDORSE actions (to be) taken by staff to resolve items identified in the report.

**PROponent:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:**

The Audit Committee at their meeting on 21 February 2017 endorsed the implementation of the Strategic Internal Audit Plan.

The Information Technology Internal Audit is the first audit conducted as part of an ongoing range of scheduled Internal Audits and Reviews in order to meet the City's internal audit objectives and statutory requirements.

**ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:****Economic:**

There are no economic impacts.

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.

**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

There are no relevant precedents.

**COMMUNITY/COUNCILLOR CONSULTATION:**

There has been no community/councillor consultation.

**LEGISLATIVE/POLICY IMPLICATIONS:**

*Local Government (Audit) Amendment Regulations 2013 Regulation 17.*

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

**INTEGRATED PLANNING LINKS:**

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT****ALTERNATIVE OPTIONS CONSIDERED**

No alternatives have been considered.





# Information Technology Internal Audit Report



April 2017



11 April 2017

**Mayor Shane Van Styn**  
**Chairperson**  
**Audit Committee**  
**City of Greater Geraldton**  
**PO Box 101**  
**GERALDTON WA 6531**

Dear Shane

**2017 INTERNAL AUDIT - INFORMATION TECHNOLOGY**

We are pleased to present the findings and recommendations resulting from our City of Greater Geraldton (the "City") 2017 Information Technology (IT) Internal Audit.

This report relates only to procedures and items specified within the 2016 to 2021 five Strategic Internal Audit Plan and does not extend to any financial report of the City.

We would like to thank Dennis and the City's IT department for their co-operation and assistance whilst conducting our internal audit.

Should there be matters outlined in our report requiring clarification or any other matters relating to our internal audit, please do not hesitate to contact Melanie Blain or myself.

Yours sincerely  
**AMD Chartered Accountants**



**TIM PARTRIDGE FCA**  
**Director**

cc Ken Diehm  
Chief Executive Officer  
City of Greater Geraldton

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### Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to internal audit, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the City of Greater Geraldton management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the City of Greater Geraldton. The internal audit findings expressed in this report have been formed on the above basis.

### Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of the City of Greater Geraldton. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for City of Greater Geraldton information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This internal audit report has been prepared at the request of the City of Greater Geraldton's Audit Committee or its delegate in connection with our engagement to perform internal audit services as detailed in the Strategic Internal Audit Plan 2016 to 2021. Other than our responsibility to the Council and Management of the City of Greater Geraldton, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the City of Greater Geraldton external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.

# 1. Executive Summary

## 1.1. Background and Objectives

The primary objective of our internal audit review was to conduct a broad scope internal audit in respect to IT; limited to those areas detailed within the City’s 2016 to 2021 Strategic Internal Audit Plan.

Our procedures included assessing the appropriateness and effectiveness of policies, processes, internal controls and procedures in place in respect to IT to ensure the City has appropriate policies in place, has complied with stated procedures and compliance requirements, operates in accordance with best practice and to ensure adequate procedures for effective risk management.

The responsibility of determining the adequacy of the Internal Audit Program and the procedures undertaken by us is that of the City’s Audit Committee.

Our findings included within this report are based on the site work completed by us on the 6<sup>th</sup> and 9<sup>th</sup> of February 2017. Findings are based on information provided and available to us during this site visit.

## 1.2. Summary of Findings

The procedures performed and our findings on each of the audit areas are detailed in the following sections of the report:

- ) Section 3.1 - Planning the IT Environment;
- ) Section 3.2 - Developing and Delivering IT Solutions;
- ) Section 3.3 - Operating the IT Environment; and
- ) Section 3.4 - Organising and Monitoring IT Processes.

Following the completion of our internal audit and subject to the recommendations outlined within section 3, we are pleased to report that in context of City’s overall IT environment, policies, procedures and processes in place are appropriate, and have been operating effectively from when the Financial Management Systems Review (FMSR) was conducted in January 2016 to present. Since the FMSR, the IT department has enforced mandatory terminal log outs and implemented a new IT service desk and Cloud based program, Promapps.

Findings reported by us are on an exceptions basis, and do not take into account the many IT environmental areas tested during our internal audit where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.

The following tables provide a summary of the findings raised in this report:

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	5	7	6

*For details on the internal audit rating criteria, please refer to Section 4.*

Ref	Issue	Risk Rating
<b>Planning the IT Environment</b>		
3.1.1	<b>IT Strategic Plan</b> IT Strategic Plan still in development and not yet finalised.	High
3.1.2	<b>IT Consultation Process</b> No official IT approval / consultation process in place for instances where another department is working with a third party to provide a product / application that may have an impact on the IT infrastructure.	High
3.1.3	<b>Policy Review</b> IT specific policies and guidelines that have not been reviewed in accordance with the scheduled date of review.	Moderate
3.1.4	<b>ICT Steering Committee</b> Meeting frequency not in accordance with the terms of reference and some action items rolled on a continual basis.	Moderate
3.1.5	<b>Periodic Compliance Declarations</b> Employees are not required to acknowledge their understanding and compliance with relevant policies and procedures on a periodic basis.	Low
<b>Developing and Delivering IT Solutions</b>		
3.2.1	<b>Project Review</b> Currently no post implementation review for IT projects completed.	Low
<b>Operation of the IT Environment</b>		
3.3.1	<b>Airport IT Infrastructure</b> The IT department currently have limited access to the Airport IT infrastructure.	High
3.3.2	<b>Business Continuity Plan</b> Business Continuity Plan currently in draft and scenarios not yet tested.	High
3.3.3	<b>Ongoing Security Awareness Program</b> Currently no security awareness program in place.	Moderate
3.3.4	<b>IT Security Logs</b> IT security logs are not currently reviewed by the IT department.	Moderate
3.3.5	<b>Back-up Restoration and Associated Procedures</b> Key system back-ups are currently not tested / restored to ensure data integrity.	Moderate
3.2.6	<b>IT Performance Reviews</b> Formal performance reviews are not conducted for external IT service provider contracts.	Low
3.3.7	<b>Websites Visited By Employees</b> A report is no longer generated by the IT department and reviewed by the CEO to identify instances of inappropriate internet usage.	Low
3.3.8	<b>Relevant Policies, Procedures and/or Guidelines</b> No formal document in place pertaining to the updating of software / hardware listing and network diagrams, migrating programs changes into the production environment and software virus protection.	Low
3.3.9	<b>Employee Induction</b> Operational Policy 006, Mobile Phones is not currently included in the Employee Handbook.	Low
<b>Organising and Monitoring IT Processes</b>		
3.4.1	<b>Privacy and Intellectual Property Security</b> No documented policy and limited control over the use of personal file sharing accounts, USB and/or hard drives to share information amongst employees and third parties.	High
3.4.2	<b>IT Department Key Performance Indicators</b> Key Performance Indicators have not been developed and implemented to measure the IT departments' performance.	Moderate
3.4.3	<b>Succession Planning</b> There is currently no succession plan in place for the IT department team.	Moderate

## 2. Scope and Approach

In Accordance with the City's Strategic Internal Audit Plan, our internal audit work examined the following areas:

- ) Review of the Strategic IT environment, including Strategic IT Plans and supporting network diagrams;
- ) Assessment of the planning processes relating to the IT environment;
- ) Assessment of the effectiveness and efficiency of the operation of the IT environment;
- ) Assessment of the organising and monitoring of IT processes;
- ) Ensure appropriateness of internal control policies and procedures and ensure these are adhered to in respect to IT systems, including access controls, backup procedures and recovery procedures;
- ) Review system support and ensure appropriate back-up personnel trained and available;
- ) Review system security ensuring access is restricted and based on level of personnel;
- ) Review of access identification and risk management processes in respect to IT planning;
- ) Review of virus detection procedures; and
- ) Review procedures and plans for determining the needs for changes / improvements to existing IT systems and processes in place to implement such changes.



## 3. Detailed Findings and Recommendations

### 3.1. Planning the IT Environment

#### 3.1.1. IT Strategic Plan

**Finding Rating: High**

Our inquiries indicated an IT Strategic Plan was initially developed and implemented in 2010, however the plan has not been reviewed and updated in recent years, as previously agreed by the City in the FMSR Report dated 23 February 2016. The City is undertaking a joint study with WALGA Northern Zone Councils for potential move to a Shared Information and Communication Technology (ICT) Services arrangement which would incorporate the development of a new ICT strategy. However at the time of our site visit, the IT Strategic Plan was still in development and not yet finalised.

We acknowledge that the City has a PAM framework in place presenting the five year view of strategic planning in relation to hardware and software assets and the outsourcing of the City applications and data to the cloud under a contracted Infrastructure –as- a-Service arrangement, however this is not currently reflect in an over-arching documented ICT strategy.

#### Implication / Risk

- ) Risk of strategic objectives recorded not meeting Council’s ICT requirements.
- ) Risk that the IT Strategic Plan has not been updated to reflect IT developments and current best practices since 2010.

#### Recommendation

We recommend the draft IT Strategic Plan is finalised.

#### Management Comment

The ‘high’ risk rating of this audit finding is not agreed.

The 2010 strategic plan document referred to has no status today and has been long surpassed by subsequent documents/processes and strategic decisions taken by the Executive Management Team and Council. The old defunct document ought not to have been available on the website and, thanks to the auditors for finding it and highlighting a problem – a review is consequently being conducted to remove all defunct documents from the website.

The City has in place a PAM framework presenting a 5-year view of strategic planning in relation to hardware and software assets. Most particularly, the decision – now implemented - to move city applications and data to the cloud, under a contracted Infrastructure-as-a-Service (IaaS) arrangement, is relevant as the primary ICT strategy change since 2010. The city has effectively out-sourced the provision of ICT infrastructure and associated support services, acquiring DR/BC capability under the IaaS contract. ICT capacity planning is now a monitoring/management process, with capacity changes provided for under the IaaS contract. Having completed the cloud migration in 2016 the City is now working with IT Vision and a group of Councils to create a common core applications platform. Note that the city acquires packaged software, and does not undertake any in-house software development. As and when that work progresses, enabling framing of a new applications/data strategy, requiring resource commitment from Council, it will be put to Council for deliberation.

**Responsible Officer:** B Davis

**Completion Date:** TBD

### 3.1.2. IT Consultation Process

#### ***Finding Rating: High***

Our inquiries indicated that there is currently no official IT approval / consultation process in place for instances where another department is working with / engaging a third party to provide a product / application that may impact the City's current IT infrastructure and/or requires data from a system for product / application trial purposes.

#### **Implication / Risk**

- ) Risk that money is spent on a product or application that is not compatible with the current IT infrastructure.
- ) Risk of the product or application causing a system / server failure and/or security breach.
- ) Risk that no confidentiality agreement is signed for third party trials resulting in the data provided for the purposes of these trials not being protected / controlled and potentially being shared with another party.

#### **Recommendation**

We recommend that management develop and implement a policy requiring other departments to consult with the IT department where a product / application is being considered and discussions held with a third party that may have an current or future impact on the City's IT infrastructure.

In addition, we recommend that this policy would also cover the sharing of data with third parties, requiring the other department to request approval from IT and in those instances where the third has not been officially engaged to provide the service but is demonstrating the ability of the product / application using the City's data request that the third party signs a confidentiality agreement.

#### **Management Comment**

Agreed.

**Responsible Officer:** D Duff

**Completion Date:** May 2017

### 3.1.3. Policy Review

#### **Finding Rating: Moderate**

Our review of internal IT policies, procedures and guidelines identified the following document reviews have not been completed in accordance with the last scheduled review date:

Document	Last Revision Date	Scheduled Review Date
Employee Code of Conduct	May 2013	May 2016
Social Media and Online Communication (OP033)	May 2015	May 2016
Electronic Mail and Internet Usage (OP013)	December 2014	December 2016
Mobile Phones (OP006)	November 2014	November 2016
Guideline – Administration – CGG Users Default Access	January 2016	January 2017
Guideline – Administration – Change Management	January 2016	January 2017
Guideline – Administration – Data Back-up	January 2016	January 2017
Guideline – Security – Password Use	January 2016	January 2017
Guideline – Security – Remote Access	January 2016	January 2017
Guideline – Software – Lifecycle Management	August 2015	No revision period stipulated in document
Guideline – Hardware – Lifecycle Management	June 2015	No revision period stipulated in document

#### **Implication / Risk**

Internal policies, procedures and guidelines reviews have not been completed in accordance with scheduled review date, and as a result procedures may not reflect current practices.

#### **Recommendation**

We recommend a review of all IT policies, procedures and guidelines be completed as per stated review date and in those instances where no revision period is stipulated in the document, the guidelines are updated to reflect a scheduled review date.

#### **Management Comment**

These are Operational policy/process matters, not Council Policy matters.

The audit recommendation is noted.

The issue is not that the operational policies have not been reviewed; rather, the issue is that the intranet versions of the operational policies have not been updated re next review date. By and large, the existing operational policies and guidelines remain relevant and current.

A number of operational policies are currently being reviewed and will be amended to reflect more recent changes to the environment – as part of what is an ongoing process.

**Responsible Officer:** D Duff

**Completion Date:** Ongoing standard cyclical process.

### 3.1.4. ICT Steering Committee

#### **Finding Rating: Moderate**

Our inquiries indicate that an ICT Steering Committee is currently in place, however perusal of the minutes of the ICT Steering Committee noted the following:

- ) Meetings have not been held bi-monthly as required by the ICT Steering Committee terms of reference – rather these meetings have been held every six to seven months; and
- ) Some of the actions from these meetings appear to be rolled over on a continual basis.

Management has indicated that the Executive Management Team (EMT) which make up the ICT Steering Committee meets every week and all the matters identified as implications/risks are discussed at these meetings.

#### **Implication / Risk**

- ) Risk IT strategies, objectives and business needs are not identified and discussed in a timely manner.
- ) Important IT actions not acted upon in a timely manner.

#### **Recommendation**

We recommend that management assess the City's need to have an ICT Steering Committee in place if all relevant IT matters are discussed weekly by the EMT. In addition, management should consider whether the ICT Manager is to attend a portion of these EMT meetings to discuss any IT matters.

If Management still deems that the ICT Steering Committee is required, consideration should be given to the required frequency of these meetings, and the terms of reference be updated accordingly to reflect this. Those parties responsible for actions from these meetings make their best endeavours to act upon these required actions.

#### **Management Comment**

The recommendation is noted.

The Executive Management Team (EMT) – members of which make up the ICT Steering Committee - meets every week, and all of the matters identified as implications/risks are in fact able to be, *and are* brought directly to EMT meetings as and when necessary to ensure necessary senior executive discussion and decision making, and prompt action.

Decision making by EMT and by Council separate from the ICTSC stream has seen a significant shift in ICT strategy, with migration away from an in-house ICT capacity, to IaaS/Cloud hosting of applications and data.

Having regard to the way that EMT now functions, and the shift away from maintaining a full in-house ICT services capacity, there is no longer any requirement for bi-monthly meetings of an ICT Steering Committee per se. Ongoing need for the committee will be reviewed and, if it is to have a continuing role, the TOR of the ICT SC will be reviewed and amended by EMT.

**Responsible Officer:** B Davis

**Completion Date:** June 2017

### **3.1.5. Periodic Compliance Declarations**

#### ***Finding Rating: Low***

Our inquiries indicated that employees are not required to provide periodic acknowledgement of compliance with the City's Code of Conduct and relevant IT security policies and procedures.

#### **Implication / Risk**

Risk of the City's employees not acting appropriately and in accordance with the Code of Conduct and IT security policies and procedures which may be the case for long term employees.

#### **Recommendation**

We recommend that the City's employees are required to provide acknowledgment of their understanding and compliance with the Code of Conduct and relevant IT security policies and procedures on a periodic basis.

#### **Management Comment**

Agreed. Compliance with the Code of Conduct, and with the STARS values of the organisation, is subject of multiple reviews with every employee under the City's performance management process. Compliance with IT security policies and procedures is monitored by the IT team, and any issues of non-compliance are addressed via disciplinary processes.

**Responsible Officer:** D Duff **Completion Date:** Ongoing.

## 3.2. Developing and Delivering IT Solutions

### 3.2.1. Project Review

#### ***Finding Rating: Low***

Our inquiries indicated there is currently no formal post implementation review of significant IT projects completed.

#### **Implication / Risk**

Lack of documentation evidencing project review, including recommendations identified for consideration prior to undertaking subsequent IT projects.

#### **Recommendation**

We recommend formal performance project reviews be completed following implementation of IT projects, and where appropriate for specific IT projects, reviews continue to be performed on a periodic basis.

#### **Management Comment**

The City outsources all hardware and software projects. As and when future contracts are awarded for such projects, they will require formal conduct of a post implementation review.

**Responsible Officer:** D Duff

**Completion Date:** Ongoing



### 3.3. Operating the IT Environment

#### 3.3.1. Airport IT Infrastructure

##### ***Finding Rating: High***

Our inquires indicated that the Airport appears to run some components of its own IT infrastructure (i.e. CCTV, Wi-Fi, swipe card, car park and servers) autonomously from the City. We were advised that the IT department has limited control over the Airport's IT infrastructure, including access to systems, the systems used by the Airport (e.g. the CCTV system implemented differs to that of the City) and how the systems are controlled / protected. Furthermore the IT department is accountable for the Airport's IT infrastructure and anything that may happen to that infrastructure.

##### **Implication / Risk**

- ) Risk that there is an event at the Airport which forces the City's IT infrastructure to fail.
- ) Risk that there is a security breach where information is stolen from the Airport and/or City.
- ) Risk of inadequate policies and procedure in place to protect the City's / Airport's IT infrastructure.
- ) Risk of the Airport acquiring products / applications that is unable to interface with the City's IT infrastructure.

##### **Recommendation**

We recommend that the City considers implementing either one of the following options:

- ) Enforce a requirement where the Airport is to implement the security measures to protect the Airport's IT infrastructure, access to all systems be provided to the IT department, and any new products / applications that the Airport is proposing to acquire should be approved by the City's IT department;

Or

- ) The Airport IT infrastructure is fragmented from the City's IT infrastructure and managed as a separate IT environment.

##### **Management Comment**

The Director will engage with the ICT Manager to determine any specific technology risks that have been identified are managed and mitigated to the Director's satisfaction.

The Airport does not run its own ICT infrastructure. The Airport employs no qualified ICT personnel for that purpose. Elements of its ICT requirements are out-sourced to specialist contracted providers, rather than to the ICT branch which does not have expertise in relation to particular Airport needs. For example – the pay parking and boom gate system that is unique to the airport. The vendor installed and maintains the system under service contract. The aircraft landings photography system, utilised to identify aircraft and owners, for billing of landing fees is another example.

The Airport is a 24x7 commercial undertaking, operating under Commonwealth (not WA Local Government) legislation, and is designated as a Secured Airport, with strict Office of Transport Security and CASA obligations. In that context, CCTV requirements at the Airport are different from those for passive urban area monitoring, with through-day active on-screen monitoring requirements via CCTV of Secured areas of the airport. It has different requirements hence the system is different from the City's urban monitoring system.

The ICT Department is not accountable for vendor-installed and vendor-maintained equipment or systems at the airport. There is no gain in having the ICT Department injected between the Airport team, and their system vendors. Further, there is limited risk of the Airport acquiring products/applications unable to interface with the City's ICT infrastructure. The airport utilises the common corporate systems of the City, and only acquires specialist systems for on-airport purposes, and those systems do not need to interface with central City systems. To the extent that they require separation and local servers, that strategy is pursued.

Limitations of infrastructure designed for City purposes cannot be allowed to constrain ability of the airport business, as a commercial 24x7 airport operating under Federal legislation, to meet the needs of aviation operations – in which the ICT department has no expertise or technical knowledge. Products or applications acquired to meet airport needs will not be subject to prior *approval* by the ICT department, unless they conflict with the City SOE. Consultation occurs to an appropriate degree to ensure that infrastructure contention issues are avoided.

It is useful to distinguish between ICT infrastructure physically located on the airport land estate (including for example the City Works Depot, the Emergency Services unit located within an airport-owned building, and City-controlled AARnet fibre), and infrastructure utilised for the Airport Business per se – which includes the Technology Park. It is unlikely that an event within the airport business (as opposed to an event elsewhere on the airport estate, such as within the City Depot, or the Emergency Services building) can force the City's infrastructure to fail.

The City's ICT department does not need access to all airport systems, since they are not the system providers and they do not maintain the systems. The ICT department is only responsible for elements of the City infrastructure that the airport's ICT infrastructure connects to and actually uses.

For so long as the Airport business unit is part of the City and is thus obliged to utilise the City's SOE, Microsoft suite, and corporate applications such as Synergy, the airport cannot and will not be separated from the City ICT domain. To protect the 24x7 airport business from failures in key City systems it currently uses (internet access, email, digital phone network) the airport has mitigation strategies in place.

Note that the same City Director is responsible for both the Airport, and the ICT department, ensuring that an appropriate level of consultation occurs between the units.

Neither of the options recommended by the auditor will be adopted.

**Responsible Officer:** B Davis

**Completion Date:** Ongoing

### 3.3.2. Business Continuity Plan

#### ***Finding Rating: High***

As previously agreed by the City in the FMSR Report dated 23 February 2016 and at the time of our site visit we noted that the City's IT Business Continuity Plan (BCP) has been drafted but was not yet finalised.

#### **Implication / Risk**

- ) Risk of significant delays and business interruption in the event of unforeseen events.
- ) Risk of inappropriate preparation for those business interruption events identified.

