



AUDIT COMMITTEE MEETING

AGENDA

23 OCTOBER 2018

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CITY OF GREATER GERALDTON

**AUDIT COMMITTEE MEETING
TO BE HELD ON TUESDAY 23 OCTOBER 2018 AT 1.30PM
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 15 March 2018 as attached be accepted as a true and correct record of proceedings.

4 ITEMS FOR AUDIT COMMITTEE REVIEW

AC067	AUDIT REPORT CITY OF GREATER GERALDTON
AGENDA REFERENCE:	D-18- 084842
AUTHOR:	R Doughty, Financial Accountant
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	8 October 2018
FILE REFERENCE:	GO11/0020
ATTACHMENTS:	Yes (x2)
	A. 2017/2018 Financial Report
	B. 2017/2018 Management Letter

EXECUTIVE SUMMARY:

The purpose of this report is to present to the Audit Committee the audit report for the financial period ending 30 June 2018.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. ADOPT the Audit Report for the financial period ending 30 June 2018;
2. NOTE that for the annual financial report for the year ended 30 June 2018 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 5 to the 8 of February 2018 and the final on-site audit from the 3 to the 6 of September 2018. At the conclusion of these audits, the Auditor issue two reports:

- An Independent Auditor's Report to the Ratepayers dated 11 October 2018.
- A Report to the Audit Committee dated 11 October 2018 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 2018;

A copy of the audited financial statements for 2017/18, 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 2016/2017 for the City of Greater Geraldton on 2 October 2017, AC058.

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. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out -
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;**
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (f) to oversee the implementation of any action that the local government -
 - (i) is required to take by section 7.12A(3); and*
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a)**
- (g) to perform any other function conferred on the audit committee by these regulation or another written law.*

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

There are no Risk Implications.

ALTERNATIVE OPTIONS CONSIDERED

There were no alternative options considered



City of Greater Geraldton

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

City of Greater Geraldton

General Purpose Financial Statements for the year ended 30 June 2018

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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 dd/mm/yy. 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 2018


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 2018 are based on proper accounts and records to present fairly the financial position of the City of Greater Geraldton at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 10 day of OCTOBER, _____ 2018



Ross McKim

CHIEF EXECUTIVE OFFICER

City of Greater Geraldton

Statement of Comprehensive Income (by Nature or Type)
for the year ended 30 June 2018

\$	Notes	2018 Actual	2018 Budget	2017 Actual
Revenue				
Rates	24(a)	44,846,621	44,963,763	42,815,227
Operating Grants, Subsidies & Contributions	30	8,411,475	8,401,064	12,141,271
Fees & Charges	29	22,403,346	22,272,313	21,929,775
Interest Earnings	2(a)	1,804,947	1,528,780	1,686,843
Other Revenue		699,653	740,564	812,566
		<u>78,166,041</u>	<u>77,906,484</u>	<u>79,385,682</u>
Expenses				
Employee Costs	33	(27,739,286)	(28,185,697)	(26,416,916)
Materials & Contracts		(20,982,249)	(22,220,489)	(21,004,487)
Utilities		(2,979,490)	(3,274,189)	(3,119,733)
Depreciation & Amortisation	2(a)	(21,980,328)	(21,400,660)	(21,296,897)
Interest Expenses	2(a)	(1,115,864)	(1,162,422)	(1,167,479)
Insurance		(637,835)	(813,167)	(753,065)
Other Expenditure		(2,967,334)	(2,063,250)	(2,425,053)
		<u>(78,402,385)</u>	<u>(79,119,874)</u>	<u>(76,183,630)</u>
Operating Result from Continuing Operations ⁽¹⁾		<u>(236,344)</u>	<u>(1,213,390)</u>	<u>3,202,052</u>
Non-Operating Grants, Subsidies & Contributions	30	8,674,649	28,800,110	20,796,455
Fair Value Adjustments to financial assets at fair value through profit and loss	2(a)	-	-	10,532
Revaluation of Infrastructure, Property, Plant & Equip.	2(a)	(16,802,050)	-	-
Profit on Asset Disposals	21	134,149	127,816	1,296,665
Loss on Asset Disposal	21	(75,922)	(113,030)	(40,035)
		<u>(8,069,174)</u>	<u>28,814,896</u>	<u>22,063,618</u>
Net Result - Surplus (Deficit)		<u>(8,305,518)</u>	<u>27,601,506</u>	<u>25,265,670</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	13	29,157,526	-	(8,254,737)
Total Other Comprehensive Income		<u>29,157,526</u>	<u>-</u>	<u>(8,254,737)</u>
Total Comprehensive Income		<u>20,852,008</u>	<u>27,601,506</u>	<u>17,010,933</u>

⁽¹⁾ Allowing for or not factoring in the prepayment of Financial Assistance Grants for 2018-19 \$3,058,237 (2017-18: \$3,056,917), Council Operating Result from Continuing Operations would amount to a deficit of \$3,294,581 (2016-17: \$145,135).

City of Greater Geraldton

Statement of Comprehensive Income (by Program)
for the year ended 30 June 2018

\$	Notes	2018 Actual	2018 Budget	2017 Actual
Revenue				
Governance		167,498	79,624	337,238
General Purpose Funding		53,021,115	52,870,657	53,721,682
Law, Order, Public Safety		505,145	673,713	545,722
Health		81,757	67,150	103,176
Education & Welfare		268,194	294,550	351,548
Community Amenities		11,832,568	11,304,359	11,307,233
Recreation & Culture		3,368,361	3,147,708	2,927,770
Transport		6,412,102	7,087,469	7,195,957
Economic Services		1,099,176	919,800	1,386,912
Other Property & Services		1,469,439	1,461,454	1,682,591
		<u>78,225,356</u>	<u>77,906,484</u>	<u>79,559,828</u>
Expenses (excl. Finance Costs)				
Governance		(1,723,075)	(1,248,996)	(977,922)
General Purpose Funding		(1,039,407)	(979,580)	(762,775)
Law, Order, Public Safety		(1,440,909)	(1,113,474)	(737,440)
Health		(185,676)	(91,275)	(72,619)
Education & Welfare		(1,592,834)	(1,553,220)	(1,513,650)
Housing		(24,699)	(48,780)	(48,429)
Community Amenities		(10,497,767)	(9,757,381)	(9,123,027)
Recreation & Culture		(16,121,412)	(15,827,643)	(15,693,503)
Transport		(29,863,865)	(31,273,477)	(29,753,808)
Economic Services		(4,427,266)	(4,539,644)	(4,234,681)
Other Property & Services		(10,428,924)	(11,523,982)	(12,272,441)
		<u>(77,345,836)</u>	<u>(77,957,452)</u>	<u>(75,190,297)</u>
Finance Costs				
	2(a)			
Governance		(21,813)	(22,760)	(25,587)
Recreation & Culture		(523,857)	(511,229)	(546,209)
Transport		(234,405)	(241,812)	(303,562)
Economic Services		(183,496)	(165,584)	(185,917)
Other Property & Services		(152,293)	(221,037)	(106,204)
		<u>(1,115,864)</u>	<u>(1,162,422)</u>	<u>(1,167,479)</u>
Operating Result from Continuing Operations		<u>(236,344)</u>	<u>(1,213,390)</u>	<u>3,202,052</u>
Non-Operating Grants, Subsidies, Contributions				
Governance		-	-	323,524
Education & Welfare		-	-	18,182
Recreation & Culture		2,518,764	5,190,484	11,590,426
Transport		6,155,885	23,359,626	8,374,323
Other Property & Services		-	250,000	490,000
	30	<u>8,674,649</u>	<u>28,800,110</u>	<u>20,796,455</u>

City of Greater Geraldton

Statement of Comprehensive Income (by Program) (continued)
for the year ended 30 June 2018

\$	Notes	2018 Actual	2018 Budget	2017 Actual
Profit/(Loss) on Disposal of Assets				
Transport		-	127,816	(40,035)
Other Property & Services		58,227	(113,030)	1,296,665
	21	<u>58,227</u>	<u>14,786</u>	<u>1,256,630</u>
Other Income				
Fair Value Adjustments to Financial Assets at Fair Value through Profit & Loss	2(a)	-	-	10,532
Revaluation of Infrastructure, Property, Plant & Equip.	2(a)	(16,802,050)	-	-
		<u>(16,802,050)</u>	<u>-</u>	<u>10,532</u>
Net Result - Surplus (Deficit)		<u>(8,305,518)</u>	<u>27,601,506</u>	<u>25,265,670</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	13	29,157,526	-	(8,254,737)
Total Comprehensive Income		<u>20,852,008</u>	<u>27,601,506</u>	<u>17,010,933</u>

City of Greater Geraldton

Statement of Financial Position
as at 30 June 2018

\$	Notes	2018 Actual	2017 Actual
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	35,506,644	41,963,290
Trade and Other Receivables	5	9,023,609	12,506,007
Inventories	6	487,295	644,374
Total Current Assets		<u>45,017,547</u>	<u>55,113,672</u>
Non-Current Assets			
Trade and Other Receivables	5	750,133	590,489
Property, Plant and Equipment	7	201,076,925	199,122,384
Infrastructure	8	686,294,473	660,592,501
Intangible Assets	40	104,144	-
Total Non-Current Assets		<u>888,225,675</u>	<u>860,305,374</u>
TOTAL ASSETS	19	<u>933,243,222</u>	<u>915,419,045</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables	9	14,983,090	17,109,642
Borrowings	10	3,996,891	3,978,382
Provisions	11	4,981,667	4,613,446
Total Current Liabilities		<u>23,961,649</u>	<u>25,701,470</u>
Non-Current Liabilities			
Borrowings	10	20,125,131	23,871,942
Provisions	11	12,796,466	10,337,664
Total Non-Current Liabilities		<u>32,921,596</u>	<u>34,209,606</u>
TOTAL LIABILITIES		<u>56,883,245</u>	<u>59,911,076</u>
Net Assets		<u>876,359,977</u>	<u>855,507,969</u>
EQUITY			
Retained Surplus		332,513,626	334,722,057
Reserves - Cash/Investment Backed	12	16,221,376	22,318,463
Reserves - Asset Revaluation	13	527,624,975	498,467,449
Total Equity		<u>876,359,977</u>	<u>855,507,969</u>