#### **Recommendation**

We recommend the BCP is finalised by management. In addition, we recommend the BCP be tested (annually) and results from the test be documented along with corrective action taken to eliminate weaknesses. Procedures should also be developed to identify when changes are required to the BCP as a result of IT infrastructure upgrades or changes.

#### **Management Comment**

Endorsement of the ICT BCP rests with the CEO with review via EMT.

For the City's ICT, new DR/BC capability has been acquired under the IaaS contract with MC/GDC, recently implemented, with core application systems and data migrated to the Cloud hosted on GDC infrastructure, and replicated to a Perth-based data centre. For Councils utilising IT Vision software as their LG core software suite, this is a 'first' for Councils in WA. Resolving technical issues in that context has naturally taken time, re protocols for backup management between centres. Testing of the new ICT DR/BC capability is in final planning stage. When that technical testing is completed, the Line Business Units will then be in a position to frame their function-specific BCPs. Technical testing completion target for ICT DR/BC is 1st June 2017.

**Responsible Officer:** D Duff

**Completion Date: 1 June 2017**

### **3.3.3. Ongoing Security Monitoring Awareness Program**

#### ***Finding Rating: Moderate***

As previously agreed by the City in the FMSR Report dated 23 February 2016 and our further inquiries indicated there is currently no security awareness program in respect to IT (i.e. a security awareness program encompassing both physical and electronic data to educate employees in respect to corporate and operational policies and procedures for IT).

#### **Implication / Risk**

- ) Risk of employees not understanding the importance of protecting the City's IT hardware, physical and electronic data.
- ) Risk of security breaches due to changing security environment.

#### **Recommendation**

We recommend an ongoing security awareness program be developed to keep employees informed and aware of the City's IT security policies and procedures and to educate employees on how to protect the City's IT hardware, physical and electronic data. The ongoing security awareness program could include security awareness posters, slogans, videos, login screen messages, war stories captured in the organisation's newsletter (or the equivalent) and ongoing training (face-to-face or online).

#### **Management Comment**

A modest program, appropriate to the organisation, utilising screensaver messages, will be considered.

**Responsible Officer:** D Duff

**Completion Date:** May 2017

### **3.3.4. IT Security Logs**

***Finding Rating: Moderate***

Our inquiries indicated that security logs are kept, however logs are not subject to review on a regular basis.

**Implication / Risk**

Risk of security breaches / errors not being identified and addressed accordingly on a timely basis.

**Recommendation**

We recommend security logs be retained and reviewed on a regular basis to ensure security breaches / errors are identified on a timely basis and addressed accordingly.

**Management Comment**

A network monitoring and log analysis project will be commenced in Q2 2017, with an ongoing log monitoring process to be implemented by 1 June.

**Responsible Officer:** D Duff

**Completion Date:** June 2017

### 3.3.5. Back-up Restoration and Associated Procedures

#### **Finding Rating: Moderate**

We note that server back-ups are not tested / restored on a regular basis to ensure recovery of data is achievable and to ensure no significant interruption to the extent a back-up restoration is required. Furthermore, we identified that the back-up restoration procedures have not been documented.

#### **Implication / Risk**

- ) Lack of written procedures in place in respect of back-up restoration procedures.
- ) Lack of back-up testing.
- ) Risk that data to a key system such as Synergy soft is not recoverable in the event of a system failure or attack.

#### **Recommendation**

We recommend back-up restoration procedures be formally documented. In addition, we recommend that the City identify the systems that would cause significant interruption to operations in the event of a system failure / attack and develop a back-up testing schedule for those key systems identified and commence back-up testing accordingly.

#### **Management Comment**

The application the City uses for Server/Data backup automatically performs integrity checks prior to every incremental run and alerts to integrity issues. Manually performing this operation or performing a full restore provides no value.

Backup copies are also replicated to Perth.

Further, the City has identified Core systems (Synergy/TRIM/Email) and these are replicated (in addition to backups) to Perth based disaster recovery site (segmented from production) where 12 versions (4 versions of each of the last 3 days) are kept. To lose complete access to a core system the following would need to occur;

1. System restore is corrupt
2. Backup staging environment is corrupt
3. All backup copies are corrupt
4. All replicated backup versions are corrupt
5. Replicated Server copy is corrupt
6. All replicated Server versions are corrupt.

Testing recoverability of Core systems in the DR site will be included in the testing schedules for the City's ICT BC/DR plan.

**Responsible Officer:** D Duff

**Completion Date:** June 2017



### **3.3.6. IT Performance Reviews**

#### ***Finding Rating: Low***

Our inquiries indicated there are no formal performance reviews conducted against external IT service level agreements.

#### **Implication / Risk**

- ) Risk of sub-standard or inadequate services being provided by external IT service organisation engaged.
- ) Risk of the City being charged for services not provided by the external IT service organisation and/or not receiving value for money for the service provided.

#### **Recommendation**

We recommend formal performance reviews are conducted against external IT service level agreements to ensure services provided are as agreed upon within the IT service level agreements.

#### **Management Comment**

Agreed, particularly in relation to the IaaS contract.

External IT service contracts are currently monitored and reviewed for performance with responsibility resting with the ICT Manager.

Poor performance is brought to the attention of vendors and the City has sought means to rectify performance previously and in one instance took steps to cancel a contract.

The City will consider a more formal, structured approach to contract performance monitoring and review.

**Responsible Officer:** D Duff

**Completion Date:** June 2017

### 3.3.7. Websites Visited by Employees

#### **Finding Rating: Low**

Previously a report was generated by the IT department of the websites visited by employees thereby was provided to the CEO for review, however our inquiries indicated that this is no longer happening due to the number of exceptions reported and the ability to follow up on them all.

#### **Implication / Risk**

- ) Risk that employees are spending excess time on non-work related websites and impacting on their production levels.
- ) Risk of an employee downloading or accessing a website that results in a security breach.

#### **Recommendation**

We recommend that management consider re-implementing this control, however to ensure that there are fewer false positives, analytics could be run across the data to eliminate those allowable websites dependent on the department / role and highlight those employees that may be spending excessive time on specific websites. This report should then be provided to the department manager to determine whether the amount of time spent and/or websites visited was a requirement of the employees' role and deal accordingly with any instances where irrelevant excessive use has been identified.

#### **Management Comment**

Agreed that this is a low priority issue. The report is something regarded as useful to run occasionally, from time to time, to monitor compliance with operating policies on use of City ICT resources, which allow modest private access to the internet. The most effective trigger for timing comes from ICT Manager monitoring of overall levels of web activity and trends in aggregate costs of Internet access. Only the CEO may authorise extraction of this report at individual user level. Running the report from time to time, in response to indications of unusual spikes in web use or a significant trend of web access cost increases, has proven to be an effective deterrent to Internet misuse and will remain the approach.

**Responsible Officer:** D Duff

**Completion Date:** Ongoing

### **3.3.8. Relevant Policies, Procedures and/or Guidelines**

#### ***Finding Rating: Low***

Our review of the City's internal IT policies, procedures and guidelines identified that the following procedures are not currently documented:

- ) Updating of software / hardware listing and network diagrams;
- ) Migrating program changes into the production environment; and
- ) Software virus protection.

#### **Implication / Risk**

Risk existing procedures and practices in respect to the above are not formally documented.

#### **Recommendation**

We recommend policies and procedures in respect of the above be documented, approved, implemented and monitored on an ongoing basis.

#### **Management Comment**

Manager ICT is responsible for maintaining the PAM document for all software and hardware, and documentation of ICT architecture.

Along with all other branches, ICT Branch is utilising Promapp for documentation of processes. That will include new Change Management processes for testing and migration of new hardware and software into the production environment.

A new ICT operating policy will be prepared for virus protection.

**Responsible Officer:** D Duff

**Completion Date:** Ongoing

### **3.3.9. Employee Induction**

#### ***Finding Rating: Low***

Perusal of the Employee Handbook which is provided to the employee pre commencing at the City identified that Operational Policy 006, Mobile Phones which deals with the City's policy on Personally Owned Devices (PODs) is not currently included as part of this Handbook.

#### **Implication / Risk**

Risk that the new employee is unaware of City's no POD policy and unknowingly breaches the policy by accessing the City's IT infrastructure, resulting in a potential security breach / error.

#### **Recommendation**

We recommend Operational Policy 006, Mobile Phones is added to the Employee Handbook.

#### **Management Comment**

Recommendation agreed.

**Responsible Officer:** D Duff

**Completion Date:** May 2017

## 3.4. Organising and Monitoring IT Processes

### 3.4.1. Privacy and Intellectual Property Security

#### ***Finding Rating: High***

Our inquiries indicated there is currently no formal management or documented communication to employees regarding security matters relating to personal file sharing accounts (i.e. Dropbox, OneDrive) and the use of removable hard drives / USB devices.

#### **Implication / Risk**

Risk of unauthorised access to confidential information.

#### **Recommendation**

We recommend a formal documented policy is prepared and communicated to employees regarding restrictions for personal file sharing accounts and removable hard drives / USB devices.

If the City decides that employees are allowed to use the personal file sharing accounts, we recommend that use of such account should first be approved by the employees' manager and secondly the account must be password protected.

In addition, if the City decides that employees are allowed to use hard drives / USB devices, we recommend use of such devices be approved by the employees' manager and the device should be encrypted or at the very least must be password protected.

#### **Management Comment**

Since the audit was undertaken, the City's 'Document Management Protocols' Policy has been amended and endorsed to incorporate approved File Sharing Services and their relevant IT controls.

Use of USB's and hard drives were not matters specifically included in this policy but the policy will be amended.

**Responsible Officer:** D Duff

**Completion Date:** May 2017

### 3.4.2. IT Department Key Performance Indicators

#### ***Finding Rating: Moderate***

Our inquires indicated that Key Performance Indicators (KPIs) have not been developed and implemented to measure the performance of the IT department to identify control problems and inefficiencies.

In addition, there is currently no service level agreements between the IT department and other departments at the City setting out what is required of the IT department to enable measurement of performance.

#### **Implication / Risk**

- ) Risk of control problems and inefficiencies not being identified on a timely basis.
- ) Risk of unsatisfactory / inadequate service provided to the City's other departments.

#### **Recommendation**

We recommend that specific IT department KPIs are developed and implemented to measure the performance of the IT department and to identify control problems and inefficiencies. Example KPIs are as follows - IT support employees per end users, support tickets opened per employee, cycle time: IT support ticket resolution (unplanned), cycle time: IT support ticket resolution (planned), first contact resolution rate etc.

#### **Management Comment**

This is a relatively small organisation. In ICT scope terms it has a small population of line of business applications. It has two primary sites – the Civic Centre, and the Depot, and a small number of lesser sites all within the CBD. The large majority of networked users are in the Civic Centre. This generally enables quick response to service requests. Any ICT performance issues get reported and escalated very rapidly through Managers to Directors and – on the very rare occasions where major issues ever arise – to EMT and the CEO. Help desk time targets have been set by the Manager, and are applied to assist resource scheduling in the small ICT team. The City does no in-house applications development, and has contracted support arrangements in place for packaged software. All current cloud-hosted applications are stable with rare problems occurring. The IT Manager monitors request response/clearances. With IaaS hosting of core systems and data, and the redundancy levels in the hosting data centre, system outages are exceedingly rare. Network, application and data availability levels are very high. The size of the user population and limited number of sites simply does not justify the complexity of service level agreements with target KPIs, with other departments.

**Responsible Officer:** D Duff

**Completion Date:** Ongoing



### 3.4.3. Succession Planning

#### ***Finding Rating: Moderate***

Our inquiries indicated that there is currently no succession plan in place for the IT Manager. Since the IT Coordinator left a few years back there has been no adequate back-up support in place in the event that the IT Manager was unavailable.

#### **Implication / Risk**

- ) Risk of not having the knowledge and/or infrastructure in place to drive the organisation forward in the long term.
- ) Potential loss of knowledge and experience from skilled or specialised employees.

#### **Recommendation**

We recommend that management consider developing and implementing a succession plan for the IT department to ensure that knowledge is not lost in the event that a key member of the IT department was to leave or on extended leave.

#### **Management Comment**

Not agreed. This is a basic resource level issue, not a succession planning issue per se. In the event of extended absence of the ICT Manager, the City will buy-in appropriate coverage of the role. In the event of departure of the ICT Manager, the City will similarly buy-in coverage of the role, pending recruitment. With the IaaS arrangement in place, and close relationships between the City and that provider, and the LG core systems suite provider, retaining coverage is possible, for these needs. The small size of the branch establishment and its current functional scope does not warrant creation of a 2ic position just for succession needs.

**Responsible Officer:** B Davis

**Completion Date:** Ongoing.

## 4. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

The risk guidelines stated within Risk Management – Principles and Guidelines Standard AS / NZS ISO 31000-2009 and are based in the City of Greater Geraldton's Risk Management Framework.

Our guidance to risk classification in completing our internal audit review is as follows:

### ***Measure of Likelihood of Risk***

Likelihood is the chance that the event may occur given knowledge of the organisation and its environment. The following table provides broad descriptions to support the likelihood rating:

DESCRIPTOR	DETAILED	OPERATIONAL FREQUENCY	PROJECT FREQUENCY	TRANSITIONAL FREQUENCY
<b>Almost Certain</b>	The event is expected to occur in most circumstances	More than one per year	Greater than 90% chance of occurrence	1 in 25,000
<b>Likely</b>	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurrence	1 in 75,000
<b>Possible</b>	The event should occur at some time	At least once in 3 years	40% - 60% chance of occurrence	1 in 250,000
<b>Unlikely</b>	The event should occur at some time	At least once in 10 years	10% - 40% chance of occurrence	1 in 750,000
<b>Rare</b>	The event may only occur in exceptional circumstances	Less than one in 15 years	Less than 10% chance of occurrence	1 in 1,000,000

*\*Above Extracted from the City's Risk Management Framework.*

### ***Measure of Consequence of Risk***

Consequence is the severity of the impact that would result if the event were to occur. The following table provides broad descriptions to support the consequence rating:

DESCRIPTOR	SAFETY / HEALTH (Physical)	SAFETY / HEALTH (Psychological)	FINANCIAL IMPACT	SERVICE INTERRUPTION	REPUTATION	ENVIRONMENT	LEGAL & COMPLIANCE
<b>Insignificant</b>	Negligible injuries, Full recovery 1 – 3 days	Temporary stress, no leave taken, short term impact with full recovery 1 – 3 days	<i>Organisation</i> Less than \$10,000  <i>Dept. or Project</i> 0-2% remaining budget	No material service interruption backlog cleared 2 – 4 hours	Unsubstantiated, low impact, low profile or 'no news' item. <i>Example</i> gossip, Facebook item seen by limited persons.	Contained, reversible impact managed by site response. <i>Example</i> pick up bag of rubbish.	<i>Compliance</i> No noticeable or statutory impact. <i>Legal</i> Threat of litigation requiring small compensation. <i>Contract</i> No effect on contract performance.
<b>Minor</b>	First aid injuries, full recovery 1 – 3 weeks	Possible sick leave, short term impact, full recovery 1 – 3 weeks	<i>Organisation</i> \$10,000 - \$100,000  <i>Dept. or Project</i> 2 – 5% remaining budget	Short term temporary interruption – backlog cleared < 1 – 7 days	Substantiated, low impact, low news item. <i>Example</i> Local Paper, Everything Geraldton, Facebook item seen by local community.	Contained, reversible impact managed by internal response. <i>Example</i> pick up trailer of rubbish.	<i>Compliance</i> Some temporary non compliances. <i>Legal</i> Single Minor litigation. <i>Contract</i> Results in meeting between two parties in which contractor expresses concern.
<b>Moderate</b>	Medically treated injuries, Full recovery 1 – 3 months	Significant, non-permanent, longer term illness, Full recovery 1 – 6 months	<i>Organisation</i> \$100,000 - \$1M  <i>Dept. or Project</i> 5 - 14% remaining budget	Medium term temporary interruption backlog cleared by additional resources within < 2 – 4 weeks	Demonstrated public outrage, substantiated public embarrassment, moderate impact, and moderate news profile. <i>Example</i> State wide Paper, TV News story, Moderate Facebook item taken up by people outside City.	Contained, reversible impact managed by external agencies. <i>Example</i> Contractor removal of asbestos sheets.	<i>Compliance</i> Short term non-compliance but with significant regulatory requirements imposed. <i>Legal</i> Single Moderate litigation or Numerous Minor Litigations. <i>Contract</i> Receive verbal advice that, if breaches continue, a default notice may be issued.
<b>Major</b>	Lost time or severe injury Possible Partial / full recovery 4 – 12 months	Longer term illness, severe trauma, extended incapacity Possible Partial / full recovery 6 – 12 months	<i>Organisation</i> \$1M - \$9M  <i>Dept. or Project</i> 15 - 20% remaining budget	Prolonged interruption of services, additional resources required; performance affected issue resolved within < 4 – 12 weeks	Sustained and high level public outrage, substantiated public embarrassment, high impact, high news profile, third party actions. <i>Example</i> Australia wide Paper, TV News stories, Current Affair etc. Significant Facebook item taken up by large numbers of people outside City.	Uncontained, reversible impact managed by a coordinated response from external agencies. <i>Example</i> truck or train spill of diesel and oil on road reserve/ park.	<i>Compliance</i> Noncompliance results in termination of services or imposed penalties. <i>Legal</i> Single Major litigation or numerous Moderate Litigations. <i>Contract</i> Receive written notice from the contractor threatening termination if not rectified.
<b>Catastrophic</b>	Fatality, permanent disability	Death, permanent Severely disabling illness, e.g. Post-Traumatic Stress Disorder	<i>Organisation</i> Greater than \$10M  <i>Dept. or Project</i> Greater than 20% remaining budget	Indeterminate Prolonged interruption of services that impacts on Public safety and core services non-performance or termination of service	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions, Likely to lead to the dismissal of Council / Councillors or Executive Staff. <i>Example</i> World Wide News, TV News stories, Current Affair, 60 Minutes, Widespread Facebook item taken up by vast numbers of people outside City.	Uncontained, irreversible impact. <i>Example</i> Ship runs aground and spills oil along City coast line, ground water supply exhausted or rendered unusable.	<i>Compliance</i> Noncompliance results in litigation, criminal charges or significant damages or penalties. <i>Legal</i> Numerous Major Litigations. <i>Contract</i> Termination of Contract for default.

\*Above Extracted from the City's Risk Management Framework.

**Risk Analysis Matrix – Level of Risk**

Finding Rating for each audit issue was based on the following table:

		CONSEQUENCE				
		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	Almost Certain	Moderate	High	High	Extreme	Extreme
	Likely	Low	Moderate	High	High	Extreme
	Possible	Low	Moderate	Moderate	High	High
	Unlikely	Low	Low	Moderate	Moderate	High
	Rate	Low	Low	Low	Low	Moderate

\*Above Extracted from the City’s Risk Management Framework.

**Finding / Risk Acceptance Rating**

The table below sets out the definition of the City’s finding / risk acceptance rating:

FINDING / RISK RANK	DEFINITION
Low	<ul style="list-style-type: none"> <li>Attention required in medium term, preferably within 12 months.</li> <li>Isolated cases of procedural non-compliance.</li> <li>Small transactional errors with nil to small financial loss or exposure to the City.</li> <li>Isolated administrative matters.</li> </ul>
Moderate	<ul style="list-style-type: none"> <li>Attention required in medium term, preferably within 6 months.</li> <li>Absence or breakdowns in controls or procedures that lead to moderate exposures to the City.</li> <li>Isolated breaches of legal requirements and/or regulations with no further action likely to be taken by a regulator.</li> <li>Moderate individual transactional errors or several smaller transactional errors.</li> <li>Administrative matters, which due to their frequency may indicate procedural or training problems.</li> </ul>
High	<ul style="list-style-type: none"> <li>Attention required in short term, preferably within 3 months.</li> <li>Absence or breakdowns in controls or procedures that lead to high exposures.</li> <li>A breach of legal requirements and/or regulations resulting in material compensation and/or financial payouts, however no further action is likely to be taken by a regulator.</li> <li>Large individual transactional errors or a larger number of smaller transactional errors.</li> <li>Administrative matters, which due to their frequency may indicate procedural or training problems.</li> <li>Issues arising from inadequate training.</li> </ul>
Extreme	<ul style="list-style-type: none"> <li>Urgent and immediate action required.</li> <li>Cases of actual or potential fraud.</li> <li>Absence or breakdowns in critical controls or procedures that lead to very significant exposures to the City (i.e. financial loss impacting capital or significant disruption to business services, loss of life, severe reputation risk).</li> <li>Serious breach of legal requirements and/or regulations resulting in material compensation and/or financial payouts and action likely to be undertaken by regulators.</li> <li>Multiple large transactional errors that could lead to serious legal impact and/or severe adverse effect on the City’s reputation.</li> <li>Issues arising from no or severely inadequate training.</li> </ul>

**AC058 AUDIT REPORT CITY OF GREATER GERALDTON 2016/2017**

<b>AGENDA REFERENCE:</b>	<b>D-17- 70574</b>
<b>AUTHOR:</b>	<b>A Van der Weij, Financial Accountant</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director Department of Corporate and Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>19 September 2017</b>
<b>FILE REFERENCE:</b>	<b>FM/3/0003</b>
<b>APPLICANT / PROPONENT:</b>	<b>City of Greater Geraldton</b>
<b>ATTACHMENTS:</b>	<b>Yes (x1)</b>

**EXECUTIVE SUMMARY:**

The purpose of this report is to present to the Audit Committee the audit report for the financial period ending 30 June 2017

**EXECUTIVE RECOMMENDATION;**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. ADOPT the Audit Report for the financial period ending 30 June 2017.
2. ENDORSE actions taken by staff to resolve any items identified in the audit reports; and
3. NOTE that for the annual financial report for the year ended 30 June 2017 the Auditor has provided an unqualified audit opinion.