City of Greater Geraldton

Statement of Changes in Equity
for the year ended 30 June 2018

\$	Notes	Retained Surplus	Reserves Cash / Investment Backed	Asset Revaluation Reserve	Total Equity
Balance as at 1 July 2016		321,447,119	10,327,731	506,722,186	838,497,036
Net Result		25,265,670	-	-	25,265,670
Total OCI / Asset Revaluation	13	-	-	(8,254,737)	(8,254,737)
Reserve Transfers	12	(11,990,732)	11,990,732	-	-
Balance as at 30 June 2017		334,722,057	22,318,463	498,467,449	855,507,969
Net Result		(8,305,518)	-	-	(8,305,518)
Total OCI / Asset Revaluation	13	-	-	29,157,526	29,157,526
Reserve Transfers	12	6,097,087	(6,097,087)	-	-
Balance as at 30 June 2018		332,513,626	16,221,376	527,624,975	876,359,977

City of Greater Geraldton

Statement of Cash Flows
for the year ended 30 June 2018

\$	Notes	2018 Actual	2018 Budget	2017 Actual
Cash Flows from Operating Activities				
Receipts:				
Rates		44,333,919	45,020,153	42,258,721
Operating Grants, Subsidies and Contributions		6,114,826	8,402,924	9,258,056
Fees and Charges		25,829,964	22,272,313	18,901,842
Interest Earnings		1,684,281	1,527,845	1,595,448
Other Revenue		3,830,055	776,423	817,176
		<u>81,793,045</u>	<u>77,999,658</u>	<u>72,831,244</u>
Payments:				
Employee Costs		(27,463,667)	(28,209,239)	(26,086,117)
Materials and Contracts		(20,541,674)	(22,745,004)	(21,674,631)
Utilities		(2,979,490)	(3,274,189)	(3,119,733)
Insurance		(637,835)	(813,167)	(753,065)
Interest		(1,136,382)	(1,162,422)	(1,176,825)
Goods and Services Tax		(125,341)	-	(256,696)
Other Expenditure		(2,950,638)	(2,063,250)	(2,456,288)
		<u>(55,835,026)</u>	<u>(58,267,271)</u>	<u>(55,523,355)</u>
Net Cash provided (or used in) Operating Activities	14(b)	<u>25,958,019</u>	<u>19,732,387</u>	<u>17,307,889</u>
Cash Flows from Investing Activities				
Receipts:				
Non-Operating Grants, Subsidies and Contributions	30	8,674,649	28,800,110	20,796,455
Proceeds from Sale of Assets	21	771,954	607,750	3,329,611
Proceeds from Investments	4	-	-	10,532
Payments:				
Payments for Intangible Assets	40	(104,144)	-	-
Payments for Purchase of Property, Plant & Equipment	20	(6,796,407)	(5,802,350)	(22,118,048)
Payments for Construction of Infrastructure	20	(28,673,821)	(57,381,848)	(5,883,445)
Advances to Community Groups		(250,000)	-	-
Unexpended Non-Operating Grants		(2,379,604)	-	(9,617,279)
		<u>(28,757,373)</u>	<u>(33,776,338)</u>	<u>(13,482,174)</u>
Net Cash provided (or used in) Investing Activities		<u>(28,757,373)</u>	<u>(33,776,338)</u>	<u>(13,482,174)</u>
Cash Flows from Financing Activities				
Receipts:				
Proceeds from Self Supporting Loans	23(a)	71,010	71,014	86,625
Proceeds from New Loans	23(b)	250,000	11,250,000	3,700,000
Payments:				
Repayment of Debentures	23(a)	(3,978,301)	(3,978,362)	(3,749,628)
Net Cash provided (or used in) Financing Activities		<u>(3,657,291)</u>	<u>7,342,652</u>	<u>36,997</u>
Net Increase/(Decrease) in Cash & Cash Equivalents		(6,456,644)	(6,701,299)	3,862,712
Cash at the beginning of the year	3	41,963,290	21,570,494	38,100,578
Cash & Cash Equivalents - End of the Year	14(a)	<u>35,506,644</u>	<u>14,869,195</u>	<u>41,963,290</u>

City of Greater Geraldton

Rate Setting Statement (by Nature) for the year ended 30 June 2018

\$	Notes	2018 Actual	2018 Budget	2017 Actual
Revenue				
Operating Grants, Subsidies & Contributions		8,411,475	8,401,064	12,141,271
Fees & Charges		22,403,346	22,272,313	21,929,775
Interest Earnings		1,804,947	1,528,780	1,686,843
Profit on Disposal of Assets		134,149	127,816	1,296,665
Other Revenue		699,653	740,564	812,566
		<u>33,453,569</u>	<u>33,070,537</u>	<u>37,867,120</u>
Expenses				
Employee Costs		(27,739,286)	(28,185,697)	(26,416,916)
Materials & Contracts		(20,982,249)	(22,220,489)	(21,004,487)
Utilities		(2,979,490)	(3,274,189)	(3,119,733)
Depreciation & Amortisation		(21,980,328)	(21,400,660)	(21,296,897)
Interest Expenses		(1,115,864)	(1,162,422)	(1,167,479)
Insurance		(637,835)	(813,167)	(753,065)
Loss on Disposal of Assets		(75,922)	(113,030)	(40,035)
Other Expenditure		(2,967,334)	(2,063,250)	(2,425,053)
		<u>(78,478,307)</u>	<u>(79,232,904)</u>	<u>(76,223,665)</u>
Net Result Excluding Rates		<u>(45,024,737)</u>	<u>(46,162,367)</u>	<u>(38,356,544)</u>
Adjustment for Cash Budget Requirements:				
Non-Cash Expenditure & Revenue				
(Profit)/Loss on Asset Disposal	21	(58,227)	(14,786)	(1,256,630)
Depreciation & Amortisation on Assets	2(a)	21,980,328	21,400,660	21,296,897
Other Non-Cash (Revenue)/Expenditure		17,826	-	(51,337)
Depreciation on Disposed Assets		201,064	-	-
Net Non-Cash Expenditure & Revenue		<u>22,140,990</u>	<u>21,385,874</u>	<u>19,988,930</u>
Capital Expenditure				
Purchase Land and Buildings	20	(3,724,368)	(2,956,000)	(3,464,990)
Purchase Plant and Equipment	20	(2,479,621)	(2,338,350)	(1,713,499)
Purchase Furniture and Equipment	20	(563,327)	(478,000)	(631,707)
Purchase of Other PP&E	20	(29,091)	(30,000)	(33,250)
Infrastructure Assets	20	(28,673,822)	(57,381,848)	(22,158,048)
Advances to Community Groups		(250,000)	-	-
Repayment of Debentures	23(a)	(3,978,301)	(3,978,362)	(3,749,628)
Intangible Assets		(104,144)	-	-
Net Capital Expenditure		<u>(39,802,673)</u>	<u>(67,162,560)</u>	<u>(31,751,122)</u>

City of Greater Geraldton

Rate Setting Statement (by Nature) (continued)
for the year ended 30 June 2018

\$	Notes	2018 Actual	2018 Budget	2017 Actual
Capital Revenue				
Proceeds from Disposal of Assets	21	771,954	607,750	3,329,612
Proceeds from New Debentures	23(b)	250,000	11,250,000	3,700,000
Self-Supporting Loan Principal Income	23(a)	71,010	71,014	86,625
Non-Operating Grants, Subsidies and Contributions	30	8,674,649	28,800,110	20,796,455
Self Supporting Loan Paid Out		(250,000)	-	-
Net Capital Revenue		<u>9,517,612</u>	<u>40,728,874</u>	<u>27,912,692</u>
Transfers				
Transfers to Reserves (Restricted Assets)	12	(12,598,797)	(2,536,665)	(14,946,492)
Transfers from Reserves (Restricted Assets)	12	18,695,884	7,189,194	2,955,760
Net Transfers		<u>6,097,087</u>	<u>4,652,529</u>	<u>(11,990,732)</u>
Surplus/(Deficit) July 1 B/Fwd	24(b)	10,985,495	5,671,286	2,367,045
Surplus/(Deficit) June 30 C/Fwd	24(b)	8,760,396	4,077,401	10,985,495
Amount Raised from Rates	24(a)	<u>(44,846,621)</u>	<u>(44,963,763)</u>	<u>(42,815,227)</u>

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

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City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

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

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(d) Cash and Cash Equivalents

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

(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 2018

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 2018

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 party 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 2018

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

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

(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 2018

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 for 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 provision 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 2018

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 2018

Note 1. Summary of Significant Accounting Policies (continued)

(z) Intangible Assets

Intangible assets are defined as identifiable non-monetary assets without physical form. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Information about the intangible assets is set out in Note 40.

(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.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective.

The standards that are expected to have a material impact upon Council's future financial statements are:

Effective for annual reporting periods beginning on or after 1 July 2018

- AASB 9 *Financial Instruments* This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

NOTE: These standards may affect the timing of the recognition of some grants and donations. If your council identifies such a change, and it is material, the impact will need to be described here. The timing of the recognition of Financial Assistance Grants will not be affected.