**PROPONENT:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:**

The interim audit was conducted by AMD Chartered Accountants from the 6 to the 9 of February 2017 and the final on-site audit from the 4 to the 7 of September 2017. At the conclusion of these audits, the Auditor issue two reports:

- An Independent Auditor's Report to the Ratepayers dated 20 September 2017.
- A Report to the Audit Committee dated 20 September 2017 on the key findings and analysis.

Attached is the report addressed to the Audit Committee by the Auditor. In this report, the auditor has noted:

- The year-end observations with no specific Auditor comments and recommendations for the year ended 30 June 2017;

A copy of the audited financial statements for 2016-17, is attached for the information of the Audit Committee.

The auditor will be in attendance at the Audit Committee meeting via a telephone link up.

**ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:****Economic:**

There are no economic impacts.

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.

**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

The Audit Committee reviewed the Annual Report 2015/2016 for the City of Greater Geraldton on 3 October 2016, AC045.

**COMMUNITY/COUNCILLOR CONSULTATION:**

No community consultation has been undertaken. The annual financial report and audit certificate are included in the City's Annual Report, which will be presented to Council for adoption shortly, then released to the community. The annual report is subsequently presented to an annual electors meeting.

**LEGISLATIVE/POLICY IMPLICATIONS:**

Part 7 Division 3 of the Local Government Act 1995, regulation 16 *Local Government (Audit) Regulations 1996*:

**16. *Audit committee, functions of***

*An audit committee —*

*(a) is to provide guidance and assistance to the local government —*

*(i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*

*(ii) as to the development of a process to be used to select and appoint a person to be an auditor;*

*and*

*(b) may provide guidance and assistance to the local government as to —*

*(i) matters to be audited; and*

*(ii) the scope of audits; and*

*(iii) its functions under Part 6 of the Act; and*

*(iv) the carrying out of its functions relating to other audits and other matters related to financial management;*

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

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**INTEGRATED PLANNING LINKS:**

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT****ALTERNATIVE OPTIONS CONSIDERED**

There were no alternative options considered





# City of Greater Geraldton

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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# City of Greater Geraldton

## General Purpose Financial Statements for the year ended 30 June 2017

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for City of Greater Geraldton.
  - (ii) All figures presented in these financial statements are presented in Australian Currency.
  - (iii) These financial statements were authorised for issue by the Council on 18/09/17. Council has the power to amend and reissue the financial statements.
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## City of Greater Geraldton

### General Purpose Financial Statements for the year ended 30 June 2017

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 1996*

### Statement by Chief Executive Officer

The attached financial report of the City of Greater Geraldton being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the City of Greater Geraldton at 30 June 2017 and the results of the operations for the financial year then ended in accordance with the *Australian Accounting Standards* and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.

Signed on the 18 day of September 2017



Ross McKim

**CHIEF EXECUTIVE OFFICER**

## City of Greater Geraldton

Statement of Comprehensive Income (by Nature or Type)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Revenue</b>				
Rates	24(a)	42,815,227	43,023,783	41,290,743
Operating Grants, Subsidies & Contributions	30	12,141,271	8,304,039	6,701,460
Fees & Charges	29	21,929,775	20,812,260	20,409,467
Interest Earnings	2(a)	1,686,843	1,369,558	1,433,514
Other Revenue		812,566	690,217	1,321,900
		<u>79,385,682</u>	<u>74,199,857</u>	<u>71,157,085</u>
<b>Expenses</b>				
Employee Costs	33	(26,416,916)	(27,053,679)	(27,897,929)
Materials & Contracts		(21,004,487)	(21,700,389)	(22,903,740)
Utilities		(3,119,733)	(3,368,899)	(3,053,752)
Depreciation & Amortisation	2(a)	(21,296,897)	(20,979,104)	(22,567,669)
Interest Expenses	2(a)	(1,167,479)	(1,154,735)	(1,042,382)
Insurance		(753,065)	(893,510)	(778,377)
Other Expenditure		(2,425,053)	(1,269,499)	(2,041,636)
		<u>(76,183,630)</u>	<u>(76,419,815)</u>	<u>(80,285,485)</u>
<b>Operating Result from Continuing Operations <sup>(1)</sup></b>		<u>3,202,052</u>	<u>(2,219,958)</u>	<u>(9,128,400)</u>
Non-Operating Grants, Subsidies & Contributions	30	20,796,455	42,348,599	11,600,846
Fair Value Adjustments to financial assets at fair value through profit and loss	2(a)	10,532	-	326,046
Profit on Asset Disposals	21	1,296,665	122,452	2,757
Loss on Asset Disposal	21	(40,035)	(50,338)	(215,455)
		<u>22,063,618</u>	<u>42,420,713</u>	<u>11,714,194</u>
<b>Net Result - Surplus (Deficit)</b>		<u>25,265,670</u>	<u>40,200,755</u>	<u>2,585,793</u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	13	(8,254,737)	-	1,951,512
<b>Total Other Comprehensive Income</b>		<u>(8,254,737)</u>	<u>-</u>	<u>1,951,512</u>
<b>Total Comprehensive Income</b>		<u>17,010,933</u>	<u>40,200,755</u>	<u>4,537,305</u>

<sup>(1)</sup> Allowing for or not factoring in the prepayment of Financial Assistance Grants for 2017-18 (\$3,056,917), Council Operating Result from Continuing Operations would amount to a surplus of \$145,135.

## City of Greater Geraldton

Statement of Comprehensive Income (by Program)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Revenue</b>				
Governance		337,238	77,410	436,809
General Purpose Funding		53,721,682	50,771,061	46,024,466
Law, Order, Public Safety		545,722	669,490	669,482
Health		103,176	60,427	58,704
Education & Welfare		351,548	298,840	1,261,671
Community Amenities		11,307,233	10,199,425	10,275,992
Recreation & Culture		2,927,770	2,746,286	3,204,726
Transport		7,195,957	6,940,979	6,944,710
Economic Services		1,386,912	1,031,682	1,057,449
Other Property & Services		1,682,591	1,404,257	1,944,108
		<u>79,559,828</u>	<u>74,199,857</u>	<u>71,878,118</u>
<b>Expenses (excl. Finance Costs)</b>				
Governance		(977,922)	(1,444,297)	(13,126,807)
General Purpose Funding		(762,775)	(658,950)	(763,159)
Law, Order, Public Safety		(737,440)	(1,046,256)	(661,439)
Health		(72,619)	(96,413)	(103,114)
Education & Welfare		(1,513,650)	(1,583,729)	(2,213,469)
Housing		(48,429)	(47,726)	(132,691)
Community Amenities		(9,123,027)	(8,503,491)	(7,268,391)
Recreation & Culture		(15,693,503)	(15,465,422)	(12,807,341)
Transport		(29,753,808)	(30,471,629)	(30,181,973)
Economic Services		(4,234,681)	(4,455,622)	(3,743,796)
Other Property & Services		(12,272,441)	(11,491,545)	(8,961,957)
		<u>(75,190,297)</u>	<u>(75,265,080)</u>	<u>(79,964,135)</u>
<b>Finance Costs</b>				
	2(a)			
Governance		(25,587)	(26,499)	(29,238)
Recreation & Culture		(546,209)	(578,549)	(439,502)
Transport		(303,562)	(313,927)	(342,048)
Economic Services		(185,917)	(163,989)	(1,395)
Other Property & Services		(106,204)	(71,771)	(230,200)
		<u>(1,167,479)</u>	<u>(1,154,735)</u>	<u>(1,042,383)</u>
<b>Operating Result from Continuing Operations</b>		<u>3,202,052</u>	<u>(2,219,958)</u>	<u>(9,128,400)</u>
<b>Non-Operating Grants, Subsidies, Contributions</b>				
Governance		323,524	-	70,000
Law, Order, Public Safety		-	370,000	504,403
Education & Welfare		18,182	-	-
Recreation & Culture		11,590,426	21,537,599	2,363,337
Transport		8,374,323	20,441,000	7,595,243
Economic Services		-	-	12,563
Other Property & Services		490,000	-	1,055,300
	30	<u>20,796,455</u>	<u>42,348,599</u>	<u>11,600,846</u>

## City of Greater Geraldton

Statement of Comprehensive Income (by Program) (continued)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Profit/(Loss) on Disposal of Assets</b>				
Transport		(40,035)	-	-
Other Property & Services		1,296,665	72,114	(212,699)
	21	<u>1,256,630</u>	<u>72,114</u>	<u>(212,699)</u>
<b>Other Income</b>				
Fair Value Adjustments to Financial Assets at Fair Value through Profit & Loss		10,532	-	326,046
	2(a)	<u>10,532</u>	<u>-</u>	<u>326,046</u>
<b>Net Result - Surplus (Deficit)</b>		<u><u>25,265,670</u></u>	<u><u>40,200,755</u></u>	<u><u>2,585,793</u></u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets		(8,254,737)	-	1,951,512
	13	<u>(8,254,737)</u>	<u>-</u>	<u>1,951,512</u>
<b>Total Comprehensive Income</b>		<u><u>17,010,933</u></u>	<u><u>40,200,755</u></u>	<u><u>4,537,305</u></u>

<sup>(1)</sup> Allowing for or not factoring in the prepayment of Financial Assistance Grants for 2017-18 (\$3,056,917), Council Operating Result from Continuing Operations would amount to a surplus of \$145,135.

## City of Greater Geraldton

## Statement of Financial Position

as at 30 June 2017

\$	Notes	2017 Actual	2016 Actual
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	41,963,290	38,100,578
Trade and Other Receivables	5	12,506,007	5,772,216
Inventories	6	644,374	459,643
<b>Total Current Assets</b>		<b><u>55,113,672</u></b>	<b><u>44,332,436</u></b>
<b>Non-Current Assets</b>			
Trade and Other Receivables	5	590,489	599,772
Property, Plant and Equipment	7	199,122,384	207,447,278
Infrastructure	8	660,592,501	655,070,354
<b>Total Non-Current Assets</b>		<b><u>860,305,374</u></b>	<b><u>863,117,404</u></b>
<b>TOTAL ASSETS</b>	19	<b><u>915,419,045</u></b>	<b><u>907,449,840</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	9	17,109,642	27,078,812
Borrowings	10	3,978,382	3,748,422
Provisions	11	4,613,446	4,439,473
<b>Total Current Liabilities</b>		<b><u>25,701,470</u></b>	<b><u>35,266,706</u></b>
<b>Non-Current Liabilities</b>			
Borrowings	10	23,871,942	24,151,530
Provisions	11	10,337,664	9,534,568
<b>Total Non-Current Liabilities</b>		<b><u>34,209,606</u></b>	<b><u>33,686,098</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>59,911,076</u></b>	<b><u>68,952,804</u></b>
<b>Net Assets</b>		<b><u>855,507,969</u></b>	<b><u>838,497,036</u></b>
<b>EQUITY</b>			
Retained Surplus		334,722,057	321,447,119
Reserves - Cash/Investment Backed	12	22,318,463	10,327,731
Reserves - Asset Revaluation	13	498,467,449	506,722,186
<b>Total Equity</b>		<b><u>855,507,969</u></b>	<b><u>838,497,036</u></b>



## City of Greater Geraldton

Statement of Changes in Equity  
for the year ended 30 June 2017

\$	Notes	Retained Surplus	Reserves Cash / Investment Backed	Asset Revaluation Reserve	Total Equity
Balance as at 1 July 2015		312,372,156	16,816,902	504,770,674	<b>833,959,732</b>
Net Result		2,585,793	-	-	<b>2,585,793</b>
Total OCI / Asset Revaluation	13	-	-	1,951,512	<b>1,951,512</b>
Reserve Transfers	12	6,489,170	(6,489,170)	-	-
<b>Balance as at 30 June 2016</b>		<b>321,447,119</b>	<b>10,327,731</b>	<b>506,722,186</b>	<b>838,497,036</b>
Net Result		25,265,670	-	-	<b>25,265,670</b>
Total OCI / Asset Revaluation	13	-	-	(8,254,737)	<b>(8,254,737)</b>
Reserve Transfers	12	(11,990,732)	11,990,732	-	-
<b>Balance as at 30 June 2017</b>		<b>334,722,057</b>	<b>22,318,463</b>	<b>498,467,449</b>	<b>855,507,969</b>

## City of Greater Geraldton

## Statement of Cash Flows

for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
Rates		42,258,721	42,994,387	40,985,351
Operating Grants, Subsidies and Contributions		9,258,056	8,304,039	6,701,460
Fees and Charges		18,901,842	20,812,260	20,759,782
Interest Earnings		1,595,448	1,368,991	1,439,615
Goods and Services Tax		-	-	183,341
Other Revenue		817,176	723,696	1,074,512
		<u>72,831,244</u>	<u>74,203,373</u>	<u>71,144,061</u>
<b>Payments:</b>				
Employee Costs		(26,086,117)	(27,168,304)	(27,832,427)
Materials and Contracts		(21,674,631)	(21,842,259)	(20,938,231)
Utilities		(3,119,733)	(3,368,899)	(3,053,752)
Insurance		(753,065)	(893,510)	(778,377)
Interest		(1,176,825)	(1,154,735)	(1,019,904)
Goods and Services Tax		(256,696)	-	-
Other Expenditure		(2,456,288)	(1,269,499)	(2,384,475)
		<u>(55,523,355)</u>	<u>(55,697,206)</u>	<u>(56,007,166)</u>
<b>Net Cash provided (or used in) Operating Activities</b>	14(b)	<u>17,307,889</u>	<u>18,506,167</u>	<u>15,136,895</u>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
Non-Operating Grants, Subsidies and Contributions	30	20,796,455	42,348,599	11,600,846
Proceeds from Sale of Assets	21	3,329,611	3,773,400	1,031,143
Unexpended Non-Operating Grants		-	-	7,140,673
Proceeds from Investments	4	10,532	-	592,287
<b>Payments:</b>				
Payments for Land Acquisitions		-	(3,150,000)	-
Payments for Purchase of Property, Plant & Equipment	20	(22,118,048)	(6,415,546)	(14,191,446)
Payments for Construction of Infrastructure	20	(5,883,445)	(68,796,028)	(21,902,718)
Unexpended Non-Operating Grants		(9,617,279)	-	-
<b>Net Cash provided (or used in) Investing Activities</b>		<u>(13,482,174)</u>	<u>(32,239,575)</u>	<u>(15,729,214)</u>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
Proceeds from Self Supporting Loans	23(a)	86,625	86,625	81,748
Proceeds from New Loans	23(b)	3,700,000	17,600,000	8,806,000
Proceeds from Council Loans	5	-	-	37,629
<b>Payments:</b>				
Repayment of Debentures	23(a)	(3,749,628)	(3,749,553)	(3,034,463)
<b>Net Cash provided (or used in) Financing Activities</b>		<u>36,997</u>	<u>13,937,072</u>	<u>5,890,914</u>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		3,862,712	203,664	5,298,594
Cash at the beginning of the year	3	38,100,578	13,493,819	32,801,983
<b>Cash &amp; Cash Equivalents - End of the Year</b>	14(a)	<u>41,963,290</u>	<u>13,697,483</u>	<u>38,100,578</u>

## City of Greater Geraldton

### Rate Setting Statement (by Nature) for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Revenue</b>				
Operating Grants, Subsidies & Contributions		12,141,271	8,304,039	6,701,460
Fees & Charges		21,929,775	20,812,260	20,409,467
Interest Earnings		1,686,843	1,369,558	1,433,514
Profit on Disposal of Assets		1,296,665	122,452	2,757
Other Revenue		812,566	690,217	1,321,900
		<u>37,867,120</u>	<u>31,298,526</u>	<u>29,869,098</u>
<b>Expenses</b>				
Employee Costs		(26,416,916)	(27,053,679)	(27,897,929)
Materials & Contracts		(21,004,487)	(21,700,389)	(22,903,740)
Utilities		(3,119,733)	(3,368,899)	(3,053,752)
Depreciation & Amortisation		(21,296,897)	(20,979,104)	(22,567,669)
Interest Expenses		(1,167,479)	(1,154,735)	(1,042,382)
Insurance		(753,065)	(893,510)	(778,377)
Loss on Disposal of Assets		(40,035)	(50,338)	(215,455)
Other Expenditure		(2,425,053)	(1,269,499)	(2,041,636)
		<u>(76,223,665)</u>	<u>(76,470,153)</u>	<u>(80,500,940)</u>
<b>Net Result Excluding Rates</b>		<u>(38,356,544)</u>	<u>(45,171,627)</u>	<u>(50,631,842)</u>
<b>Adjustment for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure &amp; Revenue</b>				
(Profit)/Loss on Asset Disposal	21	(1,256,630)	(72,114)	212,699
Movement in Non-Current Deferred Pensioner Rates		-	-	77,399
Movement in Non-Current Employee Benefit Provisions		-	-	27,398
Movement in Self Supporting Loan Debtors		-	-	(86,741)
Depreciation & Amortisation on Assets	2(a)	21,296,897	20,979,104	22,567,669
Movement of Non-Current Creditors & Provisions		-	-	(69,250)
Other Non-Cash (Revenue)/Expenditure		(51,337)	18,160	193,743
<b>Net Non-Cash Expenditure &amp; Revenue</b>		<u>19,988,930</u>	<u>20,925,150</u>	<u>22,922,915</u>
<b>Capital Expenditure</b>				
Purchase Land and Buildings	20	(3,464,990)	(6,567,846)	(11,726,888)
Purchase Plant and Equipment	20	(1,713,499)	(2,068,000)	(2,183,495)
Purchase Furniture and Equipment	20	(631,707)	(737,700)	(281,064)
Purchase of Other PP&E	20	(33,250)	(20,000)	-
Infrastructure Assets	20	(22,158,048)	(68,968,028)	(21,902,718)
Repayment of Debentures	23(a)	(3,749,628)	(3,749,553)	(3,034,460)
<b>Net Capital Expenditure</b>		<u>(31,751,122)</u>	<u>(82,111,127)</u>	<u>(39,128,625)</u>

## City of Greater Geraldton

Rate Setting Statement (by Nature) (continued)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Capital Revenue</b>				
Proceeds from Disposal of Assets	21	3,329,612	3,773,400	1,031,143
Proceeds from New Debentures	23(b)	3,700,000	17,600,000	8,806,000
Self-Supporting Loan Principal Income	23(a)	86,625	86,625	81,748
Council Loan Principal Income	5	-	-	37,629
Non-Operating Grants, Subsidies and Contributions	30	20,796,455	42,348,599	11,600,846
<b>Net Capital Revenue</b>		<u>27,912,692</u>	<u>63,808,624</u>	<u>21,557,366</u>
<b>Transfers</b>				
Transfers to Reserves (Restricted Assets)	12	(14,946,492)	-	(5,168,900)
Transfers from Reserves (Restricted Assets)	12	2,955,760	2,009,041	11,658,070
<b>Net Transfers</b>		<u>(11,990,732)</u>	<u>2,009,041</u>	<u>6,489,170</u>
Surplus/(Deficit) July 1 B/Fwd	24(b)	2,367,045	922,160	(132,682)
Surplus/(Deficit) June 30 C/Fwd	24(b)	10,985,495	3,406,004	2,367,045
<b>Amount Raised from Rates</b>	24(a)	<u>(42,815,227)</u>	<u>(43,023,783)</u>	<u>(41,290,743)</u>

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

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## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (a) Basis of preparation

The financial report is a general-purpose financial statement, which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other authoritative pronouncements of the Australian Standards Board, *Local Government Act 1995* and accompanying regulations. The report has also been prepared on the accrual basis under the convention of historical cost accounting modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

##### Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

##### *Restoration and rehabilitation provision*

The Council's accounting policy for the recognition of restoration and rehabilitation provisions requires significant estimates including the magnitude of possible works required for the removal of infrastructure and of rehabilitation works, future cost of performing the work, the inflation and discount rates and the timing of cash flows. These uncertainties may result in future actual expenditure differing from the amounts currently provided. When these factors change or become known in the future, such differences will impact the landfill rehabilitation

provision in the period in which they change or become known.

##### (b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report. In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated. All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 18 to this financial report.

##### (c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

##### (d) Cash and Cash Equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

##### (e) Trade and Other Receivables

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

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (f) Inventories

###### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the established selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

###### (ii) Land Held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding contract of sale. Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

##### (g) Fixed Assets

###### Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour, variable, and fixed overheads.

##### Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

##### Land under Roads

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

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

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



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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

##### (h) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

All Land and Art purchases are capitalised. The remaining asset classes will be capitalised if the cost exceeds the following thresholds:

Buildings	\$5,000
Plant, Equipment & Tools	\$2,000
Furniture & Equipment	\$2,000
Computer & Electronic Equipment	\$2,000

Individual items of a similar nature purchased in bulk having an aggregate value of \$ 5,000 or more are capitalized as a fixed asset at the aggregate cost regardless of the individual price of the item.