The standards are not expected to have a material impact upon Council's future financial statements are:

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

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- 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*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*

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

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

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

- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*

- AASB 1059 *Service Concession Arrangements: Grantors*

- AASB 1059 *Service Concession Arrangements: Grantors (Appendix D)*

Effective for annual reporting periods beginning on or after 1 January 2021

- AASB 17 *Insurance Contracts*
- AASB 17 *Insurance Contracts (Appendix D)*

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses

\$	Notes	2018 Actual	2018 Budget	2017 Actual
(a) Net Result				
The Result includes:				
(i) Charging as an Expense:				
Significant Expense/Revenue				
The significant expense/revenue relates to the reduction in the fair value of the Council's investments	4	-	-	(10,532)
Revaluation of Infrastructure, Property, Plant & Equipment		(16,802,050)	-	-
Auditors Remuneration				
- Audit		37,435	40,000	40,980
- Other Services		29,634	13,050	58,181
Bad & Doubtful Debts				
Rates	27(c)	65,618	-	22,195
General Debtors	27(c)	7,453	-	4,401
Depreciation & Amortisation				
<i>Property, Plant & Equipment</i>				
- Buildings	7(b)	2,033,309	1,829,480	1,820,675
- Furniture and Equipment		419,734	413,525	357,144
- Plant and Equipment		1,675,095	1,671,730	1,706,944
<i>Infrastructure</i>				
- Roads	8(b)	15,647,701	15,386,215	15,310,224
- Recreation		742,551	686,655	684,936
- Car Parks		459,429	-	452,507
- Meru Landfill		390,559	368,115	365,265
- Airport		603,149	1,044,940	590,776
- Effluent Scheme		8,801	-	8,428
		<u>21,980,328</u>	<u>21,400,660</u>	<u>21,296,897</u>
Interest Expenses (Finance Costs)				
Debentures	23(a)	1,115,864	1,162,422	1,167,479
		<u>1,115,864</u>	<u>1,162,422</u>	<u>1,167,479</u>
Rental Charges				
- Operating Leases		73,776	-	73,776
		<u>73,776</u>	<u>-</u>	<u>73,776</u>
(ii) Crediting as Revenue:				
Interest Earnings				
Investments - Reserve Funds		511,125	930,000	259,041
Investments - Other Funds		563,499	11,780	779,947
Other Interest Revenue	28	730,323	587,000	647,855
		<u>1,804,947</u>	<u>1,528,780</u>	<u>1,686,843</u>

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

\$

(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, 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 and senior citizens centres.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

\$

(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: Operations of the 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. Maintain Council's owned and leased land and buildings.

Activities: Private works operation, plant repair and operation costs and engineering operation costs. Operations and maintenance of the City's land and buildings.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

\$

(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 type 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 transfers from Trust to Municipal accounts and internal transfers, dividends, discounts, rebates, etc.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

\$

(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, member's fees. Donations and subsidies made to community groups.

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-16	Received ² 2017	Expended ³ 2017	Closing Balance ¹ 30-Jun-17	Received ² 2018	Expended ³ 2018	Closing Balance 30-Jun-18
\$							
Grant/Subsidy/Contribution							
Abraham Street Roundabout	719,887	-	(719,887)	-	-	-	-
108 Marine Terrace - Rocks	-	-	-	-	350,000	-	350,000
Airport Projects	335,479	185,513	(204,350)	316,642	-	-	316,642
Airport Security Screening & Baggage Handling	140,000	-	(76,600)	63,400	-	(42,500)	20,900
Aquarena Renewal Program	-	110,000	-	110,000	-	(110,000)	-
Art Contribution from ALDI	-	-	-	-	27,273	-	27,273
Art Gallery- Donation to Lindsay Collection	12,901	-	-	12,901	-	-	12,901
Art Gallery- Community Cultural Development	3,454	-	-	3,454	-	-	3,454
Artwork Acquisitions	20,000	-	(13,250)	6,750	-	-	6,750
Call Centre Service	-	70,000	-	70,000	-	(70,000)	-
Carpark Works	-	35,000	-	35,000	-	(35,000)	-
Caring for Bimarras Pools - Stage 1 - Greenough River	20,536	-	(9,000)	11,536	-	(11,536)	-
Cathedral Avenue Footpath	24,444	-	(24,444)	-	-	-	-
CBD Gardens Parkway Seats	26,580	-	(26,580)	-	-	-	-
CBD Streetscapes (Revitalisation)	-	-	-	-	473,000	-	473,000
CCTV Systems	3,000	-	(3,000)	-	-	-	-
Cell 3	60,000	-	(60,000)	-	-	-	-
Challenge Camps	-	-	-	-	25,000	-	25,000
Chapman & Greenough River Flood Project	125,000	75,000	-	200,000	-	(134,380)	65,620
Chapman River Corridor Capital Works	-	50,000	-	50,000	-	-	50,000
Chapman River Mountain Bike Track	-	-	-	-	102,000	-	102,000
Chapman River Regional Park CARE Project - Stage 3	20,065	-	(20,065)	-	-	-	-

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-16	Received ² 2017	Expended ³ 2017	Closing Balance ¹ 30-Jun-17	Received ² 2018	Expended ³ 2018	Closing Balance 30-Jun-18
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
Chapman Road Footpath	26,582	-	(26,582)	-	-	-	-
Chapman River Regional Park Stage 5	-	-	-	-	5,422	-	5,422
Chapman Road Foreshore	1,552,947	6,803,670	-	8,356,617	-	(7,077,558)	1,279,059
Chapman Wildlife Corridor CARE Stage 2	12,100	-	-	12,100	-	(12,100)	-
CHRMAP Project	-	137,500	-	137,500	-	(106,905)	30,595
Community Grants Round 13	2,143	-	(2,143)	-	-	-	-
Community Grants Round 14	3,057	-	(3,057)	-	-	-	-
Community Grants Round 15	2,800	-	(2,800)	-	-	-	-
Community Grants Round 16	6,263	-	(2,800)	3,463	-	(3,463)	-
Community Grants Round 17	19,417	600	(15,287)	4,730	-	(4,305)	425
Community Grants Round 18	-	28,069	-	28,069	-	(23,010)	5,059
Community Grants Round 19	-	-	-	-	11,670	-	11,670
Community Nursery - New Shed	-	120,000	-	120,000	-	(120,000)	-
Cruise Destination Welcome Initiative	-	-	-	-	5,000	-	5,000
Derna Parade Toilet	-	200,000	-	200,000	-	(192,086)	7,914
Detailed Mountain Bike Plan - Chapman Valley Wildlife Corridor Project	12,736	-	(12,736)	-	-	-	-
Drainage Works	180,847	290,000	-	470,847	-	(470,847)	-
Dual Use Pathways- Bikewest (Champion Bay)	7,000	-	-	7,000	-	-	7,000
Eastern Breakwater	130,000	-	-	130,000	-	-	130,000
Eastward Road (Old Depot Site)	-	1,836,655	-	1,836,655	-	(1,836,655)	-
Ellendale Pool Honesty Box	26,776	-	(13,045)	13,731	-	-	13,731

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-16	Received ² 2017	Expended ³ 2017	Closing Balance ¹ 30-Jun-17	Received ² 2018	Expended ³ 2018	Closing Balance 30-Jun-18
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
Environmental Projects - Signage	50,000	-	-	50,000	-	-	50,000
Feasibility Geraldton Laser Light Project	40,000	-	(40,000)	-	-	-	-
Fire as a Biodiversity Management Tool in the Midwest Region	-	-	-	-	8,000	-	8,000
Fitzgerald Street Footpath	24,159	-	(24,159)	-	-	-	-
Fleet Replacement	801,250	150,000	-	951,250	-	(951,250)	-
Foreshore Stabilisation	806,661	-	(258,238)	548,423	-	(548,423)	-
Furniture & Equipment	-	50,000	-	50,000	-	(50,000)	-
Geraldton Regional Visitor Centre Sustainability Grant - Signage	-	6,528	-	6,528	-	(6,528)	-
Geraldton Theatre Production	-	-	-	-	160,000	-	160,000
Glendinning Road Foreshore Bollards	19,435	-	(19,435)	-	-	-	-
Grave Restoration Works Greenough Pioneer/Old Walkaway Cemetery	-	22,567	-	22,567	-	(22,567)	-
Greater Geraldton Rural Art Tour	13,050	-	(13,050)	-	-	-	-
Green Army Programme	10,000	-	-	10,000	-	(10,000)	-
Greenough River Estuary Nature Walk Trail - Stage 1	23,296	-	(19,030)	4,266	-	(4,266)	-
Greenough River Estuary Nature Walk Trail - Stage 2	-	-	-	-	4,985	-	4,985
Greenough River Estuary Nature Walk Trail - Stage 3	-	-	-	-	3,555	-	3,555
Groundwater Monitoring Bore - Meru Landfill	39,935	-	(39,935)	-	-	-	-
Federation Park Upgrade & Improvements	-	-	-	-	2,727	-	2,727
HMAS Memorial	9,204	-	-	9,204	-	-	9,204
Implementation of the Chapman River Estuary Management Plan	22,248	-	(17,364)	4,884	-	(4,884)	-
IT Projects/Equipment	27,000	225,000	(27,000)	225,000	-	(225,000)	-
Kerbing Renewals	-	150,000	-	150,000	-	(150,000)	-
KidSport	-	16,562	-	16,562	-	(16,562)	-

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-16	Received ² 2017	Expended ³ 2017	Closing Balance ¹ 30-Jun-17	Received ² 2018	Expended ³ 2018	Closing Balance 30-Jun-18
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
Land Developments	-	385,000	-	385,000	-	-	385,000
Library Regional Activity Plan	2,290	19,132	-	21,422	12,465	(21,422)	12,465
Library SirsiDynix Project	-	2,900	-	2,900	4,663	(2,900)	4,663
Lighting Renewal	126,799	573,201	-	700,000	-	(700,000)	-
Lighting Up Lester Avenue	19,970	-	(19,516)	454	-	(454)	-
Liquid Waste Pond Optimisation	-	-	-	-	145,000	-	145,000
Local Profile and Context Report Northern Planning Program	80,000	-	-	80,000	-	(80,000)	-
Mahomets Beach Bollards	9,438	-	(9,438)	-	-	-	-
Mayoral Discretionary Fund	-	-	-	-	200	-	200
Menshed Community Grants Round 13 and 14 for new building	-	41,897	-	41,897	-	-	41,897
Meru Future Landfill Design	-	-	-	-	110,000	-	110,000
Meru Landfill	150,000	60,000	-	210,000	-	-	210,000
Meru Waste Transfer Station	-	-	-	-	90,000	-	90,000
Mid West Gascoyne District Recovery Project	8,598	-	-	8,598	-	(8,598)	-
Mid West China Connect Website	7,950	35,600	-	43,550	-	-	43,550
Mid West Estuaries - Creating Corridors for Wildlife - Project 1	9,091	-	(9,091)	-	-	-	-
Mid West Estuaries - Creating Corridors for Wildlife (Round 2)	59,500	-	(59,500)	-	-	-	-
Morris Street Sump (a/c 7090113)	27,345	-	(27,345)	-	-	-	-
Mullewa Building - Insurance Payment	450,000	-	-	450,000	-	-	450,000
Mullewa Community Projects	40,000	-	-	40,000	-	(40,000)	-
Mullewa Landfill Transfer Station	504,000	-	(504,000)	-	-	-	-
Mullewa Sewerage Pumping Mains	13,000	87,000	-	100,000	-	-	100,000
Mullewa Sewer System - Brookfield Rail	49,450	-	-	49,450	-	-	49,450