Depreciation is recognised on a straight-line basis, using rates, which are reviewed each reporting period. Major depreciation periods are:

Land	Infinite
Land (Leasehold Interest)	99 years
Airport - Runway, Apron & Car Park	20 to 40 years
Buildings	
Short Useful Life component	8 to 149 years
Long Useful Life component	20 to 260 years
Furniture & Equipment	7 to 13 years
Plant and Major Equipment	5 to 10 years
Minor Plant	3 to 7 years
Sealed Roads and Streets	20 to 50 years
Bridges	60 to 90 years

Car Parks Sealed	20 to 40 years
Culverts	40 to 60 years
Cycle ways	25 to 45 years
Dams, Reservoirs and Weirs	65 to 85 years
Footpaths - Slab	15 to 35 years
Footpaths - Concrete	25 to 45 years
Foundations	40 to 60 years
Kerb & Channels	40 to 60 years
Street Lights	20 to 30 years
Sewerage Piping	70 to 90 years
Water Reticulation/Irrigation	15 to 25 years
Meru Landfill	35 to 40 years
Effluent Scheme	35 to 40 years

The assets residual value and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

##### (i) Financial Instruments

###### Initial Recognition and Measurement

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

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

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Classification and Subsequent Measurement

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

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

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

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

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

##### (v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

##### Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

determine whether impairment has arisen. Impairment losses recognised in the Statement of Comprehensive Income.

##### (j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

##### (k) Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

##### (l) Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The

corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

##### (m) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are tested annually for impairment. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with *AASB 136 Impairment of Assets* and appropriate adjustments made. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

For non-cash generating assets of the Council such as roads, drains, public buildings and the like, value in use is represented by the asset's written down replacement cost.

##### (n) Trade and Other Payables

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

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (o) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid of the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

##### (p) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

###### **Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)**

The provision for employees' benefits wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employee's services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

###### **Long Service Leave (Long-term Benefits)**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels,

experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows.

Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

##### (q) Superannuation

The Council contributes to a number of Superannuation Funds on behalf of their employees. Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (r) Joint Venture

The municipality's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the Statement of Financial Position and Statement of Comprehensive Income. Information about the joint venture is set out in Note 17.

##### (s) Rates, Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed at Note 2(d). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operation cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on the Council's intentions to release for sale.

##### (u) Rounding Off Figures

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

##### (v) Comparative Figures

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### (w) Budget Comparative Figures

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

##### (x) Investment Property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields. Investment property is carried at fair value, representing open-market value determined annually by external users.

##### (y) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (z) Intangible Assets

Council has not classified any assets as Intangible.

##### (aa) Adoption of New and Revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

The City of Greater Geraldton has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

This year Council has applied AASB 124 Related Party Disclosures for the first time. As a result, Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 44.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

##### Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*

- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*

- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

##### Effective for annual reporting periods beginning on or after 13 February 2017

- AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

##### Effective for annual reporting periods beginning on or after 13 December 2017

- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

##### Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*AASB 1057 *Application of Australian Accounting Standards*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

#### **Effective for annual reporting periods beginning on or after 1 January 2019**

- AASB 16 *Leases*
- AASB 16 *Leases (Appendix D)*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*



## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>(a) Net Result</b>				
The Result includes:				
<b>(i) Charging as an Expense:</b>				
<b>Significant Expense/Revenue</b>				
reduction in the fair value of the Council's investments	4	(10,532)	-	(326,046)
<b>Auditors Remuneration</b>				
- Audit		40,980	45,000	44,441
- Other Services		58,181	-	29,960
<b>Bad &amp; Doubtful Debts</b>				
Rates	27(c)	22,195	-	80,334
General Debtors	27(c)	4,401	-	74,530
<b>Depreciation &amp; Amortisation</b>				
<i>Property, Plant &amp; Equipment</i>				
- Buildings	7(b)	1,820,675	1,791,295	3,071,695
- Furniture and Equipment		357,144	442,706	390,086
- Plant and Equipment		1,706,944	1,763,161	2,218,542
<i>Infrastructure</i>				
- Roads	8(b)	15,310,224	15,035,152	14,919,685
- Recreation		684,936	574,219	592,464
- Car Parks		452,507	-	437,953
- Meru Landfill		365,265	355,547	354,176
- Airport		590,776	1,017,024	575,103
- Effluent Scheme		8,428	-	7,966
		<u>21,296,897</u>	<u>20,979,104</u>	<u>22,567,669</u>
<b>Interest Expenses (Finance Costs)</b>				
Debentures	23(a)	1,167,479	1,154,735	1,042,382
		<u>1,167,479</u>	<u>1,154,735</u>	<u>1,042,382</u>
<b>Rental Charges</b>				
- Operating Leases		73,776	-	73,504
		<u>73,776</u>	<u>-</u>	<u>73,504</u>
<b>(ii) Crediting as Revenue:</b>				
<b>Interest Earnings</b>				
Investments - Reserve Funds		259,041	790,500	438,880
Investments - Other Funds		779,947	17,058	328,885
Other Interest Revenue	28	647,855	562,000	665,749
		<u>1,686,843</u>	<u>1,369,558</u>	<u>1,433,514</u>

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 2. Operating Revenues and Expenses (continued)

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#### (b). Statement of Objectives, Reporting Programs and Nature or Type

City of Greater Geraldton is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

#### **REPORTING PROGRAM DESCRIPTIONS**

Council operations that are disclosed encompass the following service orientated activities/programs:

#### **GOVERNANCE**

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

Activities: Includes the activities of members of council and the administrative support available to the council for the provision of governance to the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

#### **GENERAL PURPOSE FUNDING**

Objective: To collect revenue to allow for the provision of services.

Activities: Rates, general purpose government grants, and interest revenue.

#### **LAW, ORDER, PUBLIC SAFETY**

Objective: To provide services to help ensure a safer and environmentally conscious community.

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

#### **HEALTH**

Objective: To provide services to achieve community and environmental health.

Activities: Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.

#### **EDUCATION AND WELFARE**

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

Activities: Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 2. Operating Revenues and Expenses (continued)

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##### (b). Statement of Objectives, Reporting Programs and Nature or Type (continued)

#### **HOUSING**

Objective: To provide and maintain staff housing and elderly residents' housing.

Activities: Provision and maintenance of staff housing and elderly residents' housing.

#### **COMMUNITY AMENITIES**

Objective: To provide services required by the community.

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

#### **RECREATION AND CULTURE**

Objective: To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.

Activities: Maintenance of public halls, civic centre, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

#### **TRANSPORT**

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

Activities: Construction (if not capitalised) and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control. Aerodromes and water transport facilities, cleaning of streets and maintenance of street trees, street lighting etc.

#### **ECONOMIC SERVICES**

Objective: To help promote the City and its economic wellbeing.

Activities: Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control, standpipes and building control.

#### **OTHER PROPERTY & SERVICES**

Objective: To monitor and control council's overheads operating accounts.

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

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 2. Operating Revenues and Expenses (continued)

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##### (c) Nature or Type Classifications

City of Greater Geraldton is required by the Australian Accounting Standards to disclose revenue and expenditure according to its nature or type classification. The following nature or function descriptions are also required by State Government regulations.

##### **REVENUE**

###### **Rates**

All rates levied under the Local Government Act 1995. Includes general, differential, specific area rates, minimum rates, interim rates, back rates, ex-gratia rates, less discounts offered. Excludes administration fees, interest on instalments, interest on arrears, service charges and waste and sewerage rates.

###### **Operating Grants, Subsidies and Contributions**

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

###### **Non-Operating Grants, Subsidies and Contributions**

Amounts received specifically for the acquisition, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

###### **Profit on Asset Disposal**

Profit on the disposal of assets including gains on the disposal of long term investments. Losses are disclosed under the expenditure classifications.

###### **Fees and Charges**

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

###### **Service Charges**

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations identifies the charges which can be raised. These are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. Excludes rubbish removal and charges for the provision of waste services.

###### **Interest Earnings**

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

###### **Other Revenue**

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates, etc.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 2. Operating Revenues and Expenses (continued)

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##### (c) Nature or Type Classifications (continued)

#### EXPENDITURE

##### Employee Costs

All costs associated with the employment of persons such as salaries, wages, allowances, benefits such as vehicle and housing, superannuation, employment expenses, removal expenses, relocation expenses, worker's compensation insurance, training costs, conferences, safety expenses, medical examinations, fringe benefits tax etc.

##### Material and Contracts

All expenditure on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight etc.

##### Utilities (Gas, Electricity, Water, etc.)

Expenditures made to respective agencies for the provision of power, gas or water. Excludes expenditure incurred for the re-instatement of road works on behalf of these agencies.

##### Depreciation & Amortisation on Non-Current Assets

Depreciation and amortisation expense raised on all classes of assets.

##### Loss on Asset Disposal

Loss on the disposal of fixed assets.

##### Interest Expenses

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and re-financing expenses.

##### Insurance

All insurance other than worker's compensation and health benefit insurance included as a cost of employment.

##### Other Expenditure

Statutory fees, taxes, provision of bad debts, internal transfers, allocated cost.

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 1-Jul-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance <sup>1</sup> 30-Jun-16	Received <sup>2</sup> 2017	Expended <sup>3</sup> 2017	Closing Balance 30-Jun-17
\$							
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions</b>							
<b>Grant/Subsidy/Contribution</b>							
Abraham Street Roundabout	-	719,887	-	<b>719,887</b>	-	(719,887)	-
Airport Projects	632,375	116,245	(413,141)	<b>335,479</b>	185,513	(204,350)	<b>316,642</b>
Airport Security Screening & Baggage Handling	-	140,000	-	<b>140,000</b>	-	(76,600)	<b>63,400</b>
Aquarena Renewal Program	-	-	-	-	110,000	-	<b>110,000</b>
Art Gallery- Donation to Lindsay Collection	12,901	-	-	<b>12,901</b>	-	-	<b>12,901</b>
Art Gallery- Community Cultural Development	3,454	-	-	<b>3,454</b>	-	-	<b>3,454</b>
Artwork Acquisitions	-	20,000	-	<b>20,000</b>	-	(13,250)	<b>6,750</b>
Back Beach	40,000	-	(40,000)	-	-	-	-
Beresford Foreshore (Northern Beaches Seawall)	77,106	-	(77,106)	-	-	-	-
Bridgid Road New Access	-	80,000	-	<b>80,000</b>	-	(80,000)	-
Bright Stars Family Day Care	-	15,000	-	<b>15,000</b>	-	(15,000)	-
Building Better Regional Cities	4,758,812	-	(4,758,812)	-	-	-	-
Bushfire Brigade Maintenance	-	7,000	-	<b>7,000</b>	-	(7,000)	-
Call Centre Service	-	-	-	-	70,000	-	<b>70,000</b>
Carpark Works	-	-	-	-	35,000	-	<b>35,000</b>
Caring for Bimarras Pools - Stage 1 - Greenough River	-	20,536	-	<b>20,536</b>	-	(9,000)	<b>11,536</b>
Cathedral Avenue Footpath	-	24,444	-	<b>24,444</b>	-	(24,444)	-
CBD Gardens Parkway Seats	-	26,580	-	<b>26,580</b>	-	(26,580)	-
CCTV Systems	-	3,000	-	<b>3,000</b>	-	(3,000)	-
Cell 3	-	60,000	-	<b>60,000</b>	-	(60,000)	-
Chapman & Greenough River Flood Project	-	125,000	-	<b>125,000</b>	75,000	-	<b>200,000</b>
Chapman River Corridor Project - 13001	5,000	-	(5,000)	-	-	-	-
Chapman River Corridor Capital Works	-	-	-	-	50,000	-	<b>50,000</b>
Chapman River Regional Park CARE Project - Stage 3	-	20,065	-	<b>20,065</b>	-	(20,065)	-

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 1-Jul-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance <sup>1</sup> 30-Jun-16	Received <sup>2</sup> 2017	Expended <sup>3</sup> 2017	Closing Balance 30-Jun-17
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
<b>Grant/Subsidy/Contribution (continued)</b>							
Chapman Road Footpath	-	26,582	-	<b>26,582</b>	-	(26,582)	-
Chapman Road Foreshore	-	1,552,947	-	<b>1,552,947</b>	6,803,670	-	<b>8,356,617</b>
Chapman Wildlife Corridor CARE Stage 2	-	12,100	-	<b>12,100</b>	-	-	<b>12,100</b>
CHRMAP Project	-	-	-	-	137,500	-	<b>137,500</b>
CLGF Regional Funding - Wonthella Lights	229,141	-	(229,141)	-	-	-	-
Community Grants Round 10	2,735	-	(2,735)	-	-	-	-
Community Grants Round 13	7,393	-	(5,250)	<b>2,143</b>	-	(2,143)	-
Community Grants Round 14	35,176	-	(32,119)	<b>3,057</b>	-	(3,057)	-
Community Grants Round 15	12,901	-	(10,101)	<b>2,800</b>	-	(2,800)	-
Community Grants Round 16	23,195	-	(16,932)	<b>6,263</b>	-	(2,800)	<b>3,463</b>
Community Grants Round 17	-	19,417	-	<b>19,417</b>	600	(15,287)	<b>4,730</b>
Community Grants Round 18	-	-	-	-	28,069	-	<b>28,069</b>
Community Nursery - New Shed	-	-	-	-	120,000	-	<b>120,000</b>
CSRFF - Netball Association	48,659	-	(48,659)	-	-	-	-
Depot Main	80,410	-	(80,410)	-	-	-	-
Derna Parade Toilet	-	-	-	-	200,000	-	<b>200,000</b>
Detailed Mountain Bike Plan - Chapman Valley Wildlife Corridor Project	-	12,736	-	<b>12,736</b>	-	(12,736)	-
Drainage Works	180,847	-	-	<b>180,847</b>	290,000	-	<b>470,847</b>
Dual Use Pathways- Bikewest (Champion Bay)	7,000	-	-	<b>7,000</b>	-	-	<b>7,000</b>
Eastern Breakwater	130,000	-	-	<b>130,000</b>	-	-	<b>130,000</b>
Eastward Road (Old Depot Site)	-	-	-	-	1,836,655	-	<b>1,836,655</b>
Ellendale Pool Honesty Box	26,776	-	-	<b>26,776</b>	-	(13,045)	<b>13,731</b>

(continued on next page)



## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 1-Jul-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance <sup>1</sup> 30-Jun-16	Received <sup>2</sup> 2017	Expended <sup>3</sup> 2017	Closing Balance 30-Jun-17
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
<b>Grant/Subsidy/Contribution (continued)</b>							
Environmental Projects - Signage	50,000	-	-	<b>50,000</b>	-	-	<b>50,000</b>
Financial Assistance Grants	2,965,584	-	(2,965,584)	-	-	-	-
Feasibility Geraldton Laser Light Project	-	40,000	-	<b>40,000</b>	-	(40,000)	-
Fitzgerald Street Footpath	-	24,159	-	<b>24,159</b>	-	(24,159)	-
Fleet Replacement	430,000	371,250	-	<b>801,250</b>	150,000	-	<b>951,250</b>
Foreshore Stabilisation	806,661	-	-	<b>806,661</b>	-	(258,238)	<b>548,423</b>
Furniture & Equipment	-	-	-	-	50,000	-	<b>50,000</b>
Geraldton Regional Visitor Centre Sustainability Grant - Signage	-	-	-	-	6,528	-	<b>6,528</b>
Glendinning Road Foreshore Bollards	-	19,435	-	<b>19,435</b>	-	(19,435)	-
Grave Restoration Works Greenough Pioneer/Old Walkaway Cemetery	-	-	-	-	22,567	-	<b>22,567</b>
Greater Geraldton Rural Art Tour	-	13,050	-	<b>13,050</b>	-	(13,050)	-
Green Army Programme	-	10,000	-	<b>10,000</b>	-	-	<b>10,000</b>
Greenough River Estuary Nature Walk Trail - Stage 1	-	23,296	-	<b>23,296</b>	-	(19,030)	<b>4,266</b>
Groundwater Monitoring Bore - Meru Landfill	-	39,935	-	<b>39,935</b>	-	(39,935)	-
HMAS Memorial	9,204	-	-	<b>9,204</b>	-	-	<b>9,204</b>
Implementation of the Chapman River Estuary Management Plan	-	22,248	-	<b>22,248</b>	-	(17,364)	<b>4,884</b>
IT Projects/Equipment	-	27,000	-	<b>27,000</b>	225,000	(27,000)	<b>225,000</b>
Kerbing Renewals	-	-	-	-	150,000	-	<b>150,000</b>
KidSport	-	-	-	-	16,562	-	<b>16,562</b>
Land Developments	-	-	-	-	385,000	-	<b>385,000</b>
Library Regional Activity Plan	2,290	-	-	<b>2,290</b>	19,132	-	<b>21,422</b>
Library SirsiDynix Project	-	-	-	-	2,900	-	<b>2,900</b>
Lighting Renewal	-	126,799	-	<b>126,799</b>	573,201	-	<b>700,000</b>

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 1-Jul-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance <sup>1</sup> 30-Jun-16	Received <sup>2</sup> 2017	Expended <sup>3</sup> 2017	Closing Balance 30-Jun-17
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
<b>Grant/Subsidy/Contribution (continued)</b>							
Lighting Up Lester Avenue	-	19,970	-	<b>19,970</b>	-	(19,516)	<b>454</b>
Local Planning Strategy and Scheme	37,476	-	(37,476)	-	-	-	-
Local Profile and Context Report Northern Planning Program	-	80,000	-	<b>80,000</b>	-	-	<b>80,000</b>
Mahomets Beach Bollards	-	9,438	-	<b>9,438</b>	-	(9,438)	-
Menshed Community Grants Round 13 and 14 for new building	-	-	-	-	41,897	-	<b>41,897</b>
Meru Landfill	150,000	-	-	<b>150,000</b>	60,000	-	<b>210,000</b>
Mid West Gascoyne District Recovery Project	90,000	-	(81,402)	<b>8,598</b>	-	-	<b>8,598</b>
Mid West China Connect Website	39,150	-	(31,200)	<b>7,950</b>	35,600	-	<b>43,550</b>
Mid West Estuaries - Creating Corridors for Wildlife - Project 1	-	9,091	-	<b>9,091</b>	-	(9,091)	-
Mid West Estuaries - Creating Corridors for Wildlife (Round 2)	-	59,500	-	<b>59,500</b>	-	(59,500)	-
Morris Street Sump (a/c 7090113)	111,000	-	(83,655)	<b>27,345</b>	-	(27,345)	-
Mullewa Building - Insurance Payment	450,000	-	-	<b>450,000</b>	-	-	<b>450,000</b>
Mullewa Community Trust	1,000	-	(1,000)	-	-	-	-
Mullewa Community Projects	40,000	-	-	<b>40,000</b>	-	-	<b>40,000</b>
Mullewa Landfill Transfer Station	-	504,000	-	<b>504,000</b>	-	(504,000)	-
Mullewa Sewerage System (CLGF Direct 2011-12)	55,000	-	(55,000)	-	-	-	-
Mullewa Sewerage Pumping Mains	-	13,000	-	<b>13,000</b>	87,000	-	<b>100,000</b>
Mullewa Sewer System - Brookfield Rail	49,450	-	-	<b>49,450</b>	-	-	<b>49,450</b>
Mullewa Youth Precinct	-	23,000	-	<b>23,000</b>	-	(23,000)	-
NACC Biodiversity Grant	-	11,000	-	<b>11,000</b>	-	-	<b>11,000</b>
National Tree Day	-	485	-	<b>485</b>	-	-	<b>485</b>

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 1-Jul-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance <sup>1</sup> 30-Jun-16	Received <sup>2</sup> 2017	Expended <sup>3</sup> 2017	Closing Balance 30-Jun-17
\$							
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>							
<b>Grant/Subsidy/Contribution (continued)</b>							
New Animal Facility Design	50,000	-	-	<b>50,000</b>	-	(50,000)	-
Olympic Torch Relay	2,821	-	-	<b>2,821</b>	-	(2,821)	-
Olive Street POS	-	-	-	-	1,456,927	-	<b>1,456,927</b>
Park Renewals	-	-	-	-	390,000	-	<b>390,000</b>
Pathway Renewals	-	-	-	-	400,000	-	<b>400,000</b>
Public Arts Initiatives	-	-	-	-	40,000	-	<b>40,000</b>
QPT Line Array System	100,060	-	(100,060)	-	-	-	-
QPT New Building	-	59,680	-	<b>59,680</b>	-	(59,680)	-
QPT Renewal	-	28,615	-	<b>28,615</b>	-	(28,615)	-
Parking Facilities Replace Modems	-	11,400	-	<b>11,400</b>	-	-	<b>11,400</b>
Point Moore Study	-	86,000	-	<b>86,000</b>	-	(86,000)	-
Randolf Stow Young Writers Awards	1,625	2,773	(1,625)	<b>2,773</b>	1,100	(2,773)	<b>1,100</b>
Recurrent Grants	54,680	-	(53,380)	<b>1,300</b>	-	(1,300)	-
Regional Venues Improvement Funds - QPT	-	9,013	-	<b>9,013</b>	-	(9,013)	-
Restoring the Chapman & Greenough - Estuaries of the Mid West - Stage 2 (Project 1)	-	10,000	-	<b>10,000</b>	-	-	<b>10,000</b>
Restoring the Chapman & Greenough - Estuaries of the Mid West - Stage 2 (Project 2)	-	9,091	-	<b>9,091</b>	-	-	<b>9,091</b>
Retention Amounts (EVO, Convic and Mitchell & Brown, WACB & RDH)	32,209	40,034	-	<b>72,243</b>	76,818	-	<b>149,061</b>
Road Renewals	-	-	-	-	530,000	-	<b>530,000</b>
RoadWise - Strengthening Communities	-	4,452	-	<b>4,452</b>	-	-	<b>4,452</b>
Roadwise Safe Routes To Schools - Bike Map	367	-	-	<b>367</b>	-	-	<b>367</b>