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-16	Received ² 2017	Expended ³ 2017	Closing Balance ¹ 30-Jun-17	Received ² 2018	Expended ³ 2018	Closing Balance 30-Jun-18
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
Mullewa Youth Precinct	23,000	-	(23,000)	-	-	-	-
NACC Biodiversity Grant	11,000	-	-	11,000	-	(11,000)	-
National Tree Day	485	-	-	485	-	(485)	-
New Animal Facility Design	50,000	-	(50,000)	-	-	-	-
NWCH Path	-	-	-	-	60,000	-	60,000
Olympic Torch Relay	2,821	-	(2,821)	-	-	-	-
Olive Street POS	-	1,456,927	-	1,456,927	-	(972,045)	484,882
Park Renewals	-	390,000	-	390,000	-	(390,000)	-
Park Upgrade Program	-	-	-	-	85,000	-	85,000
Pathway Renewals	-	400,000	-	400,000	-	(400,000)	-
Public Arts Initiatives	-	40,000	-	40,000	-	-	40,000
QPT New Building	59,680	-	(59,680)	-	-	-	-
QPT Renewal	28,615	-	(28,615)	-	-	-	-
Parking Facilities Replace Modems	11,400	-	-	11,400	-	(11,400)	-
Point Moore Study	86,000	-	(86,000)	-	-	-	-
Randolf Stow Young Writers Awards	2,773	1,100	(2,773)	1,100	-	-	1,100
Recurrent Grants	1,300	-	(1,300)	-	-	-	-
Regional Venues Improvement Funds - QPT	9,013	-	(9,013)	-	-	-	-
Restoring the Chapman & Greenough - Estuaries of the Mid West - Stage 2 (Project 1)	10,000	-	-	10,000	-	(10,000)	-
Restoring the Chapman & Greenough - Estuaries of the Mid West - Stage 2 (Project 2)	9,091	-	-	9,091	-	(9,091)	-
Retention Amounts (EVO, Convic and Mitchell & Brown, WACB & RDH)	72,243	76,818	-	149,061	-	(75,489)	73,572

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-16	Received ² 2017	Expended ³ 2017	Closing Balance ¹ 30-Jun-17	Received ² 2018	Expended ³ 2018	Closing Balance 30-Jun-18
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
Road Renewals	-	530,000	-	530,000	-	(530,000)	-
RoadWise - Strengthening Communities	4,452	-	-	4,452	-	-	4,452
Roadwise Safe Routes To Schools - Bike Map	367	-	-	367	-	(367)	-
Roadwise Safe Routes To Schools- Surplus	689	-	-	689	-	(689)	-
Roadwise Committee One Year Action Plan	-	4,619	-	4,619	-	(4,619)	-
Rundle Park Bollards	9,993	-	(9,993)	-	-	-	-
Stillwater Ave Asphalt Overlay	14,573	-	(14,573)	-	-	-	-
School of Rock/Battle of the Bands	-	-	-	-	6,682	-	6,682
RV Waste Dump Point	106,928	-	(106,928)	-	-	-	-
Seniors User-Friendly Business Program	-	9,000	-	9,000	-	(3,664)	5,336
Service Agreements	-	-	-	-	15,000	-	15,000
South Tomi Project	8,000	-	-	8,000	-	-	8,000
Sport & Leisure Renewals	-	220,000	-	220,000	-	(220,000)	-
State Emergency Services	-	22,786	-	22,786	-	(22,786)	-
Town Foreshore Playground Softfall	22,760	-	(22,760)	-	-	-	-
U-Turn Project	-	-	-	-	10,200	-	10,200
Verita Road Bridge	201,816	-	-	201,816	-	-	201,816
Walkaway Recreation Centre Roof Upgrade	-	25,000	-	25,000	-	(25,000)	-
West End Recreation	67,355	-	(67,355)	-	-	-	-
Whitfield Street Asphalt Overlay	11,050	-	(11,050)	-	-	-	-
Wonthella Bowling Club - CSRFF Contribution	-	-	-	-	66,666	-	66,666
Wonthella Football Oval - Carpark Linemarking	25,172	-	(25,172)	-	-	-	-
Youth Development Program	-	2,848	-	2,848	-	(2,848)	-
Youth Friendly Communities Project - Stage 2	10,000	-	(10,000)	-	-	-	-
Total Unexpended Capital Works and Grants	7,900,259	14,946,492	(2,955,760)	19,890,991	1,784,508	(15,782,682)	5,892,817

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-16	Received ² 2017	Expended ³ 2017	Closing Balance ¹ 30-Jun-17	Received ² 2018	Expended ³ 2018	Closing Balance 30-Jun-18
\$							
Grant/Subsidy/Contribution (continued)							
Beresford Foreshore Coastal Protection and Enhancement ⁽⁵⁾	17,328,960	-	(8,336,766)	8,992,194	-	(2,379,604)	6,612,590
Building Better Regional Cities: Karloo - Wandina Project ⁽⁵⁾	678,074	-	(678,074)	-	-	-	-
Wonthella Oval Lighting ⁽⁵⁾	602,440	-	(602,440)	-	-	-	-
Total Unspent Grants, Subsidies & Contributions (WATC)	18,609,473	-	(9,617,279)	8,992,194	-	(2,379,604)	6,612,590

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 2018

Note 3. Cash and Cash Equivalents

\$	Notes	2018 Actual	2017 Actual
Cash - Unrestricted		12,672,677	10,652,633
Cash - Restricted		22,833,967	31,310,657
Total Cash and Cash Equivalents	14(a)	<u><u>35,506,644</u></u>	<u><u>41,963,290</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
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	5,892,817	19,890,991
Employee Entitlements Reserve	12	1,100,000	-
Major Initiatives Reserve	12	31,655	-
Asset Renewal Reserve	12	6,769,432	-
Total Reserves		<u><u>16,221,376</u></u>	<u><u>22,318,463</u></u>
Unspent Grants	2(d)	6,612,590	8,992,194
Total Unspent Grants and Loans		<u><u>6,612,590</u></u>	<u><u>8,992,194</u></u>
Total Restricted Cash		<u><u>22,833,967</u></u>	<u><u>31,310,657</u></u>

Note 4. Investments

Financial Assets at Fair Value through Profit and Loss		<u>-</u>	<u>-</u>
Movements in Financial Assets at Fair Value through Profit and Loss			
At beginning of the year		-	-
Revaluation to Statement of Comprehensive Income	2(a)	-	10,532
Additions		-	-
Disposals		-	(10,532)
At end of the year		<u>-</u>	<u>-</u>
Total Investments		<u><u>-</u></u>	<u><u>-</u></u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 5. Trade & Other Receivables

\$	Notes	2018 Actual	2017 Actual
Current			
Rates		4,336,749	3,830,487
Sundry Debtors		1,223,382	4,650,000
GST Net Position		669,948	544,607
Interest		87,966	55,266
Self Supporting Loan Debtors		96,789	71,087
Accrued Income		2,296,648	2,976,532
Prepayments		331,235	406,613
Provision for Doubtful Debts		(19,110)	(28,583)
Total Current Trade & Other Receivables		<u><u>9,023,609</u></u>	<u><u>12,506,007</u></u>
Non-Current			
Rates Outstanding - Pensioners		428,740	422,302
Self Supporting Loan Debtors		321,393	168,188
Total Non-Current Trade & Other Receivables		<u><u>750,133</u></u>	<u><u>590,489</u></u>

Note 6. Inventories

Current			
Fuel and Materials		369,503	479,721
Resalable Merchandise		117,792	164,653
Total Current Inventories		<u><u>487,295</u></u>	<u><u>644,374</u></u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7a. Property, Plant and Equipment

\$	Notes	2018 Actual	2017 Actual
Land - Fair Value		81,491,000	81,491,000
Land - Cost (Additions at fair value)		2,370,918	-
		<u>83,861,918</u>	<u>81,491,000</u>
Buildings - Fair Value		105,796,735	105,796,735
Buildings - Cost (Additions at fair value)		1,353,450	-
Less Accumulated Depreciation		(2,033,310)	-
		<u>105,116,876</u>	<u>105,796,735</u>
Furniture and Equipment - Fair Value		1,863,327	1,231,620
Furniture and Equipment - Cost (Additions at fair value)		563,326	631,707
Less Accumulated Depreciation		(803,669)	(383,935)
		<u>1,622,984</u>	<u>1,479,392</u>
Plant and Equipment - Fair Value		10,621,922	9,823,214
Plant and Equipment - Cost (Additions at fair value)		2,479,622	1,713,499
Less Accumulated Depreciation		(3,297,663)	(1,823,632)
		<u>9,803,880</u>	<u>9,713,081</u>
Artwork - Fair Value		642,176	608,926
Artwork - Cost (Additions at fair value)		29,091	33,250
Less Accumulated Depreciation		-	-
		<u>671,267</u>	<u>642,176</u>
Total Property, Plant & Equipment	7(b)	<u><u>201,076,925</u></u>	<u><u>199,122,384</u></u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7b. Property, Plant and Equipment (continued)