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 1-Jul-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance <sup>1</sup> 30-Jun-16	Received <sup>2</sup> 2017	Expended <sup>3</sup> 2017	Closing Balance 30-Jun-17
\$							
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>							
<b>Grant/Subsidy/Contribution (continued)</b>							
Roadwise Safe Routes To Schools- Surplus	689	-	-	689	-	-	689
Roadwise Committee One Year Action Plan	-	-	-	-	4,619	-	4,619
Rundle Park Bollards	-	9,993	-	9,993	-	(9,993)	-
Stillwater Ave Asphalt Overlay	-	14,573	-	14,573	-	(14,573)	-
RV Waste Dump Point	-	106,928	-	106,928	-	(106,928)	-
Seniors User-Friendly Business Program	-	-	-	-	9,000	-	9,000
South Tomi Project	8,000	-	-	8,000	-	-	8,000
Sport & Leisure Renewals	-	-	-	-	220,000	-	220,000
State Emergency Services	-	-	-	-	22,786	-	22,786
Sumfun	2,635	-	(2,635)	-	-	-	-
Town Foreshore Playground Softfall	-	22,760	-	22,760	-	(22,760)	-
Verita Road Bridge	-	201,816	-	201,816	-	-	201,816
Walkaway Recreation Centre Roof Upgrade	-	-	-	-	25,000	-	25,000
West End Recreation	1,914,523	67,355	(1,914,523)	67,355	-	(67,355)	-
Whitfield Street Asphalt Overlay	-	11,050	-	11,050	-	(11,050)	-
Wonthella Football Oval - Carpark Linemarking	-	25,172	-	25,172	-	(25,172)	-
Wonthella Skate Park	54,734	-	(54,734)	-	-	-	-
Youth Development Program	-	-	-	-	2,848	-	2,848
Youth Friendly Communities Project - Stage 2	10,000	-	-	10,000	-	(10,000)	-
<b>Total Unexpended Capital Works and Grants</b>	<b>13,833,039</b>	<b>5,168,900</b>	<b>(11,101,680)</b>	<b>7,900,259</b>	<b>14,946,492</b>	<b>(2,955,760)</b>	<b>19,890,991</b>
Beresford Foreshore Coastal Protection and Enhancement <sup>(5)</sup>	5,857,500	13,179,702	(1,708,242)	17,328,960	-	(8,336,766)	8,992,194
Building Better Regional Cities: Karloo - Wandina Project <sup>(5)</sup>	4,962,300	208,074	(4,492,300)	678,074	-	(678,074)	-
Wonthella Oval Lighting <sup>(5)</sup>	649,000	12,440	(59,000)	602,440	-	(602,440)	-
<b>Total Unspent Grants, Subsidies &amp; Contributions (WATC)</b>	<b>11,468,800</b>	<b>13,400,215</b>	<b>(6,259,542)</b>	<b>18,609,473</b>	<b>-</b>	<b>(9,617,279)</b>	<b>8,992,194</b>

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 2. Operating Revenues and Expenses (continued)

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\$

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##### (d). Conditions Over Grants, Subsidies & Contributions (continued)

###### Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous period.
- (2) - New grants/contributions which were recognised as revenue during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenue in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.
- (4) - Grants received but not expected to be fully expended in the next financial year.
- (5) - Funding is provided under a Royalties for Region - Financial Assistance Agreement between the Department of Regional Development and the City of Greater Geraldton. The full amount of the Funding provided under this Agreement is required to be invested by the City of Greater Geraldton with the Western Australian Treasury Corporation (WATC) until expended as per agreed and approved budget. Under the conditions of the agreement the City has opened a separate Overnight Cash Deposit Facility (OCDF) that gives the City access to the funds at call. The Department of Regional Development is joint signatory to the WATC ODCF account related to the funding and all withdrawals/drawdowns will require the approved signatures of both the Department and the City before WATC will release the funds. Interest received on the ODCF is recognised as liability and added to the Unexpended Non-Operating Grants account to be utilised for the Project in accordance with the Financial Assistance Agreement.
- (6) - Economic Dependency  
A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed within the Statement of Comprehensive Income.

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Cash and Cash Equivalents

\$	Notes	2017 Actual	2016 Actual
Cash - Unrestricted		10,652,633	9,163,374
Cash - Restricted		31,310,657	28,937,204
<b>Total Cash and Cash Equivalents</b>	14(a)	<u><u>41,963,290</u></u>	<u><u>38,100,578</u></u>
<b>The following restrictions have been imposed by regulations or other externally imposed requirements:</b>			
Mullewa Reseal Reserve	12	1,891,285	1,891,285
Parking Land Reserve	12	536,187	536,187
Unexpended Capital Works & Restricted Grant Reserve	12	19,890,991	7,900,259
<b>Total Reserves</b>		<u><u>22,318,463</u></u>	<u><u>10,327,731</u></u>
Unspent Grants	2(d)	8,992,194	18,609,473
<b>Total Unspent Grants and Loans</b>		<u><u>8,992,194</u></u>	<u><u>18,609,473</u></u>
<b>Total Restricted Cash</b>		<u><u>31,310,657</u></u>	<u><u>28,937,204</u></u>

## Note 4. Investments

<b>Financial Assets at Fair Value through Profit and Loss</b>		<u>-</u>	<u>-</u>
<b>Movements in Financial Assets at Fair Value through Profit and Loss</b>			
<b>At beginning of the year</b>		-	266,241
Revaluation to Statement of Comprehensive Income	2(a)	10,532	326,046
Additions		-	-
Disposals		(10,532)	(592,287)
<b>At end of the year</b>		<u>-</u>	<u>-</u>
<b>Total Investments</b>		<u><u>-</u></u>	<u><u>-</u></u>

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 5. Trade &amp; Other Receivables

\$	Notes	2017 Actual	2016 Actual
<b>Current</b>			
Rates		3,830,487	3,335,668
Sundry Debtors		4,650,000	1,622,068
GST Net Position		544,607	287,911
Interest		55,266	19,137
Self Supporting Loan Debtors		71,087	86,741
Accrued Income		2,976,532	383,982
Prepayments		406,613	109,484
Provision for Doubtful Debts		(28,583)	(72,776)
<b>Total Current Trade &amp; Other Receivables</b>		<b><u>12,506,007</u></b>	<b><u>5,772,216</u></b>
<b>Non-Current</b>			
Rates Outstanding - Pensioners		422,302	360,615
Self Supporting Loan Debtors		168,188	239,158
<b>Total Non-Current Trade &amp; Other Receivables</b>		<b><u>590,489</u></b>	<b><u>599,772</u></b>

## Note 6. Inventories

<b>Current</b>			
Fuel and Materials		479,721	308,394
Resalable Merchandise		164,653	151,249
<b>Total Current Inventories</b>		<b><u>644,374</u></b>	<b><u>459,643</u></b>



## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7a. Property, Plant and Equipment

\$	Notes	2017 Actual	2016 Actual
Land - Fair Value		81,491,000	81,825,607
Land - Cost (Additions at fair value)		-	8,135,585
		<u>81,491,000</u>	<u>89,961,192</u>
Buildings - Fair Value		105,796,735	97,734,052
Buildings - Cost (Additions at fair value)		-	10,864,266
Less Accumulated Depreciation		-	(3,062,183)
		<u>105,796,735</u>	<u>105,536,134</u>
Furniture and Equipment - Fair Value		1,231,620	950,556
Furniture and Equipment - Cost (Additions at fair value)		631,707	281,064
Less Accumulated Depreciation		(383,935)	(26,791)
		<u>1,479,392</u>	<u>1,204,828</u>
Plant and Equipment - Fair Value		9,823,214	8,113,531
Plant and Equipment - Cost (Additions at fair value)		1,713,499	2,183,495
Less Accumulated Depreciation		(1,823,632)	(160,829)
		<u>9,713,081</u>	<u>10,136,197</u>
Artwork - Fair Value		608,926	608,926
Artwork - Cost (Additions at fair value)		33,250	-
Less Accumulated Depreciation		-	-
		<u>642,176</u>	<u>608,926</u>
<b>Total Property, Plant &amp; Equipment</b>	7(b)	<u><u>199,122,384</u></u>	<u><u>207,447,278</u></u>

## City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 7b. Property, Plant and Equipment (continued)

## Movements in Carrying Amounts

		Land	Buildings	Furniture and Equipment	Plant and Equipment	Artwork	Total
\$	Notes	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	
Balance as at 1 July 2016		89,961,192	105,536,134	1,204,828	10,136,197	608,926	207,447,278
Additions							
- Renewal	20	-	608,297	309,639	1,619,989	-	2,537,925
- New	20	1,792,105	1,064,588	322,068	93,510	33,250	3,305,521
Disposals	21	(1,599,170)	-	-	(473,811)	-	(2,072,981)
Revaluation - Increments	13	-	408,390	-	-	-	408,390
Revaluation - (Decrements)	13	(8,663,128)	-	-	-	-	(8,663,128)
Depreciation	2(a)	-	(1,820,675)	(357,144)	(1,706,944)	-	(3,884,762)
Depreciation on Disposal		-	-	-	44,140	-	44,140
<b>Property, Plant &amp; Equipment at 30 June 2017</b>		<b>81,491,000</b>	<b>105,796,735</b>	<b>1,479,392</b>	<b>9,713,081</b>	<b>642,176</b>	<b>199,122,384</b>
Balance as at 1 July 2015		80,488,168	97,924,353	1,506,600	10,413,751	619,690	190,952,562
Additions							
- Renewal	20	-	1,603,753	54,809	2,183,495	-	3,842,056
- New	20	862,622	9,260,513	226,255	-	-	10,349,390
Disposals	21	(624,514)	(52,822)	(699,579)	(903,540)	(7,175)	(2,287,630)
Revaluation - Increments	13	1,961,953	-	-	121,332	-	2,083,285
Revaluation - (Decrements)	13	-	(128,184)	-	-	(3,590)	(131,774)
Depreciation	2(a)	-	(3,071,695)	(390,086)	(2,218,542)	-	(5,680,323)
Reclassification Land Held for Resale		7,272,963	-	-	-	-	7,272,963
Transfers		-	-	(190,506)	190,506	-	-
Depreciation on Disposal		-	216	697,336	349,195	-	1,046,748
<b>Property, Plant &amp; Equipment at 30 June 2016</b>		<b>89,961,192</b>	<b>105,536,134</b>	<b>1,204,829</b>	<b>10,136,197</b>	<b>608,926</b>	<b>207,447,278</b>

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 8a. Infrastructure

\$	Notes	2017 Actual	2016 Actual
Roads - Fair Value		582,759,554	567,776,619
Roads - Cost (Additions at fair value)		12,773,589	14,982,935
Less Accumulated Depreciation		<u>(30,229,909)</u>	<u>(14,919,685)</u>
		565,303,234	567,839,869
Recreation - Fair Value		36,118,777	30,552,746
Recreation - Cost (Additions at fair value)		8,048,872	5,566,031
Less Accumulated Depreciation		<u>(1,277,400)</u>	<u>(592,464)</u>
		42,890,249	35,526,313
Car Parks - Fair Value		11,422,745	11,044,634
Car Parks - Cost (Additions at fair value)		229,965	378,111
Less Accumulated Depreciation		<u>(890,459)</u>	<u>(437,953)</u>
		10,762,251	10,984,792
Meru Landfill - Fair Value		14,629,517	13,650,547
Meru Landfill - Cost (Additions at fair value)		541,438	202,736
Less Accumulated Depreciation		<u>(719,440)</u>	<u>(354,176)</u>
		14,451,515	13,499,106
Airport - Fair Value		27,565,132	26,834,300
Airport - Cost (Additions at fair value)		541,024	730,832
Less Accumulated Depreciation		<u>(1,165,878)</u>	<u>(575,103)</u>
		26,940,278	26,990,030
Effluent Scheme - Cost		310,552	268,477
Effluent Scheme - Cost (Additions)		23,159	42,075
Less Accumulated Amortisation		<u>(88,736)</u>	<u>(80,308)</u>
		244,975	230,244
<b>Total Infrastructure</b>	8(b)	<u><u>660,592,501</u></u>	<u><u>655,070,354</u></u>

## City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 8b. Infrastructure (continued)

## Movements in Carrying Amounts

\$	Notes	Roads	Recreation	Car Parks	Meru Landfill	Airport	Effluent Scheme	Total
		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Balance as at 1 July 2016		567,839,869	35,526,313	10,984,792	13,499,106	26,990,030	230,244	655,070,354
Additions								
- Renewal	20	11,559,177	1,667,408	221,639	40,891	460,854	23,159	13,973,128
- New	20	1,214,412	6,381,464	8,326	500,548	80,170	-	8,184,920
Depreciation (Expense)	2(a)	(15,310,224)	(684,936)	(452,507)	(365,265)	(590,776)	(8,428)	(17,412,135)
Other Movements		-	-	-	776,234	-	-	776,234
<b>Infrastructure at 30 June 2017</b>		<b>565,303,234</b>	<b>42,890,249</b>	<b>10,762,251</b>	<b>14,451,515</b>	<b>26,940,278</b>	<b>244,975</b>	<b>660,592,501</b>
Balance as at 1 July 2015		567,776,619	30,552,746	11,044,634	13,719,797	26,834,300	196,136	650,124,232
Additions								
- Renewal	20	9,326,461	913,976	257,077	64,408	149,714	42,075	10,753,710
- New	20	5,656,474	4,652,055	121,034	138,327	581,118	-	11,149,008
Depreciation (Expense)	2(a)	(14,919,685)	(592,464)	(437,953)	(354,176)	(575,103)	(7,966)	(16,887,347)
Other Movements		-	-	-	(69,250)	-	-	(69,250)
<b>Infrastructure at 30 June 2016</b>		<b>567,839,869</b>	<b>35,526,313</b>	<b>10,984,792</b>	<b>13,499,106</b>	<b>26,990,029</b>	<b>230,244</b>	<b>655,070,354</b>

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 9. Trade and Other Payables

\$	2017 Actual	2016 Actual
<b>Current</b>		
Sundry Creditors	7,554,537	8,039,950
Accrued Interest on Debentures	155,437	164,783
Accrued Salaries and Wages	407,474	264,606
Unexpended Non-Operating Grants (WATC)	8,992,194	18,609,473
<b>Total Current Trade and Other Payables</b>	<b><u>17,109,642</u></b>	<b><u>27,078,812</u></b>

#### Note 10. Borrowings

<b>Current</b>		
Secured by Floating Charge		
- Debentures	23(a) <u>3,978,382</u>	<u>3,748,422</u>
<b>Total Current Borrowings</b>	<b><u>3,978,382</u></b>	<b><u>3,748,422</u></b>
<b>Non-Current</b>		
Secured by Floating Charge		
- Debentures	23(a) <u>23,871,942</u>	<u>24,151,530</u>
<b>Total Non-Current Borrowings</b>	<b><u>23,871,942</u></b>	<b><u>24,151,530</u></b>

Additional detail on borrowings is provided in Note 23.

#### Note 11. Provisions

<b>Current</b>		
Annual Leave	2,306,469	2,257,339
Long Service Leave	1,813,764	1,701,826
Sick Leave	448,289	435,932
Accrued RDO's	44,924	44,376
<b>Total Current Provisions</b>	<b><u>4,613,446</u></b>	<b><u>4,439,473</u></b>
<b>Non-Current</b>		
Long Service Leave	366,122	339,260
Provision for Infrastructure Meru - Rehabilitation	9,971,542	9,195,308
<b>Total Non-Current Provisions</b>	<b><u>10,337,664</u></b>	<b><u>9,534,568</u></b>

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 12. Reserves - Cash/Investment Backed

\$	2017 Actual	2017 Budget	2016 Actual
<b>(a). Mullewa Community Reserve</b>			
Opening Balance	-	-	556,390
Amount Used / Transfer from Reserve	-	-	(556,390)
	-	-	-
<b>(b). Mullewa Reseal Reserve</b>			
Opening Balance	1,891,285	1,891,285	1,891,285
	1,891,285	1,891,285	1,891,285
<b>(c). Parking Land Reserve</b>			
Opening Balance	536,187	536,187	536,187
	536,187	536,187	536,187
<b>(d). Unexpended Capital Works &amp; Restricted Grant Reserve</b>			
Opening Balance	7,900,259	6,389,430	13,833,040
Amount Set Aside / Transfer to Reserve	14,946,492	-	5,168,900
Amount Used / Transfer from Reserve	(2,955,760)	(2,009,041)	(11,101,680)
	19,890,991	4,380,389	7,900,259
<b>Total Reserves</b>	<b>22,318,463</b>	<b>6,807,861</b>	<b>10,327,731</b>
<b><u>Summary of Reserve Transfers</u></b>			
<b>Transfers to Reserves</b>			
Mullewa Community Reserve	-	-	-
Mullewa Reseal Reserve	-	-	-
Parking Land Reserve	-	-	-
Unexpended Capital Works & Restricted Grant Reserve	14,946,492	-	5,168,900
<b>Total Transfers to Reserves</b>	<b>14,946,492</b>	<b>-</b>	<b>5,168,900</b>
<b>Transfers from Reserves</b>			
Mullewa Community Reserve	-	-	(556,390)
Mullewa Reseal Reserve	-	-	-
Parking Land Reserve	-	-	-
Unexpended Capital Works & Restricted Grant Reserve	(2,955,760)	(2,009,041)	(11,101,680)
<b>Total Transfers from Reserves</b>	<b>(2,955,760)</b>	<b>(2,009,041)</b>	<b>(11,658,070)</b>
<b>Total Net Transfer to/(from) Reserves</b>	<b>11,990,732</b>	<b>(2,009,041)</b>	<b>(6,489,170)</b>

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 12. Reserves - Cash/Investment Backed (continued)

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All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3 and 4 to this financial report.

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

##### **Mullewa Reseal Reserve**

The purpose of this reserve is to comply with clause 14.2 of the public road access agreement between the former Shire of Mullewa (now the City of Greater Geraldton) and Mount Gibson Mining Ltd.

##### **Parking Land Reserve**

The purpose of this reserve is to build up funds that can then be used for the acquisition of land for car parking and provision of parking bays within the City.

##### **Unexpended Capital Works & Restricted Grant Reserve**

The purpose of this reserve is to restrict grant funds received that were unspent in the financial year including any tied contribution from the City plus any unexpended capital works to be carried over to the next financial



## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13. Reserves - Asset Revaluation

\$	Notes	2017 Actual	2016 Actual
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
<b>(a). Land</b>			
Opening Balance		55,142,739	53,180,786
Revaluation Increment	7(b)	-	1,961,953
Revaluation Decrement	7(b)	(8,663,128)	-
		<u><b>46,479,611</b></u>	<u><b>55,142,739</b></u>
<b>(b). Buildings</b>			
Opening Balance		48,772,084	48,900,268
Revaluation Increment	7(b)	408,390	-
Revaluation Decrement	7(b)	-	(128,184)
		<u><b>49,180,474</b></u>	<u><b>48,772,084</b></u>
<b>(c). Plant and Equipment</b>			
Opening Balance		1,601,370	1,480,038
Revaluation Increment	7(b)	-	121,332
		<u><b>1,601,370</b></u>	<u><b>1,601,370</b></u>
<b>(d). Artwork</b>			
Opening Balance		152,071	155,660
Revaluation Decrement	7(b)	-	(3,590)
		<u><b>152,071</b></u>	<u><b>152,071</b></u>
<b>(e). Roads</b>			
Opening Balance		373,003,794	373,003,794
Revaluation Increment	8(b)	-	-
		<u><b>373,003,794</b></u>	<u><b>373,003,794</b></u>
<b>(f). Car Parks</b>			
Opening Balance		10,830,969	10,830,969
Revaluation Increment	8(b)	-	-
		<u><b>10,830,969</b></u>	<u><b>10,830,969</b></u>
<b>(g). Meru Landfill</b>			
Opening Balance		1,142,037	1,142,037
Revaluation Increment	8(b)	-	-
		<u><b>1,142,037</b></u>	<u><b>1,142,037</b></u>
<b>(h). Airport</b>			
Opening Balance		16,077,123	16,077,123
Revaluation Increment	8(b)	-	-
		<u><b>16,077,123</b></u>	<u><b>16,077,123</b></u>
<b>Total Asset Revaluation Reserves</b>		<u><u><b>498,467,449</b></u></u>	<u><u><b>506,722,186</b></u></u>

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 14. Notes to the Statement of Cash flows

\$	Notes	2017 Actual	2017 Budget	2016 Actual
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## (a). Reconciliation of Cash

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

Cash and Cash Equivalents	3	<u>41,963,290</u>	<u>13,697,483</u>	<u>38,100,578</u>
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(b). Reconciliation of Net Cash Provided  
By Operating Activities to Net Result

Net Result		25,265,670	40,200,755	2,585,793
Depreciation		21,296,897	20,979,104	22,567,669
Write Down (Up) in Fair Value of Investments		(10,532)	-	(326,046)
(Profit)/Loss on Sale of Assets		(1,256,630)	(72,114)	212,699
Other Non Cash Movements		8,796,905	-	(7,178,302)
Decrease/(Increase) in Receivables		(6,766,941)	39,833	(39,512)
Increase/(Decrease) in Provision for Doubtful Debts		(44,193)	-	64,117
Decrease/(Increase) in Inventories		(184,731)	29,618	(6,944)
Increase/(Decrease) in Payables & Accruals		(9,959,823)	-	9,104,055
Increase/(Decrease) in Accrued Interest Payable		(9,346)	(222,430)	22,478
Increase/(Decrease) in Employee Leave Entitlements		187,930	(100,000)	(163,415)
Increase/(Decrease) in Other Provisions		789,139	-	(104,850)
Grants/Contributions for the Development of Assets		(20,796,455)	(42,348,599)	(11,600,846)
<b>Net Cash from Operating Activities</b>		<u>17,307,889</u>	<u>18,506,167</u>	<u>15,136,895</u>

(c). Undrawn Borrowing Facilities  
Credit Standby Arrangements

Group Credit Facility		6,000,000	6,000,000	6,000,000
Bank Overdraft Limit		750,000	750,000	750,000
Credit Card Limit		115,000	115,000	115,000
Credit Card Balance at Balance Date		(12,581)	(15,000)	(12,242)
<b>Total Amount of Credit Unused</b>		<u>6,852,419</u>	<u>6,850,000</u>	<u>6,852,758</u>

Security

The Commonwealth Bank of Australia holds a mortgage over Council's rates revenue.

**Loan Facilities**

Loan Facilities - Current	10	3,978,382		3,748,422
Loan Facilities - Non-Current	10	23,871,942		24,151,530
<b>Total Facilities in Use at Balance Date</b>		<u>27,850,324</u>		<u>27,899,951</u>

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Contingent Liabilities

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1) The City of Geraldton has entered into an agreement with the Public Transport Authority to indemnify Brookfield Rail for 40% of the cost of modification to the Rail Bridge No. 5371 (Abraham Street) contingent on changes to container heights (double stacking). The term of the indemnity expires on the date of expiry of the current lease Brookfield Rail holds over the Rail Corridor (2049).

The likelihood of such an event to occur is considered to be remote.

2) After the Financial Year 2015-2016 a contractor has made a claim against the City of Greater Geraldton concerning events related to past financial years.

The City has retained legal services and disputes the claim, and at this stage no reliable estimate can be made of the amount involved.

#### Note 16. Capital and Leasing Commitments

##### (a). Operating Lease Commitments

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

###### Payable:

- not later than one year	73,776	77,624
- later than one year but not later than five years	100,146	173,922
- later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>173,922</b>	<b>251,546</b>

##### (b). Capital Expenditure Commitments

###### Contracted for:

- capital expenditure projects	5,246,686	3,157,825
- land and buildings	237,905	-
- plant & equipment purchases	670,908	371,520
<b>Total Capital Expenditure Commitments</b>	<b>6,155,499</b>	<b>3,529,345</b>

###### Payable:

- not later than one year	6,155,499	3,529,345
- later than one year but not later than five years	-	-
- later than five years	-	-
<b>Total Capital Expenditure Commitments</b>	<b>6,155,499</b>	<b>3,529,345</b>

#### Note 17. Subsidiaries, Joint Arrangements & Associates

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 18. Trust Funds

\$	Balance 1-Jul-16	Amounts Received	Amounts Paid	Balance 30-Jun-17
BCITF	20,305	136,786	(135,292)	21,798
BSL - Building Services Levy (BRB)	18,926	130,359	(127,648)	21,637
Refundable Bonds	197,584	70,293	(82,936)	184,941
Verge/Footpath Bonds	117,915	37,400	(17,150)	138,165
Subdivision & Road Deposits	1,452,174	131,000	(274,810)	1,308,364
Unclaimed Monies	10,314	237	-	10,551
Roadwise Community Grants	134	-	-	134
Sundry	35,379	-	-	35,379
DUP Contributions - Cape Burney	27,931	806	-	28,737
DUP Contributions - Drummond Cove	394,620	11,390	-	406,009
DUP Contributions - Spalding	33,802	976	-	34,778
DUP Contributions - Strathalbyn	134,855	3,892	-	138,747
DUP Contributions - Mt Tarcoola	39,715	1,146	-	40,861
DUP Contributions - Wandina	97,525	2,815	-	100,340
DUP Contributions - Waggrakine	196,010	5,657	-	201,667
DUP Contributions - Webberton	9,355	270	-	9,625
DUP Contributions - Geraldton	6,432	6,317	-	12,749
POS Cash in Lieu	1,759,233	50,063	-	1,809,296
POS Cash in Lieu - Drummond Cove	80,686	2,329	-	83,015
POS Cash in Lieu - Glenfield	61,767	7,812	-	69,579
POS Cash in Lieu - Strathalbyn	222,813	6,432	-	229,245
POS Cash in Lieu - Utakarra	237,371	6,852	-	244,223
POS Cash in Lieu - Wandina	74,556	2,705	-	77,261
POS Cash in Lieu - Waggrakine Rural Residential	79,895	2,306	-	82,201
Contributions Received WARCA	84,013	514,848	(535,603)	63,258
20A/152 Reserve 41879	42,900	-	-	42,900
	<b><u>5,436,210</u></b>	<b><u>1,132,692</u></b>	<b><u>(1,173,439)</u></b>	<b><u>5,395,462</u></b>

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 19. Total Assets Classified by Function and Activity

\$	2017 Actual	2016 Actual
Governance	32,166,211	32,323,177
Law, Order, Public Safety	1,651,378	1,452,471
Health	113,687	102,794
Education & Welfare	6,647,430	6,798,824
Housing	1,273,070	1,302,064
Community Amenities	13,121,144	12,671,656
Recreation & Culture	136,817,420	131,281,243
Transport	556,878,276	555,295,717
Economic Services	294,054	288,057
Other Property & Services	48,861,304	45,660,557
Unallocated	117,595,071	120,273,280
	<u>915,419,045</u>	<u>907,449,840</u>

## Note 20. Acquisition of Assets

\$	2017 Actual	2017 Budget
<b>By Program</b>		
<b>Governance</b>		
Asset acquisition	575,615	784,700
<b>Law, Order, Public Safety</b>		
Asset acquisition	236,518	1,280,000
<b>Health</b>		
Asset acquisition	13,482	-
<b>Community Amenities</b>		
Asset acquisition	748,321	177,250
<b>Recreation &amp; Culture</b>		
Asset acquisition	8,652,172	30,547,870
<b>Transport</b>		
Asset acquisition	13,489,137	38,747,908
<b>Economic Services</b>		
Asset acquisition	12,694	15,000
<b>Other Property &amp; Services</b>		
Asset acquisition	4,273,554	6,808,846
	<u>28,001,493</u>	<u>78,361,574</u>

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Acquisition of Assets (continued)

\$			2017 Actual	2017 Budget
<b>By Class</b>				
<i>Property, Plant &amp; Equipment</i> 7(b)				
- Land			1,792,105	3,150,000
- Buildings			1,672,885	3,417,846
- Furniture and Equipment			631,707	737,700
- Plant and Equipment			1,713,499	2,068,000
- Artwork			33,250	20,000
<i>Infrastructure</i> 8(b)				
- Roads			12,773,589	15,357,908
- Recreation			8,048,872	29,822,870
- Car Parks			229,965	-
- Meru Landfill			541,439	172,000
- Airport			541,024	23,360,000
- Effluent Scheme			23,159	-
- Other Infrastructure			-	255,250
			<u>28,001,493</u>	<u>78,361,574</u>

## Note 21. Disposal of Assets

\$	Notes	Net Book Value		Sale Price		Profit/(Loss)	
		Actual	Budget	Actual	Budget	Actual	Budget
The following assets were disposed of during the year.							
<b>By Asset Class</b>							
<i>Property, Plant &amp; Equipment</i> 7(b)							
Land		1,599,170	3,150,000	2,895,835	3,150,000	1,296,665	-
Plant and Equipment		473,811	551,286	433,777	623,400	(40,035)	72,114
<b>Total</b>		<u>2,072,981</u>	<u>3,701,286</u>	<u>3,329,612</u>	<u>3,773,400</u>	<u>1,256,630</u>	<u>72,114</u>

\$	2017 Actual	2017 Budget	2016 Actual
<b>Summary</b>			
Profit on Asset Disposals	1,296,665	122,452	2,757
Loss on Asset Disposals	(40,035)	(50,338)	(215,455)
<b>Net Profit/(Loss) on Disposal of Assets</b>	<u>1,256,630</u>	<u>72,114</u>	<u>(212,699)</u>

# City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 22. Financial Ratios

\$	Amounts 2017	Indicator 2017	Target	Prior Periods 2016    2015	
<i>Liquidity Ratio</i>					
<b>1. Current Ratio</b> <sup>(1)</sup>					
Current Assets less Restricted Current Assets	23,803,014	<b>1.42 : 1</b>	> 1.00 : 1	0.92	0.78
Current Liabilities less Liabilities Associated with Restricted Assets	16,709,276				
<i>Debt Ratio</i>					
<b>2. Debt Service Cover Ratio</b> <sup>(2)</sup>					
Operating Surplus before Interest and Depreciation Exp	26,933,590	<b>5.48 : 1</b>	> 2.00 : 1	3.58	3.62
Principal and Interest Repayments	4,917,107				
<i>Coverage Ratio</i>					
<b>3. Own Source Revenue Coverage Ratio</b> <sup>(3)</sup>					
Own Source Operating Revenue	69,591,265	<b>91.31%</b>	> 40%	82.13%	85.55%
Operating Expense	76,213,133				
<i>Financial Performance Ratio</i>					
<b>4. Operating Surplus Ratio</b> <sup>(4)</sup>					
Operating Revenue less Operating Expense	4,469,214	<b>6.42%</b>	> 1%	-13.69%	2.31%
Own Source Operating Revenue	69,591,265				
<i>Asset Management Ratios</i>					
<b>5. Asset Consumption Ratio</b> <sup>(5)</sup>					
Depreciated Replacement Cost of Depreciable Assets	777,490,640	<b>70.92%</b>	> 50%	70.80%	73.13%
Current Replacement Cost of Depreciable Assets	1,096,329,216				
<b>6. Asset Sustainability Ratio</b> <sup>(6)</sup>					
Capital Renewal and Replacement Expenditure	16,511,052	<b>77.53%</b>	90-110%	64.68%	65.20%
Depreciation Expense	21,296,897				
<b>7. Asset Renewal Funding Ratio</b> <sup>(7)</sup>					
NPV of Planned Capital Renewals over 10 years	218,210,359	<b>104.11%</b>	75-95%	93.25%	91.32%
NPV of Required Capital Expenditure over 10 years	209,602,601				

#### Notes

(1) This is a modified commercial ratio designed to focus on the liquidity position of the Council that has arisen from past year's transactions.

(2) This ratio is the measurement of Council's ability to repay its debt including lease payments.

(3) This ratio is the measurement of Council's ability to cover its costs through its own revenue efforts.

(4) This ratio is a measure of Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.

(5) This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

(6) This ratio indicates whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

(7) This ratio is a measure of the ability of Council to fund its projected asset renewal / replacements in the future.



# City of Greater Geraldton

## Notes to the Financial Statements for the year ended 30 June 2017

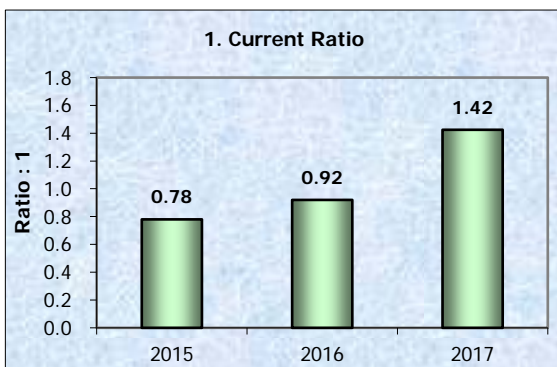
### Note 22. Financial Ratios (continued)

The Current Ratio, Debt Service Coverage Ratio and Operating Surplus Ratio are distorted by the early payment of Financial Assistance Grants (FAGS) for the financial year 2017-2018 in the amount of \$ 3,056,917 on the 8th of June 2017.

These Financial Assistance Grants are in accordance with AASB 1004 recognised in the Operating Revenue of the financial year 2016-2017.

The table below shows the impact on the disclosure of ratios comparing both scenarios:

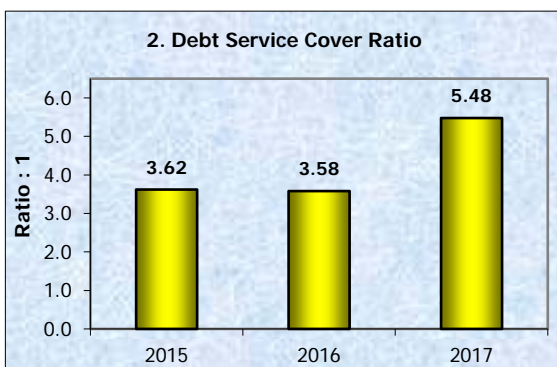
	Current Ratio	Debt Service Coverage Ratio	Operating Surplus Ratio
FAGS included	1.42	5.48	6.42%
FAGS excluded	1.24	4.86	2.03%



**Purpose of Current Ratio**

To assess the liquidity position of the Council that has arisen from past year's transactions.

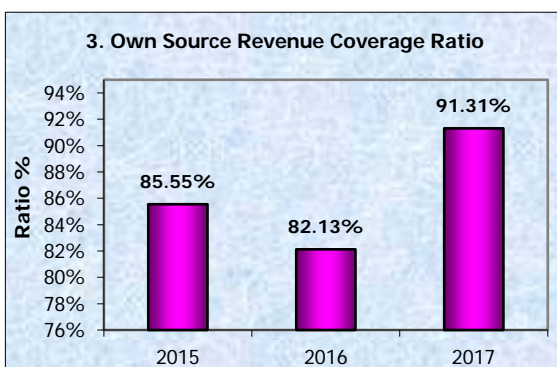
<b>2016/17 Ratio</b>	<b>1.42 : 1</b>
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**Purpose of Debt Service Cover Ratio**

To assess Council's ability to repay its debt including lease payments.

<b>2016/17 Ratio</b>	<b>5.48 : 1</b>
----------------------	-----------------



**Purpose of Own Source Revenue Coverage Ratio**

To assess Council's ability to cover its costs through its own revenue efforts.

<b>2016/17 Ratio</b>	<b>91.31%</b>
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City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2017

Note 22. Financial Ratios (continued)

<p><b>4. Operating Surplus Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>2.31%</td> </tr> <tr> <td>2016</td> <td>-13.69%</td> </tr> <tr> <td>2017</td> <td>6.42%</td> </tr> </tbody> </table>	Year	Ratio %	2015	2.31%	2016	-13.69%	2017	6.42%	<p><b>Purpose of Operating Surplus Ratio</b></p> <p>To assess Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.</p>	<p><b>2016/17 Ratio 6.42%</b></p>
Year	Ratio %									
2015	2.31%									
2016	-13.69%									
2017	6.42%									
<p><b>5. Asset Consumption Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>73.13%</td> </tr> <tr> <td>2016</td> <td>70.80%</td> </tr> <tr> <td>2017</td> <td>70.92%</td> </tr> </tbody> </table>	Year	Ratio %	2015	73.13%	2016	70.80%	2017	70.92%	<p><b>Purpose of Asset Consumption Ratio</b></p> <p>To assess the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.</p>	<p><b>2016/17 Ratio 70.92%</b></p>
Year	Ratio %									
2015	73.13%									
2016	70.80%									
2017	70.92%									
<p><b>6. Asset Sustainability Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>65.20%</td> </tr> <tr> <td>2016</td> <td>64.68%</td> </tr> <tr> <td>2017</td> <td>77.53%</td> </tr> </tbody> </table>	Year	Ratio %	2015	65.20%	2016	64.68%	2017	77.53%	<p><b>Purpose of Asset Sustainability Ratio</b></p> <p>To indicate whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.</p>	<p><b>2016/17 Ratio 77.53%</b></p>
Year	Ratio %									
2015	65.20%									
2016	64.68%									
2017	77.53%									
<p><b>7. Asset Renewal Funding Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>91.32%</td> </tr> <tr> <td>2016</td> <td>93.25%</td> </tr> <tr> <td>2017</td> <td>104.11%</td> </tr> </tbody> </table>	Year	Ratio %	2015	91.32%	2016	93.25%	2017	104.11%	<p><b>Purpose Asset Renewal Funding Ratio</b></p> <p>To assess the ability of Council to fund its projected asset renewal / replacements in the future.</p>	<p><b>2016/17 Ratio 104.11%</b></p>
Year	Ratio %									
2015	91.32%									
2016	93.25%									
2017	104.11%									

## City of Greater Geraldton

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 23. Information on Borrowings

\$	Borrowing Institution	Interest Rate %	Principal 1-Jul-16	New Loans	Principal Repayments		Principal 30-Jun-17		Interest Repayments		
					Actual	Budget	Actual	Budget	Actual	Budget	
<b>(a). Debenture Repayments</b>											
<b>Governance</b>											
- 262 Office Redevelopment	WATC	3.89%	716,392	-	94,690	94,690	621,702	621,702	25,587	26,497	
<b>Recreation &amp; Culture</b>											
- 82 Tarcoola Park Tennis Club SSL	*	WATC	7.36%	10,999	-	3,111	3,111	7,888	7,888	698	725
- 268 Foreshore Stabilisation & Protection	WATC	3.09%	1,095,871	-	107,371	107,371	988,500	988,500	32,516	33,039	
- 264 Aquarena Upgrade	WATC	4.36%	1,665,877	-	178,186	178,186	1,487,691	1,487,691	69,119	70,711	
- 271 QPT Air-Conditioning Replacement	WATC	2.92%	3,250,000	-	284,266	284,170	2,965,734	2,965,830	91,366	92,840	
- 263 Recreation Ground Grandstand	WATC	4.36%	1,041,173	-	111,366	111,366	929,807	929,807	43,191	44,194	
- 272 MUF, Youth Precinct, Beach Access Ramp	WATC	3.21%	4,056,000	-	214,335	214,335	3,841,665	3,841,665	105,369	128,491	
- 259 Verita Road	WATC	4.72%	2,731,624	-	445,985	445,985	2,285,639	2,285,639	122,466	123,731	
- 257 Geraldton Hockey Association	*	WATC	4.81%	152,021	-	24,769	24,769	127,252	127,252	6,908	7,018
- 253 Geraldton Yacht Club SSL	*	WATC	6.26%	44,911	-	10,973	10,974	33,938	33,937	2,411	2,556
- 251 Geraldton Hockey Association	*	WATC	6.14%	98,435	-	28,239	28,242	70,196	70,193	5,300	5,399
- 228 Geraldton Surf Life Saving	*	WATC	6.42%	19,533	-	19,533	-	-	348	952	
- 260 Aquarena Renewal Stage 1	WATC	3.89%	1,862,617	-	246,193	246,193	1,616,424	1,616,424	66,518	68,893	
<b>Transport</b>											
- 269 Airport Projects	WATC	3.09%	2,757,942	-	270,218	270,218	2,487,724	2,487,724	81,833	83,149	
- 261 Airport Paid Parking Facilities	WATC	3.89%	1,074,587	-	142,035	142,035	932,553	932,552	38,380	39,746	
- 258 Airport Buffer Land	WATC	4.72%	789,136	-	128,840	128,840	660,296	660,296	35,379	35,745	
- 234 Lot 8 Chapman Road - Car Park	WATC	5.09%	392,529	-	136,463	136,475	256,066	256,054	16,673	17,390	
- 230 Airport Buffer Land	WATC	8.93%	323,571	-	211,919	211,919	111,652	111,652	16,014	17,315	
- 229 SGIO Car Park	WATC	6.47%	88,984	-	88,984	88,984	-	-	1,695	4,321	
- 252 Plant Purchases for 2009/2010	WATC	6.06%	536,085	-	131,351	131,351	404,735	404,734	28,074	29,539	
- 273 Verita Road Stage 1	WATC	2.45%	1,500,000	-	198,953	198,953	1,301,047	1,301,047	35,115	35,539	
- 270 (New) Airport Technology Park	WATC	2.74%	1,986,300	-	476,492	476,492	1,509,808	1,509,808	50,398	51,183	

(continued on next page)

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 23. Information on Borrowings (continued)

\$	Borrowing Institution	Interest Rate %	Principal 1-Jul-16	New Loans	Principal Repayments		Principal 30-Jun-17		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
<b>(a). Debenture Repayments (continued)</b>										
<b>Economic Services</b>										
- 95 Hamlet	WATC	6.99%	14,501	-	14,501	14,501	-	-	428	639
<b>Other Property &amp; Services</b>										
- 265 Old Works Depot	WATC	4.36%	832,939	-	89,093	89,093	743,846	743,846	34,546	35,355
- 274 Olive Street Development	WATC	3.13%	-	3,700,000	-	-	3,700,000	3,700,000	36,062	-
- 266 Old Railway Building	WATC	4.36%	857,923	-	91,762	91,766	766,161	766,157	35,596	36,416
WATC Loan Guarantee Fee			-	-	-	-	-	-	185,489	163,352
			<b>27,899,952</b>	<b>3,700,000</b>	<b>3,749,628</b>	<b>3,749,553</b>	<b>27,850,323</b>	<b>27,850,399</b>	<b>1,167,479</b>	<b>1,154,735</b>

**Funding of Borrowings** All loan repayments were funded by general purpose income.

1 Self- Supporting Loan \* Those loans denoted with "\*" are subject of a repayment agreement that secured the reimbursement from a community organisation of all costs associated with the loan.