Movements in Carrying Amounts

\$	Notes	Land	Buildings	Furniture and Equipment	Plant and Equipment	Artwork	Total
		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	
Balance as at 1 July 2017		81,491,000	105,796,735	1,479,392	9,713,081	642,176	199,122,384
Additions							
- Renewal	20	-	645,849	271,640	2,479,621	-	3,397,110
- New	20	2,370,918	707,601	291,687	-	29,091	3,399,297
Disposals	21	-	-	-	(914,791)	-	(914,791)
Depreciation	2(a)	-	(2,033,309)	(419,734)	(1,675,095)	-	(4,128,138)
Depreciation on Disposal		-	-	-	201,064	-	201,064
Property, Plant & Equipment at 30 June 2018		83,861,918	105,116,876	1,622,984	9,803,880	671,267	201,076,925
Balance as at 1 July 2016		89,961,192	105,536,134	1,204,828	10,136,197	608,926	207,447,277
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
Property, Plant & Equipment at 30 June 2017		81,491,000	105,796,735	1,479,392	9,713,081	642,176	199,122,384

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8a. Infrastructure

\$	Notes	2018 Actual	2017 Actual
Roads - Fair Value		589,087,247	582,759,554
Roads - Cost (Additions at fair value)		-	12,773,589
Less Accumulated Depreciation		-	(30,229,909)
		<u>589,087,247</u>	<u>565,303,234</u>
Recreation - Fair Value		38,384,416	36,118,777
Recreation - Cost (Additions at fair value)		-	8,048,872
Less Accumulated Depreciation		-	(1,277,400)
		<u>38,384,416</u>	<u>42,890,249</u>
Car Parks - Fair Value		10,416,364	11,422,745
Car Parks - Cost (Additions at fair value)		-	229,965
Less Accumulated Depreciation		-	(890,459)
		<u>10,416,364</u>	<u>10,762,251</u>
Meru Landfill - Fair Value		17,076,757	14,629,517
Meru Landfill - Cost (Additions at fair value)		-	541,438
Less Accumulated Depreciation		-	(719,440)
		<u>17,076,757</u>	<u>14,451,515</u>
Airport - Fair Value		30,743,294	27,565,132
Airport - Cost (Additions at fair value)		-	541,024
Less Accumulated Depreciation		-	(1,165,878)
		<u>30,743,294</u>	<u>26,940,278</u>
Effluent Scheme - Fair Value		586,394	310,552
Effluent Scheme - Cost (Additions)		-	23,159
Less Accumulated Amortisation		-	(88,736)
		<u>586,394</u>	<u>244,975</u>
Total Infrastructure	8(b)	<u><u>686,294,473</u></u>	<u><u>660,592,501</u></u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 8b. Infrastructure (continued)

Movements in Carrying Amounts

		Roads	Recreation	Car Parks	Meru Landfill	Airport	Effluent Scheme	Total
\$	Notes	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	
Balance as at 1 July 2017		565,303,234	42,890,249	10,762,251	14,451,515	26,940,278	244,975	660,592,501
Additions								
- Renewal	20	14,138,204	1,703,061	846	116,538	262,057	52,110	16,272,816
- New	20	952,804	11,335,707	43,854	58,184	10,457	-	12,401,006
Revaluation - Increments	13	24,340,705	-	68,842	316,217	4,133,652	298,110	29,157,526
Revaluation - (Decrements)	13	-	(16,802,050)	-	-	-	-	(16,802,050)
Depreciation (Expense)	2(a)	(15,647,701)	(742,551)	(459,429)	(390,559)	(603,149)	(8,801)	(17,852,189)
Other Movements		-	-	-	2,524,863	-	-	2,524,863
Infrastructure at 30 June 2018		589,087,246	38,384,416	10,416,364	17,076,758	30,743,294	586,394	686,294,473
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
Infrastructure at 30 June 2017		565,303,234	42,890,249	10,762,251	14,451,515	26,940,278	244,975	660,592,501

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Trade and Other Payables

\$	2018 Actual	2017 Actual
Current		
Sundry Creditors	7,838,032	7,554,537
Accrued Interest on Debentures	134,919	155,437
Accrued Salaries and Wages	397,549	407,474
Unexpended Non-Operating Grants (WATC)	6,612,590	8,992,194
Total Current Trade and Other Payables	<u>14,983,090</u>	<u>17,109,642</u>

Note 10. Borrowings

Current		
Secured by Floating Charge		
- Debentures	23(a) 3,996,891	3,978,382
Total Current Borrowings	<u>3,996,891</u>	<u>3,978,382</u>
Non-Current		
Secured by Floating Charge		
- Debentures	23(a) 20,125,131	23,871,942
Total Non-Current Borrowings	<u>20,125,131</u>	<u>23,871,942</u>

Additional detail on borrowings is provided in Note 23.

Note 11. Provisions

Current		
Annual Leave	2,451,994	2,306,469
Long Service Leave	2,019,764	1,813,764
Sick Leave	463,341	448,289
Accrued RDO's	46,568	44,924
Total Current Provisions	<u>4,981,667</u>	<u>4,613,446</u>
Non-Current		
Long Service Leave	300,060	366,122
Provision for Infrastructure Meru - Rehabilitation	12,496,405	9,971,542
Total Non-Current Provisions	<u>12,796,466</u>	<u>10,337,664</u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Reserves - Cash/Investment Backed

\$	2018 Actual	2018 Budget	2017 Actual
(a). Mullewa Reseal Reserve			
Opening Balance	1,891,285	1,891,285	1,891,285
	<u>1,891,285</u>	<u>1,891,285</u>	<u>1,891,285</u>
(b). Parking Land Reserve			
Opening Balance	536,187	536,187	536,187
	<u>536,187</u>	<u>536,187</u>	<u>536,187</u>
(c). Unexpended Capital Works & Restricted Grant Reserve			
Opening Balance	19,890,991	7,851,101	7,900,259
Amount Set Aside / Transfer to Reserve	1,784,508	-	14,946,492
Amount Used / Transfer from Reserve	<u>(15,782,682)</u>	<u>(7,189,194)</u>	<u>(2,955,760)</u>
	<u>5,892,817</u>	<u>661,907</u>	<u>19,890,991</u>
(d). Employee Entitlements Reserve			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	1,100,000	1,100,000	-
	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>
(e). Major Initiatives Reserve			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	1,836,655	1,436,665	-
Amount Used / Transfer from Reserve	<u>(1,805,000)</u>	<u>-</u>	<u>-</u>
	<u>31,655</u>	<u>1,436,665</u>	<u>-</u>
(f). Asset Renewal Reserve			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	7,877,634	-	-
Amount Used / Transfer from Reserve	<u>(1,108,202)</u>	<u>-</u>	<u>-</u>
	<u>6,769,432</u>	<u>-</u>	<u>-</u>
Total Reserves	<u><u>16,221,376</u></u>	<u><u>5,626,044</u></u>	<u><u>22,318,463</u></u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Reserves - Cash/Investment Backed (continued)

\$

Summary of Reserve Transfers**Transfers to Reserves**

Unexpended Capital Works & Restricted Grant Reserve	1,784,508	-	14,946,492
Employee Entitlements Reserve	1,100,000	1,100,000	-
Major Initiatives Reserve	1,836,655	1,436,665	-
Asset Renewal Reserve	7,877,634	-	-
Total Transfers to Reserves	12,598,797	2,536,665	14,946,492

Transfers from Reserves

Unexpended Capital Works & Restricted Grant Reserve	(15,782,682)	(7,189,194)	(2,955,760)
Major Initiatives Reserve	(1,805,000)	-	-
Asset Renewal Reserve	(1,108,202)	-	-
Total Transfers from Reserves	(18,695,884)	(7,189,194)	(2,955,760)

Total Net Transfer to/(from) Reserves

	(6,097,087)	(4,652,529)	11,990,732
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All of the cash backed reserves 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, 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

Employee Entitlements Reserve

The purpose of this reserve is for the funding of payments not predicted or provided for in Council's municipal budget. It is also intended to fund large payments to staff that may occur in any year, principally being long service leave payments but shall include provision for voluntary redundancy payments, accrued non-current annual leave and sick leave entitlements as provided for under the City's Enterprise Agreement.

Major Initiatives Reserve

The purpose of this reserve is to provide funding tied to prioritised capital works program and major projects/initiatives. Funds to be mainly derived from net proceeds on land sales.

Asset Renewal Reserve

The purpose of this reserve is to fund infrastructure renewal. Any funds that are unspent from the annual asset renewal program are to be disbursed into this reserve for future renewal programs, unbudgeted emergent and/or emergency renewal works.

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Reserves - Asset Revaluation

\$	Notes	2018 Actual	2017 Actual
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
(a). Land			
Opening Balance		46,479,611	55,142,739
Revaluation Decrement	7(b)	-	(8,663,128)
		46,479,611	46,479,611
(b). Buildings			
Opening Balance		49,180,474	48,772,084
Revaluation Increment	7(b)	-	408,390
		49,180,474	49,180,474
(c). Plant and Equipment			
Opening Balance		1,601,370	1,601,370
		1,601,370	1,601,370
(d). Artwork			
Opening Balance		152,071	152,071
		152,071	152,071
(e). Roads			
Opening Balance		373,003,794	373,003,794
Revaluation Increment	8(b)	24,340,705	-
		397,344,499	373,003,794
(f). Car Parks			
Opening Balance		10,830,969	10,830,969
Revaluation Increment	8(b)	68,842	-
		10,899,811	10,830,969
(g). Meru Landfill			
Opening Balance		1,142,037	1,142,037
Revaluation Increment	8(b)	316,217	-
		1,458,254	1,142,037
(h). Airport			
Opening Balance		16,077,123	16,077,123
Revaluation Increment	8(b)	4,133,652	-
		20,210,775	16,077,123
(i). Effluent Scheme			
Opening Balance		-	-
Revaluation Increment	8(b)	298,110	-
		298,110	-
Total Asset Revaluation Reserves		527,624,975	498,467,449

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Notes to the Statement of Cash flows