2 WATC = WA Treasury Corporation

**Security**

The general funds of the Borrower as defined in section 6.21 (4) of the Local Government Act 1995 are charged in favour of Treasury Corporation to secure all principal interest and other amounts payable by the Borrower from time to time.



## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 24(a). Rating Information (2016/17 Financial Year)

\$	Notes	Rate in \$	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue
<b>Rate Type</b>												
<b>Differential General Rate</b>												
CGG Residential		11.4991	15,356	240,011,200	27,599,128	214,228	(7,651)	27,805,705	27,599,128	300,000	7,000	27,906,128
CGG Non Residential		10.9956	1,235	89,714,489	9,864,646	94,665	6,886	9,966,197	9,864,646	120,000	1,000	9,985,646
CGG UV		0.7236	890	385,594,999	2,790,165	(6,110)	(573)	2,783,482	2,790,165	30,000	2,000	2,822,165
<b>Sub-Total</b>			<b>17,481</b>	<b>715,320,688</b>	<b>40,253,939</b>	<b>302,783</b>	<b>(1,338)</b>	<b>40,555,384</b>	<b>40,253,939</b>	<b>450,000</b>	<b>10,000</b>	<b>40,713,939</b>
<b>Minimum Rates</b>												
		<b>Minimum</b>										
CGG Residential		1,010	2,196	10,213,431	2,217,960	-	-	2,217,960	2,217,960	-	-	2,217,960
CGG Non Residential		1,010	200	1,042,594	202,000	-	-	202,000	202,000	-	-	202,000
CGG UV		1,010	322	24,296,570	325,220	-	-	325,220	325,220	-	-	325,220
<b>Sub-Total</b>			<b>2,718</b>	<b>35,552,595</b>	<b>2,745,180</b>	<b>-</b>	<b>-</b>	<b>2,745,180</b>	<b>2,745,180</b>	<b>-</b>	<b>-</b>	<b>2,745,180</b>
								43,300,564				43,459,119
Discounts/Concessions	27							(485,337)				(435,336)
								<b>42,815,227</b>				<b>43,023,783</b>
Specified Area Rate	25							-				-
<b>Totals</b>								<b>42,815,227</b>				<b>43,023,783</b>

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 24(b). Surplus/(Deficit) B/Fwd and C/Fwd

\$	Notes	2017 Carried Fwd Actual	2016 Brought Fwd Actual
<b>Current Assets</b>			
Cash - Unrestricted	3	10,652,633	9,163,374
Cash - Restricted Reserves	3	22,318,463	10,327,731
Cash - Restricted Unspent Grants	2(d)	8,992,194	18,609,473
Rates - Current	5	3,830,487	3,335,668
Sundry Debtors	5	4,621,417	1,549,292
GST Receivable	5	544,607	287,911
Other Receivables	5	3,509,497	599,344
Inventories			
- Fuel and Materials	6	479,721	308,394
- Other	6	164,653	151,249
		<b>55,113,672</b>	<b>44,332,437</b>
<b>Current Liabilities</b>			
Sundry Creditors	9	7,554,537	8,039,950
Accrued Interest on Debentures	9	155,437	164,783
Accrued Salaries and Wages	9	407,474	264,606
Other Current Trade and Other Payables	9	8,992,194	18,609,473
Current Employee Benefits Provision	11	4,120,233	3,959,165
Other Current Provisions	11	493,213	480,308
Current Loan Liability	10	3,978,382	3,748,422
		<b>25,701,470</b>	<b>35,266,706</b>
<b>Net Current Assets</b>		<b>29,412,202</b>	<b>9,065,731</b>
<b>Less:</b>			
Reserves - Restricted Cash	3	(22,318,463)	(10,327,731)
Self Supporting Loan Principal Repayments		(86,625)	(81,748)
Council Loan Principal Repayments		-	(37,629)
<b>Add Back:</b>			
Current Loan Liability	10	3,978,382	3,748,422
<b>Surplus/(Deficit)</b>		<b>10,985,495</b>	<b>2,367,045</b>

(1) Restricted Grants &amp; Contributions that are not expected to be spent in the next 12 months.



## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 25. Specified Area Rate (2016/17 Financial Year)

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\$

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The City has abolished the Specified Area Rate from 1st of July, 2015.

#### Note 26. Service Charges (2016/17 Financial Year)

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The City of Greater Geraldton does not have any Service Charges.

#### Note 27. Discounts, Incentives, Concessions & Write-offs (2016/17 Financial Year)

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	<b>Total</b>	<b>Budget</b>
\$	<b>Cost / Value</b>	<b>Cost / Value</b>

---

##### (a) Discounts/Concessions

General Rates	485,337	435,336
	<b>485,337</b>	<b>435,336</b>

A concession will be available to Persons owning rateable properties within the City district that:

- a) Are rateable on the basis of Gross Rental Value (GRV), and are rated under the CGG Residential Differential General rate: and
- b) Are subject to an increase in GRV Valuation of their CGG Residential property as a consequence of the periodic (currently 3-Yearly) General Valuation by the State Valuer-General which takes effect from 1 July 2015;
- c) Have rates imposed that are higher than the Minimum Payment for the CGG Residential GRV differential general rate.

The Council offers no discounts for the early payment of rates or any other debts to Council.

##### (b). Incentives

The Council offers no incentives for the early payment of rates.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Discounts, Incentives, Concessions & Write-offs (2016/17 Financial Year)

\$	Notes	Total Cost / Value	Budget Cost / Value
<b>(c). Write-Offs</b>			
Rate Assessment	2(a)	22,195	-
General Debtors	2(a)	4,401	-
		<u><b>26,596</b></u>	<u><b>-</b></u>

#### (d). Waivers

The City of Greater Geraldton does not offer any standard waivers or write offs of Rates and Charges or any other debts of ratepayers unless specifically approved by Council.

Individuals may approach Council for an extension of time to pay off their debt.

#### Note 28. Interest Charges and Instalments (2016/17 Financial Year)

\$	Interest Rate %	Admin. Charge	Actual Revenue	Budgeted Revenue
Interest on Unpaid Rates	11.00%	-	485,382	370,000
Interest on Instalments Plan	5.50%	-	153,028	180,000
Pensioner Deferred Interest	0.00%	-	9,445	12,000
			<u><b>647,855</b></u>	<u><b>562,000</b></u>

Council offers three (3) payment options by which ratepayers can make their payments.

Option 1: To pay their rates in full by the 35th day after the rates notice has been issued

Option 2: To pay their rates in two (2) equal instalments

Option 3: To pay their rates in four (4) equal instalments

For ratepayers electing to pay their rates by 2 or 4 instalments, a charge of \$10.50 per instalment is charged. For ratepayers making an arrangement with Council to pay their rates in more than 4 instalments, a one off charge of \$40 is charged.

The total amount of revenue from the imposition of interest and instalments charges is \$ 789,354.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 29. Fees & Charges

\$	2017 Actual	2017 Budget	2016 Actual
Governance	11,315	14,983	10,311
General Purpose Funding	254,983	254,000	215,594
Law, Order, Public Safety	336,957	349,958	343,017
Health	103,176	57,265	58,177
Education and Welfare	52,326	55,597	189,047
Community Amenities	10,945,036	9,839,234	9,731,657
Recreation and Culture	1,929,280	1,945,377	1,652,136
Transport	6,395,699	6,407,635	6,403,354
Economic Services	764,253	825,355	833,310
Other Property and Services	1,136,750	1,062,856	972,865
	<u>21,929,775</u>	<u>20,812,260</u>	<u>20,409,467</u>

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

#### Note 30. Grants, Subsidies & Contributions

\$	2017 Actual	2016 Actual
Operating Grants, Subsidies and Contributions	12,141,271	6,701,460
Non-Operating Grants, Subsidies and Contributions	20,796,455	11,600,846
	<u>32,937,727</u>	<u>18,302,306</u>

##### (a). By Nature & Type

##### (b). By Program

Governance	612,114	404,473
General Purpose Funding	9,168,331	3,080,265
Law, Order, Public Safety	207,195	828,856
Health	-	500
Education & Welfare	317,715	1,066,114
Community Amenities	354,323	526,876
Recreation & Culture	12,134,625	2,848,602
Transport	8,956,406	7,947,023
Economic Services	476,062	197,419
Other Property & Services	710,956	1,402,178
	<u>32,937,727</u>	<u>18,302,306</u>

Included within the Operating Grants, Subsidies and Contributions total of \$ 12,141,272 is \$ 1,050,189 in reimbursements and recoveries.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 31. Employee Numbers

\$	2017 Actual	2016 Actual	2015 Actual
The number of full-time equivalent employees at balance date	282	254	292

Council endorsed establishment end of the reporting year: 294 FTE (2016: 291 FTE).

#### Note 32. Councillor Remuneration

\$	2017 Actual	2017 Budget	2016 Actual
The following fees, expenses and allowances were paid to council members and the mayor.			
Meeting Fees	336,167	354,664	339,180
Members Allowance	120,616	122,550	118,836
Members IT and Telephone Allowance	50,495	52,500	52,041
Travelling Expenses	16,194	25,000	23,970
Conference Expenses	24,394	30,750	30,102
Childcare Expenses	2,075	-	2,800
Councillor Training	4,005	20,500	20,487
	<u>553,946</u>	<u>605,964</u>	<u>587,416</u>

#### Note 33. Employee Costs

Wages and Salaries	18,258,728	22,685,600	18,224,482
Employee Leave Entitlements	4,336,218	414,804	5,664,403
Superannuation	2,809,714	2,873,007	2,881,069
Workers' Compensation Insurance	389,169	623,449	710,436
Protective Clothing & Uniforms	84,963	25,416	94,316
Recruitment Costs	186,558	175,000	84,010
Training Costs (other than Salaries & Wages)	205,583	84,403	111,125
Other	145,983	172,000	128,088
	<u>26,416,916</u>	<u>27,053,679</u>	<u>27,897,929</u>

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 33. Employee Costs (continued)

\$	Salary Range	2017 Actual	2016 Actual
<b>Employee Remuneration</b>			
Set out below, in bands of \$10,000 is the number of employees entitled to an annual salary of 100,000 or more.			
<b>Details</b>			
LG Administration Regulations 19 B	100,000 - 109,999	5	4
	110,000 - 119,999	-	6
	120,000 - 129,999	7	3
	130,000 - 139,999	3	3
	140,000 - 149,999	2	1
	150,000 - 159,999	1	-
	160,000 - 169,999	-	3
	190,000 - 200,999	1	-
	200,000 - 210,000	2	-
	270,000 - 279,999	-	1
	320,000 - 330,000	1	-

#### Note 34. Major Land Transactions

There were no Major Land Transactions during 2016/17.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 35. Trading and Major Trading Undertakings

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\$

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##### **Airport**

The Geraldton Airport is owned freehold by and is run as a business unit of the City of Greater Geraldton, generating an operating income of approximately \$5.5M in 2016-2017.

Operating surpluses from airport operations are utilised to maintain and improve existing airport infrastructure, and provide for development of future infrastructure. During 2016-17, capital outlays on Airport Infrastructure (including buildings) amounted to nearly \$0.6M.

The City of Greater Geraldton endeavours to operate the aerodrome in an environmentally sensitive manner in accordance with aviation best practice, in compliance with Federal statutory requirements for aviation operations, airports, and transport security.

The airport is planned and managed to provide a satisfactory return on investment to the ratepayers of the City of Greater Geraldton, while having regard to the airport as a key regional transport infrastructure asset.

Geraldton Airport is serviced by Virgin and QantasLink, providing Regular Public Transport (RPT) services on the Geraldton-Perth route. Virgin and QantasLink both provide services utilising 100-seat Fokker F100 jet aircraft.

An aircraft maintenance and service business is well established in a large hangar leased from the City. Shine Aviation and Geraldton Air Charter provide General Aviation services based at the airport, servicing the Abrolhos Islands, FIFO mining workforce logistics, and general charter operations.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 35. Trading and Major Trading Undertakings (continued)

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\$

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##### **Meru Landfill Facility**

The Meru Landfill Facility is run as a business unit of the City of Greater Geraldton and generated operating income of approximately \$5.4M in 2016-17. During 2016-17, capital outlays on Meru Infrastructure amounted to around \$ 0.2M.

This facility was established to provide a regional approach to Waste Management here in the Midwest. Originally managed by the Geraldton Greenough Regional Council (GGRC), this Regional Council was disbanded following the first amalgamation between the City of Geraldton and the Shire of Greenough. The main purpose of establishing a Regional Council was to have a planned and co-ordinated regional approach to the collection, removal, processing, treatment, recycling and disposal of waste in the mid-west region, enabling sharing of benefits of scale where possible. This will continue to be the purpose of this trading undertaking as a function of the City of Greater Geraldton.

The vision of City of Greater Geraldton is to lead the community to an improved level of sustainability - to encourage waste avoidance, maximise the recovery of materials and provide efficient, yet cost effective waste management and resource recovery services to the region. These objectives are achievable by actively engaging the community in sustainable waste practices, by supporting and promoting waste minimisation principles and implementing the objectives of the various Strategic documents.

The 2016/17 financial year saw many changes in the delivery of waste services designed to improve operational efficiencies while maintaining effectiveness. Providing a verge side pickup program was a priority in the 2016/17 budget as the City recognises how important the program is to our residents. Residents are able to request one skip bin a year which will be dropped off at their property and have it collected a week later. This service replaced the traditional verge pickup system that saw residents place rubbish on their verges for collection. The City was pleased to be able to introduce the revitalised program that will allow for people to remove unwanted waste from their property in a tidier manner. With this new program, those who don't have a trailer or can't make it to the landfill can have rubbish removed from their property without unsightly piles littering our suburbs.

Some of the other operational initiatives included further installation of CCTV cameras on the site, installation of additional groundwater monitoring bores and water source bores for firefighting and dust suppression.



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 36. Financial Risk Management

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Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

The City held the following financial instruments at balance date.

	Notes	Carrying Value		Fair Value	
		2017	2016	2017	2016
<b>Financial Assets</b>					
Cash and Cash Equivalents	3	41,963,290	38,100,578	41,963,290	38,100,578
Receivables (Current & Non-Current)	5	13,096,497	6,371,988	13,096,497	6,371,988
		<u>55,059,787</u>	<u>44,472,566</u>	<u>55,059,787</u>	<u>44,472,566</u>
<b>Financial Liabilities</b>					
Payables (Current & Non-Current)	9	17,109,642	27,078,812	17,109,642	27,078,812
Borrowings (Current & Non-Current)	10	27,850,324	27,899,951	27,850,324	27,899,951
		<u>44,959,966</u>	<u>54,978,763</u>	<u>44,959,966</u>	<u>54,978,763</u>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - based on quoted market prices at the reporting date or independent valuation.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 36. Financial Risk Management (continued)

\$

##### (a). Cash & Cash Equivalents, Financial assets "at Fair Value through the Profit & Loss", "Available-for-sale" financial assets & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance Section manages the Cash & Investments portfolio.

Council has an Investment Policy which complies with the relevant legislation. The policy is regularly reviewed by Council and an Investment Report is tabled before Council on a monthly basis setting out the make-up and performance of the portfolio.

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees in accordance with investment restrictions prescribed in the Local Government (*Financial Management*) Regulations 1996.

	30-Jun-17	30-Jun-16
<b>Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments</b>		
Equity	419,633	381,006
Statement of Comprehensive Income	419,633	381,006

#### Notes:

- Sensitivity percentages based on management's expectations of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents and managed funds.)
- Maximum impact.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 36. Financial Risk Management (continued)

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##### (b). Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

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

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

A profile of Council's receivables credit risk at balance date follows:

	30-Jun-17	30-Jun-16
	%	%
<b>Percentage of Rates and Annual Charges</b>		
Current	93.74%	94.28%
Overdue	6.26%	5.72%
<b>Percentage of Other Receivables</b>		
Current	94.77%	83.43%
Overdue	5.23%	16.57%

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 36. Financial Risk Management (continued)

\$

##### (c). Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can be extended & overdraft facilities drawn upon in extenuating circumstances.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying Values
<b>2017</b>					
Payables	17,059,642	-	-	17,059,642	17,109,642
Borrowings	3,978,382	14,469,449	9,402,493	27,850,324	27,850,324
	<b>21,038,024</b>	<b>14,469,449</b>	<b>9,402,493</b>	<b>44,909,966</b>	<b>44,959,966</b>
<b>2016</b>					
Payables	27,078,812	-	-	27,078,812	27,078,812
Borrowings	3,748,422	13,951,223	10,200,307	27,899,951	27,899,951
	<b>30,827,234</b>	<b>13,951,223</b>	<b>10,200,307</b>	<b>54,978,763</b>	<b>54,978,763</b>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a basis that is most suitable for the circumstance. Council officers regularly review interest rate movements to determine if it would be advantageous to refinance or renegotiate part, or all of the loan portfolio.

The following interest rates were applicable to the Council's Borrowings at balance date:

	30-Jun-17		30-Jun-16	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank Loans - Fixed	3.59%	27,850,324	3.81%	27,899,951
		<u>27,850,324</u>		<u>27,899,951</u>

##### Notes:

1. The interest rate risk applicable to Variable Rate Bank Loan is not considered significant.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 37. Fair Value Measurements

\$

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:**

2017	Date of latest Valuation	Fair Value Measurement using:			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Financial Assets</b>					
Receivables		-	-	13,096,497	13,096,497
<b>Total Financial Assets</b>		-	-	13,096,497	13,096,497
<b>Financial Liabilities</b>					
Payables		-	-	17,109,642	17,109,642
Loans / Advances		-	-	27,850,324	27,850,324
<b>Total Financial Liabilities</b>		-	-	44,959,966	44,959,966
<b>Property, Plant &amp; Equipment</b>					
- Land		-	81,491,000	-	81,491,000
- Buildings		-	1,338,000	104,458,735	105,796,735
- Furniture & Equipment		-	-	1,479,392	1,479,392
- Plant & Equipment		-	9,713,081	-	9,713,081
- Artwork		-	642,176	-	642,176
<b>Total Property, Plant &amp; Equipment</b>		-	93,184,257	105,938,127	199,122,384
<b>Infrastructure</b>					
- Roads		-	-	565,303,234	565,303,234
- Recreation		-	-	42,890,249	42,890,249
- Car Parks		-	-	10,762,251	10,762,251
- Meru Landfill		-	-	14,696,490	14,696,490
- Airport		-	-	26,940,278	26,940,278
<b>Total Infrastructure</b>		-	-	660,592,501	660,592,501

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 37. Fair Value Measurements (continued)

\$

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values: (continued)

2016	Date of latest Valuation	Fair Value Measurement using:			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Financial Assets</b>					
Receivables		-	-	6,371,988	6,371,988
<b>Total Financial Assets</b>		-	-	6,371,988	6,371,988
<b>Financial Liabilities</b>					
Payables	30/06/16	-	-	27,078,812	27,078,812
Loans / Advances	30/06/16	-	-	27,899,951	27,899,951
<b>Total Financial Liabilities</b>		-	-	54,978,763	54,978,763
<b>Property, Plant &amp; Equipment</b>					
- Land	30/06/15	-	86,505,192	3,456,000	89,961,192
- Buildings	30/06/15	-	959,000	104,577,134	105,536,134
- Furniture & Equipment	30/06/16	-	-	1,204,828	1,204,828
- Plant & Equipment	30/06/16	-	10,136,197	-	10,136,197
- Artwork	14/11/14	-	608,926	-	608,926
<b>Total Property, Plant &amp; Equipment</b>		-	98,209,315	109,237,963	207,447,278
<b>Infrastructure</b>					
- Roads	30/06/15	-	-	567,839,869	567,839,869
- Recreation	30/06/15	-	-	35,526,313	35,526,313
- Car Parks	30/06/15	-	-	10,984,792	10,984,792
- Meru Landfill	30/06/15	-	-	13,499,106	13,499,106
- Airport	30/06/15	-	-	26,990,030	26,990,030
<b>Total Infrastructure</b>		-	-	654,840,109	654,840,109

## (2) Transfers between Level 1 &amp; Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 37. Fair Value Measurements (continued)

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\$

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#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

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#### Property, Plant & Equipment

##### **LAND AND BUILDINGS**

APV valuers & Asset Management completed a valuation of the Land & Buildings with the effective date of valuation 30th of June 2017.

APV has undertaken the financial reporting valuation for City of Greater Geraldton in accordance with the Australian Accounting Standards. The valuation reporting has involved the confirmation of completeness of asset registers, physical inspection of the assets and capturing data such as the asset age, type, condition and then compiling information and assessing the value of the assets. Further to this, APV has provided the Insurance Value where requested. Throughout this process, APV ensured quality management procedures were implemented to achieve the most accurate asset valuation reporting.

##### Comparison to Previous Valuation

The following table provides a summary of changes between the values reported in the previous financial statements and this valuation:

- Australian Accounting Standards Board has clarified the requirements for the definition of Residual Value. This in turn has had implications for the determination of depreciation expense.
- As the AASB's May 2015 decision has now removed the perceived link between valuation and depreciation expense APV took the opportunity to simplify the depreciation by adopting a straight-line approach. This has led to a number of asset written down values (Fair Value) decreasing.
- It has been determined that except in rare circumstances, the Residual Value is nil for all asset components. This has led to an increase in the overall depreciation expense.
- In accordance with the AASB decision components are now split into long life and short life apportionments and depreciated separately.
- The Useful Life of the long life portion if the components are now split into long life and short life account the normal range of time between major renewals.