\$	Notes	2018 Actual	2018 Budget	2017 Actual
(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>35,506,644</u>	<u>14,869,195</u>	<u>41,963,290</u>
(b). Reconciliation of Net Cash Provided By Operating Activities to Net Result				
Net Result		(8,305,518)	27,601,506	25,265,670
Depreciation		21,980,328	21,400,660	21,296,897
Write Down (Up) in Fair Value of Investments		-	-	(10,532)
(Profit)/Loss on Sale of Assets		(58,227)	(14,786)	(1,256,630)
Other Non Cash Movements		16,656,791	-	8,796,905
Decrease/(Increase) in Receivables		3,511,136	93,174	(6,766,941)
Increase/(Decrease) in Provision for Doubtful Debts		(9,473)	-	(44,193)
Decrease/(Increase) in Inventories		157,079	15,497	(184,731)
Increase/(Decrease) in Payables & Accruals		(2,105,952)	(553,373)	(9,959,823)
Increase/(Decrease) in Accrued Interest Payable		(20,518)	-	(9,346)
Increase/(Decrease) in Employee Leave Entitlements		285,463	(10,181)	187,930
Increase/(Decrease) in Other Provisions		2,541,559	-	789,139
Grants/Contributions for the Development of Assets		(8,674,649)	(28,800,110)	(20,796,455)
Net Cash from Operating Activities		<u>25,958,019</u>	<u>19,732,387</u>	<u>17,307,889</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		(5,471)	(15,000)	(12,581)
Total Amount of Credit Unused		<u>6,859,529</u>	<u>6,850,000</u>	<u>6,852,419</u>
<u>Security</u>				
The Commonwealth Bank of Australia holds a mortgage over Council's rates revenue.				
Loan Facilities				
Loan Facilities - Current	10	3,996,891		3,978,382
Loan Facilities - Non-Current	10	20,125,131		23,871,942
Total Facilities in Use at Balance Date		<u>24,122,022</u>		<u>27,850,324</u>

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingent Liabilities

\$

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	69,357	73,776
- later than one year but not later than five years	30,789	100,146
- later than five years	-	-
Total Operating Lease Commitments	100,146	173,922

(b). Capital Expenditure Commitments

Contracted for:

- capital expenditure projects	7,352,125	5,246,686
- land and buildings	254,200	237,905
- plant & equipment purchases	711,379	670,908
Total Capital Expenditure Commitments	8,317,703	6,155,499

Payable:

- not later than one year	8,317,703	6,155,499
- later than one year but not later than five years	-	-
- later than five years	-	-
Total Capital Expenditure Commitments	8,317,703	6,155,499

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Subsidiaries, Joint Arrangements & Associates

\$

(a) Council is involved in the following Joint Operations

Name of Joint Operation	Principal Activity	Place of Business	Interest in Ownership		Interest in Voting	
			2018	2017	2018	2017
Altus Consortium Project	Software development		20%			

(b) Council Assets employed in the Joint Operations**Council's share of assets jointly owned with other partners**

	2018	2017
Property, Plant & Equipment	(280,122)	-
Total Net Assets Employed - Council & Jointly Owned	(280,122)	-

(c) Share of Joint Operations Expenditure Commitments**Capital Commitments**

Payable Not Later than 1 Year	-	-
Payable Later than 1 Year but not later than 5 Years	239,067	-
Payable Later than 5 Years	-	-
Total Capital Commitments	239,067	-

Note 18. Trust Funds

\$	Balance 1-Jul-17	Amounts Received	Amounts Paid	Balance 30-Jun-18
BCITF	21,798	114,495	(120,613)	15,680
BSL - Building Services Levy (BRB)	21,637	117,057	(120,427)	18,266
Refundable Bonds	184,941	92,157	(101,999)	175,099
Verge/Footpath Bonds	138,165	6,500	(18,450)	126,215
Subdivision & Road Deposits	1,308,364	88,800	(46,546)	1,350,619
Unclaimed Monies	10,551	662	(1,009)	10,204
Roadwise Community Grants	134	-	-	134
Sundry	35,379	264	(16,336)	19,307
DUP Contributions - Cape Burney	28,737	726	-	29,463
DUP Contributions - Drummond Cove	406,009	10,263	-	416,272
DUP Contributions - Spalding	34,778	879	-	35,657
DUP Contributions - Strathalbyn	138,747	3,507	-	142,254
DUP Contributions - Mt Tarcoola	40,861	1,033	-	41,894
DUP Contributions - Wandina	100,340	2,536	-	102,876
DUP Contributions - Waggrakine	201,667	5,098	-	206,765
DUP Contributions - Webberton	9,625	243	-	9,869
DUP Contributions - Geraldton	12,749	561	-	13,310
POS Cash in Lieu	1,809,296	45,734	-	1,855,031
POS Cash in Lieu - Drummond Cove	83,015	2,098	-	85,114
POS Cash in Lieu - Glenfield	69,579	1,957	-	71,536
POS Cash in Lieu - Strathalbyn	229,245	5,795	-	235,040
POS Cash in Lieu - Utakarra	244,223	6,173	-	250,397
POS Cash in Lieu - Wandina	77,261	2,437	-	79,698
POS Cash in Lieu - Waggrakine Rural Residential	82,201	2,078	-	84,279
Contributions Received WARCA	63,258	93,550	(156,808)	-
20A/152 Reserve 41879	42,900	-	-	42,900
	5,395,462	604,604	(582,189)	5,417,878

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. Total Assets Classified by Function and Activity

\$	2018 Actual	2017 Actual
Governance	13,810,397	32,166,211
General Purpose Funding	5,045,611	-
Law, Order, Public Safety	1,160,066	1,651,378
Health	925,047	113,687
Education & Welfare	4,273,574	6,647,430
Housing	990,071	1,273,070
Community Amenities	20,639,725	13,121,144
Recreation & Culture	110,824,759	136,817,420
Transport	656,333,861	556,878,276
Economic Services	273,283	294,054
Other Property & Services	104,937,208	48,861,304
Unallocated	14,029,620	117,595,071
	933,243,222	915,419,045

Note 20. Acquisition of Assets

\$	2018 Actual	2018 Budget
By Program		
Governance		
Asset acquisition	564,712	455,000
Law, Order, Public Safety		
Asset acquisition	69,723	1,925,000
Community Amenities		
Asset acquisition	226,832	527,000
Recreation & Culture		
Asset acquisition	13,465,720	16,493,913
Transport		
Asset acquisition	15,420,973	40,761,935
Economic Services		
Asset acquisition	52,184	49,000
Other Property & Services		
Asset acquisition	5,670,084	2,972,350
	35,470,228	63,184,198

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Acquisition of Assets (continued)

\$		2018 Actual	2018 Budget
By Class			
<i>Property, Plant & Equipment</i>			
	7(b)		
- Land		2,370,918	2,956,000
- Buildings		1,353,450	-
- Furniture and Equipment		563,326	478,000
- Plant and Equipment		2,479,621	2,338,350
- Artwork		29,091	30,000
<i>Infrastructure</i>			
	8(b)		
- Roads		15,091,008	16,092,835
- Recreation		13,038,768	16,209,913
- Car Parks		44,700	39,000
- Meru Landfill		174,722	437,000
- Airport		272,514	24,603,100
- Effluent Scheme		52,110	-
		35,470,228	63,184,198

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.							
By Asset Class							
<i>Property, Plant & Equipment</i>							
	7(b)						
Plant and Equipment		713,727	592,964	771,954	607,750	58,227	14,786
Total		713,727	592,964	771,954	607,750	58,227	14,786

\$	2018 Actual	2018 Budget	2017 Actual
Summary			
Profit on Asset Disposals	134,149	127,816	1,296,665
Loss on Asset Disposals	(75,922)	(113,030)	(40,035)
Net Profit/(Loss) on Disposal of Assets	58,227	14,786	1,256,630

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. Financial Ratios

\$	Amounts 2018	Indicator 2018	Target	Prior Periods 2017 2016	
<i>Liquidity Ratio</i>					
1. Current Ratio ⁽¹⁾					
Current Assets less Restricted Current Assets	22,183,580	1.28 : 1	> 1.00 : 1	1.42	0.92
Current Liabilities less Liabilities Associated with Restricted Assets	17,349,059				
<i>Debt Ratio</i>					
2. Debt Service Cover Ratio ⁽²⁾					
Operating Surplus before Interest and Depreciation Exp	22,918,075	4.50 : 1	> 2.00 : 1	5.48	3.58
Principal and Interest Repayments	5,094,165				
<i>Coverage Ratio</i>					
3. Own Source Revenue Coverage Ratio ⁽³⁾					
Own Source Operating Revenue	69,888,715	89.05%	> 40%	91.31%	82.13%
Operating Expense	78,478,307				
<i>Financial Performance Ratio</i>					
4. Operating Surplus Ratio ⁽⁴⁾					
Operating Revenue less Operating Expense	(178,117)	-0.25%	> 1%	6.42%	-13.69%
Own Source Operating Revenue	69,888,715				
<i>Asset Management Ratios</i>					
5. Asset Consumption Ratio ⁽⁵⁾					
Depreciated Replacement Cost of Depreciable Assets	887,202,429	74.12%	> 50%	70.92%	70.80%
Current Replacement Cost of Depreciable Assets	1,197,011,870				
6. Asset Sustainability Ratio ⁽⁶⁾					
Capital Renewal and Replacement Expenditure	19,669,926	89.49%	90-110%	77.53%	64.68%
Depreciation Expense	21,980,328				
7. Asset Renewal Funding Ratio ⁽⁷⁾					
NPV of Planned Capital Renewals over 10 years	229,592,366	103.20%	75-95%	104.11%	93.25%
NPV of Required Capital Expenditure over 10 years	222,481,220				

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 2018

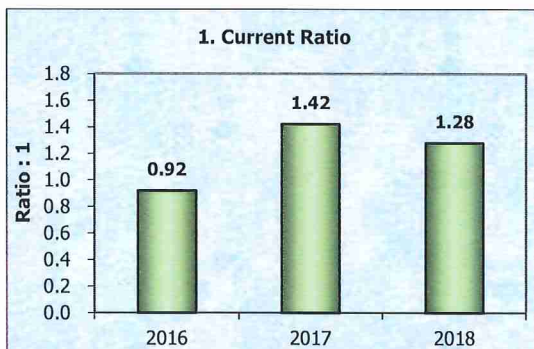
Note 22. Financial Ratios (continued)

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 \$3,058,237

These Financial Assistance Grants are in accordance with AASB 1004 recognised in the Operating Revenue of the financial year 2017-2018.

The table below shows the impact on the disclosure of ratios comparing both scenarios:

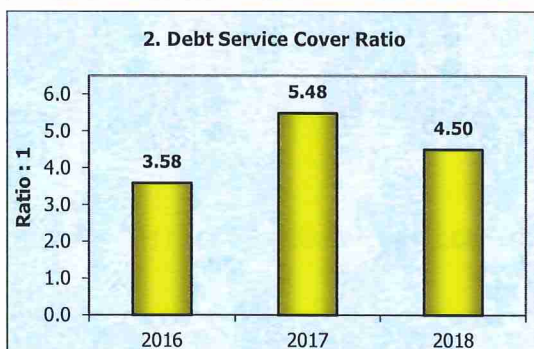
	Current Ratio	Debt Service Coverage Ratio	Operating Surplus Ratio
FAGS included	1.28	4.5	-0.25%
FAGS excluded	1.10	3.9	-4.63%



Purpose of Current Ratio

To assess the liquidity position of the Council that has arisen from past year's transactions.

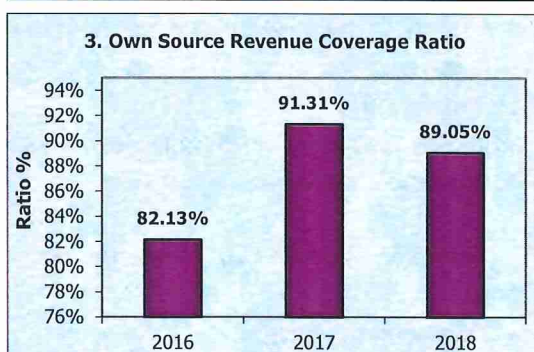
2017/18 Ratio	1.28 : 1
---------------	----------



Purpose of Debt Service Cover Ratio

To assess Council's ability to repay its debt including lease payments.

2017/18 Ratio	4.50 : 1
---------------	----------



Purpose of Own Source Revenue Coverage Ratio

To assess Council's ability to cover its costs through its own revenue efforts.

2017/18 Ratio	89.05%
---------------	--------

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Financial Ratios (continued)

<p>4. Operating Surplus Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>-13.69%</td> </tr> <tr> <td>2017</td> <td>6.42%</td> </tr> <tr> <td>2018</td> <td>-0.25%</td> </tr> </tbody> </table>	Year	Ratio %	2016	-13.69%	2017	6.42%	2018	-0.25%	<p>Purpose of Operating Surplus Ratio</p> <p>To assess Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.</p>	<p>2017/18 Ratio -0.25%</p>
Year	Ratio %									
2016	-13.69%									
2017	6.42%									
2018	-0.25%									
<p>5. Asset Consumption Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>70.80%</td> </tr> <tr> <td>2017</td> <td>70.92%</td> </tr> <tr> <td>2018</td> <td>74.12%</td> </tr> </tbody> </table>	Year	Ratio %	2016	70.80%	2017	70.92%	2018	74.12%	<p>Purpose of Asset Consumption Ratio</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>2017/18 Ratio 74.12%</p>
Year	Ratio %									
2016	70.80%									
2017	70.92%									
2018	74.12%									
<p>6. Asset Sustainability Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>64.68%</td> </tr> <tr> <td>2017</td> <td>77.53%</td> </tr> <tr> <td>2018</td> <td>89.49%</td> </tr> </tbody> </table>	Year	Ratio %	2016	64.68%	2017	77.53%	2018	89.49%	<p>Purpose of Asset Sustainability Ratio</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>2017/18 Ratio 89.49%</p>
Year	Ratio %									
2016	64.68%									
2017	77.53%									
2018	89.49%									
<p>7. Asset Renewal Funding Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>93.25%</td> </tr> <tr> <td>2017</td> <td>104.11%</td> </tr> <tr> <td>2018</td> <td>103.20%</td> </tr> </tbody> </table>	Year	Ratio %	2016	93.25%	2017	104.11%	2018	103.20%	<p>Purpose Asset Renewal Funding Ratio</p> <p>To assess the ability of Council to fund its projected asset renewal / replacements in the future.</p>	<p>2017/18 Ratio 103.20%</p>
Year	Ratio %									
2016	93.25%									
2017	104.11%									
2018	103.20%									

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Information on Borrowings

\$	Borrowing Institution	Interest Rate %	Principal 1-Jul-17	New Loans	Principal Repayments		Principal 30-Jun-18		Interest Repayments		
					Actual	Budget	Actual	Budget	Actual	Budget	
(a). Debenture Repayments											
Governance											
- 262 Office Redevelopment	WATC	3.89%	621,702	-	98,427	98,427	523,274	523,275	21,813	22,760	
Recreation & Culture											
- 82 Tarcoola Park Tennis Club SSL	*	WATC	7.36%	7,888	-	3,347	3,347	4,541	4,541	459	490
- 96 Geraldton Yacht Club SSL	*	WATC	3.16%	-	250,000	-	250,000	250,000	945	-	
- 268 Foreshore Stabilisation & Protection		WATC	3.09%	988,500	-	110,715	110,715	877,785	878,115	29,157	29,696
- 264 Aquarena Upgrade		WATC	4.36%	1,487,691	-	186,039	186,039	1,301,652	1,301,652	61,195	62,857
- 271 QPT Air-Conditioning Replacement		WATC	2.92%	2,965,734	-	292,627	292,627	2,673,106	2,673,107	82,961	84,479
- 263 Recreation Ground Grandstand		WATC	4.36%	929,807	-	116,274	116,292	813,533	813,515	38,230	39,269
- 272 MUF, Youth Precinct, Beach Access Ramp		WATC	3.21%	3,841,665	-	221,270	221,270	3,620,395	3,620,395	142,195	121,556
- 259 Verita Road		WATC	4.72%	2,285,639	-	467,284	467,284	1,818,355	1,819,623	101,107	102,433
- 257 Geraldton Hockey Association	*	WATC	4.81%	127,252	-	25,974	25,974	101,278	101,278	5,697	5,812
- 253 Geraldton Yacht Club SSL	*	WATC	6.26%	33,938	-	11,675	11,677	22,263	22,261	1,698	1,853
- 251 Geraldton Hockey Association	*	WATC	6.14%	70,196	-	30,014	30,017	40,182	40,124	3,519	3,624
- 228 Geraldton Surf Life Saving	*	WATC	6.42%	-	-	-	-	22,240	-	-	
- 225 Geraldton Netball Association		WATC	6.26%	-	-	-	-	-	-	-	
- 260 Aquarena Renewal Stage 1		WATC	3.89%	1,616,424	-	255,911	255,927	1,360,513	1,360,084	56,694	59,160
Transport											
- 269 Airport Projects		WATC	3.09%	2,487,724	-	278,632	278,632	2,209,092	2,209,092	73,378	74,735
- 261 Airport Paid Parking Facilities		WATC	3.89%	932,553	-	147,641	147,641	784,912	784,912	32,720	34,140
- 258 Airport Buffer Land		WATC	4.72%	660,296	-	134,993	134,993	525,302	525,303	29,209	29,592
- 256 Airport Security Upgrade (internal)		WATC	6.00%	-	-	-	-	-	-	-	
- 234 Lot 8 Chapman Road - Car Park		WATC	5.09%	256,066	-	143,543	143,555	112,523	112,511	9,559	10,310
- 230 Airport Buffer Land		WATC	8.93%	111,652	-	111,652	111,652	-	-	2,279	2,965
- 252 Plant Purchases for 2009/2010		WATC	6.06%	404,735	-	139,493	139,493	265,242	265,242	19,829	21,397
- 273 Verita Road Stage 1		WATC	2.45%	1,301,047	-	203,858	203,858	1,097,189	1,097,189	30,200	30,635
- 270 (New) Airport Technology Park		WATC	2.74%	1,509,808	-	489,637	489,637	1,020,171	1,020,171	37,231	38,038

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Information on Borrowings (continued)

\$	Borrowing Institution	Interest Rate %	Principal 1-Jul-17	New Loans	Principal Repayments		Principal 30-Jun-18		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
(a). Debenture Repayments (continued)										
Other Property & Services										
- 265 Old Works Depot	WATC	4.36%	743,846	-	93,019	93,033	650,826	650,813	30,584	31,415
- 274 Olive Street Development	WATC	3.13%	3,700,000	-	320,463	320,462	3,379,537	3,379,538	90,195	113,322
- 266 Old Railway Building	WATC	4.36%	766,161	-	95,810	95,810	670,351	670,351	31,516	32,372
WATC Loan Guarantee Fee			-	-	-	-	-	-	183,496	209,512
			27,850,323	250,000	3,978,301	3,978,362	24,122,022	24,145,331	1,115,864	1,162,422

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 2018

Note 24(b). Surplus/(Deficit) B/Fwd and C/Fwd

\$	Notes	2018 Carried Fwd Actual	2017 Brought Fwd Actual
Current Assets			
Cash - Unrestricted	3	12,672,677	10,652,633
Cash - Restricted Reserves	3	16,221,376	22,318,463
Cash - Restricted Unspent Grants	2(d)	6,612,590	8,992,194
Rates - Current	5	4,336,749	3,830,487
Sundry Debtors	5	1,204,272	4,621,417
GST Receivable	5	669,948	544,607
Other Receivables	5	2,812,638	3,509,497
Inventories			
- Fuel and Materials	6	369,503	479,721
- Other	6	117,792	164,653
		45,017,546	55,113,672
Current Liabilities			
Sundry Creditors	9	7,838,032	7,554,537
Accrued Interest on Debentures	9	134,919	155,437
Accrued Salaries and Wages	9	397,549	407,474
Other Current Trade and Other Payables	9	6,612,590	8,992,194
Current Employee Benefits Provision	11	4,471,759	4,120,233
Other Current Provisions	11	509,909	493,213
Current Loan Liability	10	3,996,891	3,978,382
		23,961,649	25,701,470
Net Current Assets		21,055,897	29,412,202
Less:			
Reserves - Restricted Cash	3	(16,221,376)	(22,318,463)
Self Supporting Loan Principal Repayments		(71,015)	(86,625)
Add Back:			
Current Loan Liability	10	3,996,891	3,978,382
Surplus/(Deficit)		8,760,396	10,985,495

⁽¹⁾ Restricted Grants & 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 2018

Note 25. Specified Area Rate (2017/18 Financial Year)

\$

The City of Greater Geraldton does not have any Specified Area Rates.