The valuation and associated depreciation expense calculations have been prepared in accordance accounting standards at Fair Value. Fair Value is defined 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"*



## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 37. Fair Value Measurements (continued)

\$

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Property, Plant & Equipment (continued)

Depending upon the nature of the specific asset the valuation approach may have included the of a singular or multiple techniques:

- 1) The Market Approach has been applied where there is a principal market which provides evidence of the Fair Value of the asset.
- 2) The Income Approach has been applied for assets where the income generating capability of the asset provides the best estimate of the asset's Fair Value.
- 3) The Cost Approach is used for assets which are not commonly traded. Typically these include that public and not-for-profit sectors entities use to provide to the public for no or minimal charge.
- 4) In rare circumstances the valuation may also include a combination of approaches.

The levels of the valuation hierarchy are defined in relation to the inputs used to determine the The valuation hierarchy is determined by the lowest level of input used (except where the impact of lowest level is deemed to be insignificant). The inputs are defined as:

- A) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- B) Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- C) Level 3 inputs are unobservable inputs for the asset or liability.

#### **PLANT & EQUIPMENT**

A fair value valuation of Plant and Equipment has been completed 30/06/2016 by the City's fleet manager. All of the valuations were made on the basis of open market values of similar assets (based on figures supplied by auction groups, council sales records, vehicle valuation guides and the IPWEA Plant and Vehicle Management Manual) adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

#### **FURNITURE & EQUIPMENT**

Management conducted a valuation of furniture and equipment effective 30/06/2016 actualising the asset register and aligning the asset class with the capitalisation thresholds outlined in the Significant Accounting Policies. Using level 3 valuation inputs ensured no material variance in existing balance sheet values for this asset class was observed with the carrying amount of each asset fairly stated at reporting date.

#### **ARTWORK**

A valuation of Artwork was conducted by Banziger Hulme Fine Art Consultants P/L 14th November 2014. David Hulme is an approved valuer for the Australian Government's Cultural Gifts Program. The valuation of the collection is based on market value with market value defined as "what a willing buyer would pay a willing seller in an arm's length transaction after proper marketing" of similar assets adjusted for condition and for condition and comparability (Level 2 inputs in the fair value hierarchy).

All property, plant and equipment classes are carried at fair value and subject to revaluation only every 3 years as well as an annual assessment as to whether there is an indication an asset may have been impaired in accordance with AASB 136 "Impairment of Assets".

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 37. Fair Value Measurements (continued)

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\$

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#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Infrastructure

###### **AIRPORT**

AVP valuers & Asset Management have completed a valuation of Infrastructure assets with the effective date of valuation 30th of June 2015.

###### Road, Equipment and Civil Assets

All road, equipment and civil assets were valued using the cost approach.

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

###### **MERU LANDFILL**

AVP valuers & Asset Management have completed a valuation of Infrastructure assets with the effective date of 30th of June 2015.

###### Road, Equipment and Civil Assets

All road, equipment and civil assets were valued using the cost approach.

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

###### Landfill

Landfill comprises both the cells and capping and is classified as a land improvement which is recorded separate to the land. The underlying land is valued independently of the land improvements. The valuation has been determined using the cost approach. This included disaggregating the overall land improvements into a range of different components based on each component providing a different purpose and as a result exhibiting a different useful life. Day to day operating costs (such as minor maintenance and monitoring) has been excluded from the valuation. To provide consistency, any associated day to day revenues have also been excluded from the valuation.

Observable inputs to the valuation included the dimensions and design of the assets, the average unit rate for similar construction based on recent projects undertaken by the entity and the amount of remaining volume in each cell. Unobservable inputs included estimates of the estimated remaining life of the site. This has been based on council's statutory requirement to continue monitoring the site post complete consumption of the landfill. All calculations assume a zero residual value and a constant pattern of consumption. The approach applied for each component was -

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 37. Fair Value Measurements (continued)

\$

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Infrastructure (continued)

##### **MERU LANDFILL (continued)**

##### Landfill (continued)

- Cost to prepare site - based on current costs and depreciate to nil over remaining life of site. These costs were negligible and therefore have not been included as a separate component
- Cost to prepare each cell - based on current cost and depreciated to nil as cell is filled.
- Cost to prepare leachate and overflow ponds - based on current cost and depreciated to nil over period till statutory monitoring is no longer required

Council established a rehabilitation provision for estimated future capping expenditure that is discounted to its present value, with the unwinding of the discount being charged to the statement of comprehensive income within the amortisation charge. The discounted present value of the future capping expenditure is capitalised as part of the Landfill asset (2016-2017: \$ 9,971,542) and is amortised on a straight-line basis.

At each reporting date the restoration and rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, inflation, changes to the estimated reserves and lives of operations, new regulatory requirements, environmental policies and revised discount rates. Changes to the restoration and rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

##### **OTHER INFRASTRUCTURE**

##### **Roads (Drainage, Bridges, Roundabouts, Medians and Islands, Streetlighting, Bus Shelters, Footpaths)**

Assets revalued and reviewed by Management with data sourced from the ROMAN database, Intramaps, CadCorp and extensive field audits conducted by the Asset Management Team and the ARRB (Australian Road Research Board).

##### **Car Parks**

Assets revalued and reviewed by Management with data sourced from MyData, Roman and condition assessments undertaken by ARRB on sealed carparks.

A reasonably flat rate asset condition distribution has been applied with an average RUL (Remaining Useful Life) of 60% of Design Life being applied across the portfolio.

##### **Recreation (Parks)**

Recreation (Parks) assets was revalued and reviewed by Management through its myData register 30/06/2015. MyData is based on asset lifecycle costing with automated valuations complying with Australian Accounting Standards.

Valuation is based on a combination of age and condition of the asset. Certain valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy) and certain valuations were made having regard for current replacement cost and residual values (cost based approach, which are Level 3 inputs in the fair value hierarchy). Given the significance of the Level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs. These Level 3 inputs are based on the assumptions with regard to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

## City of Greater Geraldton

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 37. Fair Value Measurements (continued)

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**(4). Fair value measurements using significant unobservable inputs (Level 3)****a. The following tables present the changes in Level 3 Fair Value Asset Classes.**

	Land	Buildings	Furniture & Equipment	Roads	Total
<b>Opening Balance - 1/7/15</b>	3,456,000	96,965,353	1,506,600	567,776,619	669,704,572
Purchases (GBV)	-	10,864,266	281,064	14,982,935	26,128,265
Disposals (WDV)	-	(52,606)	(2,243)	-	(54,849)
Depreciation & Impairment	-	(3,071,695)	(390,086)	(14,919,685)	(18,381,466)
FV Gains - Other Comprehensive Income	-	(128,184)	-	-	(128,184)
Transfer between Asset Classes	-	-	(190,506)	-	(190,506)
<b>Closing Balance - 30/6/16</b>	<b>3,456,000</b>	<b>104,577,134</b>	<b>1,204,829</b>	<b>567,839,869</b>	<b>677,077,832</b>
Purchases (GBV)	-	1,672,885	631,707	12,773,589	15,078,181
Disposals (WDV)	(3,456,000)	-	-	-	(3,456,000)
Depreciation & Impairment	-	(1,820,675)	(357,144)	(15,310,224)	(17,488,043)
FV Gains - Other Comprehensive Income	-	29,391	-	-	29,391
<b>Closing Balance - 30/6/17</b>	<b>-</b>	<b>104,458,735</b>	<b>1,479,392</b>	<b>565,303,234</b>	<b>671,241,361</b>
	Recreation	Car Parks	Meru Landfill	Airport	Total
<b>Opening Balance - 1/7/15</b>	30,552,746	11,044,634	13,719,797	26,834,300	82,151,477
Purchases (GBV)	5,566,031	378,111	202,735	730,832	6,877,709
Depreciation & Impairment	(592,464)	(437,953)	(354,176)	(575,103)	(1,959,696)
Other movement	-	-	(69,250)	-	(69,250)
<b>Closing Balance - 30/6/16</b>	<b>35,526,313</b>	<b>10,984,792</b>	<b>13,499,106</b>	<b>26,990,029</b>	<b>87,000,240</b>
Purchases (GBV)	8,048,872	229,966	794,843	541,025	9,614,706
Depreciation & Impairment	(684,936)	(452,507)	(373,693)	(590,776)	(2,101,912)
Other movement	-	-	776,234	-	776,234
<b>Closing Balance - 30/6/17</b>	<b>42,890,249</b>	<b>10,762,251</b>	<b>14,696,490</b>	<b>26,940,278</b>	<b>95,289,268</b>

**(5). Highest and best use**

All of Council's non financial assets are considered to being utilised for their highest and best use.

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 38. "Held for Sale" Non Current Assets & Disposal Groups

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Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

#### Note 39. Investment Properties

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Council has not classified any Land or Buildings as "Investment Properties"

#### Note 40. Intangible Assets

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Intangible Assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

#### Note 41. Equity - Retained Earnings and Reserves Adjustments

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##### (a). Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

##### (b). Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

#### Note 42. Discontinued Operations

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Council has not classified any of its Operations as "Discontinued".

## City of Greater Geraldton

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 43. Events occurring after the Reporting Period

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Events that occur between the end of the reporting period (ending 30 June 2017) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 18/09/17.

Events that occur after the Reporting Period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2017.

##### **(ii) Events that provide evidence of conditions that arose after the Reporting Period**

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

## City of Greater Geraldton

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 44. Transactions with Related Parties

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##### (a) Subsidiaries (ie. Entities and Operations controlled by Council)

Council has no interest in any Subsidiaries.

##### (b) Associates

Council has no interest in any Associates.

##### (c) Joint Ventures

Council has no interest in any Joint Ventures.

##### (d) Key Management Personnel

###### Transactions with Key Management Personnel

Key management personnel include the Mayor, Councillors, Chief Executive and other members of the senior management team.

Related parties include Council's key management personnel (KMP), their close family members, and any entities that they or any of their close family members control or jointly control.

The compensation paid to Key Management Personnel comprises:

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	2017
Short-Term Employee Benefits	1,518,139
Post-Employment Benefits	109,587
Long-Term Benefits	9,578
<b>Total</b>	<b><u>1,637,304</u></b>

##### (e) Transactions with Related Parties that have not been disclosed

Council has assessed the materiality of disclosure of transactions with related parties on the following criteria:

- 1) The potential effect of the relationship on the financial statements;
- 2) Whether the transaction occurred as:
  - a) part of a public service provider relationship with a taxpayer on terms no different to that of a transaction with the general public or
  - b) part of an ordinary operational transaction within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that is reasonable to expect the Council would have adopted with the party at arm's length in the same circumstances.

Council has determined that no material transactions with related parties have occurred during the financial year 2016-2017.



# City of Greater Geraldton

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 45. Council Information & Contact Details

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**Principal Place of Business:**

63 Cathedral Avenue  
Geraldton WA 6530

**Contact Details****Mailing Address:**

63 Cathedral Avenue  
Geraldton WA 6530

**Opening Hours:**

Monday - Friday  
8.30am to 5.00pm

**Telephone:** 08 9956 6600

**Facsimile:** 08 9956 6674

**Internet:** [www.cgg.wa.gov.au](http://www.cgg.wa.gov.au)

**Email:** [council@cgg.wa.gov.au](mailto:council@cgg.wa.gov.au)

**Officers****CHIEF EXECUTIVE OFFICER**

Ross McKim

**Elected Members****MAYOR**

Shane Van Styn

**AUDITORS**

AMD Chartered Accountants  
Unit 1, 28 Wellington Street  
Bunbury WA 6230

**COUNCILLORS**

Graeme Bylund  
Steve Douglas  
Lewis Freer  
David Caudwell  
Michael Reymond  
Tarleah Thomas  
Jennifer Critch  
Robert Hall  
Victor Tanti  
Neil McIlwaine  
Natasha Colliver  
Simon Keemink

**Other Information**

**ABN:** 55 907 677 173



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Bunbury, WA 6230  
PO Box 1306, Bunbury WA 6231

## INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE CITY OF GREATER GERALDTON

### **Opinion**

We have audited the accompanying financial report of the City of Greater Geraldton which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

In our opinion, the accompanying financial report of the City of Greater Geraldton:

- (i) gives a true and fair view, in all material respects, of the financial position of the City of Greater Geraldton as at 30 June 2017, and of its financial performance and its cash flows for the year then ended;
- (ii) complies with Australian Accounting Standards; and
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.

### **Report on Other Legal and Regulatory Requirements**

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

- (i) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City of Greater Geraldton;
- (ii) There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit;
- (iii) The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions;
- (iv) All necessary information and explanations were obtained by us; and
- (v) All audit procedures were satisfactorily completed during our audit.

### **Basis for Opinion**

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

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

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the City's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

### ***Responsibilities of Management and Council for the Financial Report***

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

In preparing the financial report, management is responsible for assessing the ability of the City to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting.

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

### ***Auditor's Responsibilities for the Audit of the Financial Report***

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

A further description of our responsibility for the audit of the financial report is located at the Auditing and Assurance Standard Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our audit report.

### **AMD Chartered Accountants**



**MARIA CAVALLO**  
Partner

28-30 Wellington Street, Bunbury, Western Australia

Dated this 20<sup>th</sup> day of September 2017



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20 September 2017

**Mr S Van Styn**  
**Chairman**  
**Audit Committee**  
**City of Greater Geraldton**  
**PO Box 101**  
**GERALDTON WA 6531**

**Dear Shane**

**CITY OF GREATER GERALDTON**  
**30 JUNE 2017 MANAGEMENT REPORT**

Following completion of our 30 June 2017 audit, we provide our Management Report and audit recommendations.

**1.0 Our Audit Approach**

The Australian Auditing Standards are the professional Standards applicable to all audit engagements. Accordingly, our audit was conducted in accordance with Australian Auditing Standards, with testing designed solely to enable the expression of an opinion on the financial report of the City of Greater Geraldton. This involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then using our professional judgement, applying audit procedures to mitigate that risk.

To assist Council in understanding our role as external auditor, we have previously detailed our audit responsibilities and scope of work to be performed to meet those responsibilities in our audit engagement letter.

Australian Auditing Standards require us to document and evaluate City of Greater Geraldton's system of internal control to establish the level of reliance on the internal control system in determining the nature, timing and extent of other auditing procedures necessary to enable us to complete our audit. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities and should not, therefore, be taken to assume that no other weaknesses exist. Accordingly the comments within this letter refer only to those matters that have come to our attention during the course of our normal audit work and may not identify all possible improvements that an internal controls review may detect.

Our audit approach is based on a risk analysis methodology which relies upon our understanding of City of Greater Geraldton's operations, strategies and risks. We performed a review of applicable accounting systems and tested those during our audit. The level of testing performed by us is determined by the degree of reliance we place on the internal control systems in place which has a resulting impact on the amount of substantive testing required during our audit procedures. The level of testing performed is also aligned with what is required to form an overall opinion on the financial statements which may not coincide with what the City of Greater Geraldton perceives should be tested.

Our audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and judgements, as well as evaluating the overall presentation of the financial report

There were no areas of disagreement either in the accounting estimates or judgements or in the presentation and disclosures made in the financial report.

## **2.0 Assessment of Fraud and Error**

The primary responsibility for the prevention and detection of fraud is that of Council and management. As a result, it is important that management with the oversight of Council place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and resulting consequences.

In accordance with Australian Auditing Standards we are required to obtain reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error. While our procedures are designed to identify material weaknesses and misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

We have confirmed that nothing has come to management's attention that may constitute an incident of fraud. In addition our audit procedures did not identify any instances of suspected or actual fraud. We take this opportunity to remind you that our audit is not designed to detect fraud and therefore our audit procedures are not designed for that purpose.

## **3.0 Significant Difficulties Encountered during the Audit**

During the course of our audit, there were no areas where we experienced significant difficulties.

## **4.0 Audit Adjustments and Unadjusted Audit Differences**

During the course of our audit, we did not identify any misstatements considered to be material at a financial report level and therefore no adjustment was required to be reflected within the final audited financial report.

## **5.0 Accounting Policies**

We confirm to you that we are not aware of any changes to the accounting policies of the City of Greater Geraldton since 30 June 2016 in respect of the preparation of the 30 June 2017 financial report other than those changes required under Australian Accounting Standards and the Local Government Act and Regulations which are adequately disclosed.

## **6.0 Commitments and Contingencies**

On completion of our audit and subsequent discussions with management, we did not identify any additional commitments or contingencies that required disclosure within the financial report of the City of Greater Geraldton, apart from those already disclosed.

## **7.0 Subsequent Events**

We did not identify any additional subsequent events up until the date of this report that required disclosure within the financial report of the City of Greater Geraldton, apart from those already disclosed.

## 8.1 Financial Ratio Performance Measures

A review of City of Greater Geraldton's financial ratios as included within Note 22 of the financial report indicates the following ratio was not within the recommended guidelines provided by the Department of Local Government and Communities:

- Asset Sustainability Ratio as at 30 June 2017 is calculated at 77.53% (recommended to be between 90-110% as per guidelines).

As a result of the above we recommend Council continue to consider the impact on ratios and long-term sustainability when making decisions regarding asset renewal and replacement for future years.

We do acknowledge that the above ratio has improved from the prior year with the Asset Sustainability Ratio increasing from 64.68% in 2016 to 77.53% in 2017. We also acknowledge the improvement in the Asset Renewal Funding Ratio increasing from 93.25% in 2016 to 104.11% in 2017.

## 9.1 Exit Meeting Discussions and Interim Audit Recommendations

During our exit meeting with management held on the 7 September 2017, we discussed the following matters:

### 9.2 Credit Card Payments

Our review of the monthly payment listings presented to Council identified that the individual credit card transactions made during the month are not currently reported, rather only the total direct debit value of the credit card statement payment made from the municipal bank statement is reported.

We identified this as a risk of non-compliance with Regulation 13(1) of the Local Government (Financial Management Regulations 1996 which states:

*"A list of accounts paid by the CEO is to be prepared each month showing for each account paid since the last such list was prepared-*

- a) The payee's name; and*
- b) The amount of the payment; and*
- c) The date of the payment; and*
- d) Sufficient information to identify the transaction".*

We also obtained general advice from Senior Management at the Department of Local Government and Communities which stated reporting of credit card transactions as a bulk amount is not considered acceptable.

Our subsequent discussions with management indicate the City of Greater Geraldton do not believe reporting off individual credit card transactions is necessary given controls in place, including multiple independent review of all transactions.

While we acknowledge the compensating controls in place at the City of Greater Geraldton, as your auditors we are required to raise this matter and risk of non-compliance with Council.

### 9.3 Provision for Infrastructure Rehabilitation

The 30 June 2017 financial report includes a Provision for infrastructure Meru – Rehabilitation of \$9,971,542.

The calculation of this provision is based on a Meru Development and Capping Cost Provision independent report dated 2014, updated each year for any significant changes as outlined within the Long Term Financial Plan or as advised in respect to site operations. The calculation is provided by management each year for our review and comment.

#### **9.4 Excessive Leave Balances**

From our review of the annual leave listing, we noted 27 employees who have accrued in excess of six weeks annual leave at year end. We also note from our review of the long service leave listing there were four employees with greater than twelve weeks long service leave accrued.

We acknowledge efforts made by management to reduce the number of employees with excessive leave and recommend leave balance management strategies continue.

#### **9.5 Interim Audit Comments and Recommendations**

Other than 9.1 above, we are pleased to note the recommendations from our interim audit completed in February 2017 have been subsequently actioned/completed.

We would like to thank management for being pro-active in responding to our internal control recommendations.

#### **9.6 Comments and Recommendations**

Due to the high quality of the financial records and supporting reconciliations provided to us which correctly supported all year end balances, we are pleased to report there are no specific comments and recommendations arising from our audit. Specifically we thank the finance and administration team for their continued efforts in finding ways to improve processes and procedures which enables City of Greater Geraldton to stay abreast of changes in the industry.

There are few audits undertaken by us which result in minimal or no recommendations which indicates the commitment and knowledge required from the team to achieve such an audit result.

Our management report is on an exception basis, and therefore we have not commented on the various internal controls in place within your accounting systems.

#### **10.1 Other Matters**

##### **10.2 Audit Opinion**

In accordance with the terms of our engagement letter, we have a responsibility to provide an opinion in respect to the City of Greater Geraldton's annual financial report as to whether it is free from material misstatement. Our audit report for 30 June 2017 is unqualified with our opinion stating the financial report presents fairly the financial position of the City of Greater Geraldton, as at and for the year ending 30 June 2017.

Our audit indicated procedures and controls in respect to the City of Greater Geraldton's internal processes, procedures and financial reporting framework are adequately designed and have been maintained to high standards throughout the audit period.

##### **10.3 Local Government Act Compliance Measures**

In conjunction with our review of the financial statements, we also perform a review of the City of Greater Geraldton's compliance with the Local Government Act.

Our review of compliance with the Local Government Act and Financial Management Regulations did not indicate any issues of non-compliance which required reporting.

##### **10.4 Other**

We would like to take this opportunity to thank Auke, Temba and the finance team for the assistance provided to us during our audit.



Should you have any questions concerning the above or would like to discuss any other aspect of our audit, please do not hesitate to contact me.

Yours sincerely

**AMD Chartered Accountants**

A handwritten signature in black ink, appearing to read 'M Cavallo', with a small flourish underneath.

**MARIA CAVALLO CA**  
**Partner**

cc

Ross McKim  
Chief Executive Officer

**5 MEETING CLOSURE**