Note 26. Service Charges (2017/18 Financial Year)

The City of Greater Geraldton does not have any Service Charges.

Note 27. Discounts, Incentives, Concessions & Write-offs (2017/18 Financial Year)

	Total	Budget
\$	Cost / Value	Cost / Value

(a) Discounts/Concessions

General Rates	109,043	-
	<u>109,043</u>	<u>-</u>

Discounts

Council offers no discounts for early payment of rates or any other debts to Council.

Concessions/Incentives/Waivers

Council provides an 80% concessional arrangement to Murchison Region Aboriginal Corporate on the land primarily being used for charitable purposes.

Council offers no incentives for the early payment of rates.

Council does not offer any standard waivers or write-offs of rates and Charges or other debts of ratepayers, unless specifically approved by Council. Council does offer 'Incentives' under its City Centre Revitalisation Program to encourage development within the City Centre. The form of 'Incentives' which are assessed and approved by Council on an individual basis can be in the form of concessions or waiving of rates for a set period of times.

Individuals may approach Council for an extension of time to pay-off their debt. Council waives penalty interest and the administration fee for eligible ratepayers approved for a Financial hardship payment plan under an

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 27. Discounts, Incentives, Concessions & Write-offs (2017/18 Financial Year)

\$	Notes	Total Cost / Value	Budget Cost / Value
(b). Write-Offs			
Rate Assessment	2(a)	65,618	-
General Debtors	2(a)	7,453	-
		<u>73,071</u>	<u>-</u>

Note 28. Interest Charges and Instalments (2017/18 Financial Year)

\$	Interest Rate %	Admin. Charge	Actual Revenue	Budgeted Revenue
Interest on Unpaid Rates	11.00%	-	536,441	420,000
Interest on Instalments Plan	5.50%	-	183,496	155,000
Pensioner Deferred Interest	0.00%	-	10,386	12,000
			<u>730,323</u>	<u>587,000</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 \$11.00 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 \$42.00 is charged.

The total amount of revenue from the imposition of interest and instalments charges is \$890,791 (2016-17: \$789,354)

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2018

Note 29. Fees & Charges

\$	2018 Actual	2018 Budget	2017 Actual
Governance	13,291	15,424	11,315
General Purpose Funding	305,139	252,100	254,983
Law, Order, Public Safety	411,730	350,160	336,957
Health	81,757	66,600	103,176
Education and Welfare	27,882	58,250	52,326
Community Amenities	11,609,203	11,105,854	10,945,036
Recreation and Culture	2,354,403	2,029,498	1,929,280
Transport	6,007,101	6,518,441	6,395,699
Economic Services	682,769	783,300	764,253
Other Property and Services	910,070	1,092,686	1,136,750
	<u>22,403,346</u>	<u>22,272,313</u>	<u>21,929,775</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

\$	2018 Actual	2017 Actual
----	----------------	----------------

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

(a). By Nature & Type

Operating Grants, Subsidies and Contributions	8,411,475	12,141,271
Non-Operating Grants, Subsidies and Contributions	8,674,649	20,796,455
	<u>17,086,124</u>	<u>32,937,727</u>

(b). By Program

Governance	84,195	612,114
General Purpose Funding	6,049,303	9,168,331
Law, Order, Public Safety	194,661	207,195
Education & Welfare	234,041	317,715
Community Amenities	230,906	354,323
Recreation & Culture	3,253,520	12,134,625
Transport	6,541,200	8,956,406
Economic Services	153,808	476,062
Other Property & Services	344,490	710,956
	<u>17,086,124</u>	<u>32,937,727</u>

Included within the Operating Grants, Subsidies and Contributions total of \$8,411,475 is \$1,125,123 in reimbursements and recoveries.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 31. Employee Numbers

\$	2018 Actual	2017 Actual	2016 Actual
The number of full-time equivalent employees at balance date	283	282	254

At 30 June 2018 the City's approved organisational structure: 296 FTE (2017: 294 FTE).

Note 32. Councillor Remuneration

\$	2018 Actual	2018 Budget	2017 Actual
The following fees, expenses and allowances were paid to council members and the mayor.			
Meeting Fees	376,168	397,000	336,167
Members Allowance	90,420	91,000	120,616
Members IT and Telephone Allowance	50,358	52,500	50,495
Travelling Expenses	13,244	25,500	16,194
Conference Expenses	23,028	30,000	24,394
Childcare Expenses	-	-	2,075
Councillor Training	21,353	31,250	4,005
	574,571	627,250	553,946

Note 33. Employee Costs

Wages and Salaries	19,218,134	23,921,813	18,258,728
Employee Leave Entitlements	4,923,048	123,041	4,336,218
Superannuation	3,012,720	3,010,461	2,809,714
Workers' Compensation Insurance	151,436	765,881	389,169
Protective Clothing & Uniforms	75,023	9,873	84,963
Recruitment Costs	82,207	125,000	186,558
Training Costs (other than Salaries & Wages)	144,193	86,037	205,583
Other	132,524	143,591	145,983
	27,739,286	28,185,697	26,416,916

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 33. Employee Costs (continued)

\$	Salary Range	2018 Actual	2017 Actual
Employee Remuneration			
Set out below, in bands of \$10,000 is the number of employees entitled to an annual salary of 100,000 or more.			
Details			
LG Administration Regulations 19 B	100,000 - 109,999	10	5
	110,000 - 119,999	3	-
	120,000 - 129,999	1	7
	130,000 - 139,999	4	3
	140,000 - 149,999	2	2
	150,000 - 159,999	-	1
	170,000 - 179,999	1	-
	190,000 - 200,999	2	1
	200,000 - 210,000	-	2
	250,000 - 259,999	1	-
	320,000 - 330,000	-	1

Note 34. Major Land Transactions

There were no Major Land Transactions during 2017/18.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 35. Trading and Major Trading Undertakings

\$

Airport

The Geraldton Airport is owned freehold by and run as a business unit of the City of Greater Geraldton, generating an operating income of approximately \$5.3M in 2017-18 (2016-17: \$5.5M).

Operating surpluses from airport operations are utilised to maintain and improve existing airport infrastructure, and provide for development of future infrastructure. During 2017-18, capital outlays on Airport Infrastructure (including buildings) amounted to nearly \$0.3M (2016-17: \$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 2018

Note 35. Trading and Major Trading Undertakings (continued)

\$

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 \$5.23M in 2017-18 (2016-17: \$5.4M). During 2017-18, capital outlays on Meru Infrastructure amounted to around \$0.17M (2016-17: \$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 dissolved 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 construction of Cell 5, lining of the second liquid waste pond and construction of a larger processing area is planned for the 2018/19 budget year.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

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	
		2018	2017	2018	2017
Financial Assets					
Cash and Cash Equivalents	3	35,506,644	41,963,290	35,506,644	41,963,290
Receivables (Current & Non-Current)	5	9,773,742	13,096,497	9,773,742	13,096,497
		<u>45,280,386</u>	<u>55,059,787</u>	<u>45,280,386</u>	<u>55,059,787</u>
Financial Liabilities					
Payables (Current & Non-Current)	9	14,983,090	17,109,642	14,983,090	17,109,642
Borrowings (Current & Non-Current)	10	24,122,022	27,850,324	24,122,022	27,850,324
		<u>39,105,112</u>	<u>44,959,966</u>	<u>39,105,112</u>	<u>44,959,966</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 2018

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 and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance Section manages the cash and 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-18	30-Jun-17
Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments		
Equity	355,066	419,633
Statement of Comprehensive Income	355,066	419,633

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 2018

Note 36. Financial Risk Management (continued)

\$

(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 and annual charges at higher than market rates which further encourages the payment of debt.

Council makes suitable provision for doubtful receivables as required.

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-18	30-Jun-17
	%	%
Percentage of Rates and Annual Charges		
Current	93.35%	93.74%
Overdue	6.65%	6.26%
Percentage of Other Receivables		
Current	94.75%	94.77%
Overdue	5.25%	5.23%

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

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 and 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
2018					
Payables	14,983,090	-	-	14,983,090	14,983,090
Borrowings	3,996,891	13,307,526	6,817,605	24,122,022	24,122,022
	18,979,981	13,307,526	6,817,605	39,105,112	39,105,112
2017					
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
	21,038,024	14,469,449	9,402,493	44,909,966	44,959,966

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs and 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-18		30-Jun-17	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank Loans - Fixed	3.54%	24,122,022	3.59%	27,850,324
		<u>24,122,022</u>		<u>27,850,324</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 2018

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:

2018	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	
Financial Assets					
Receivables	30/06/18	-	-	9,773,742	9,773,742
Total Financial Assets		-	-	9,773,742	9,773,742
Financial Liabilities					
Payables	30/06/18	-	-	14,983,090	14,983,090
Loans / Advances	30/06/18	-	-	24,122,022	24,122,022
Total Financial Liabilities		-	-	39,105,112	39,105,112
Property, Plant & Equipment					
- Land	30/06/17	-	83,861,918	-	83,861,918
- Buildings	30/06/17	-	1,338,000	103,778,876	105,116,876
- Furniture & Equipment	30/06/16	-	-	1,622,984	1,622,984
- Plant & Equipment	30/06/16	-	9,803,880	-	9,803,880
- Artwork	14/11/14	-	671,267	-	671,267
Total Property, Plant & Equipment		-	95,675,065	105,401,860	201,076,925
Infrastructure					
- Roads	30/06/18	-	-	589,087,247	589,087,247
- Recreation	30/06/18	-	-	38,384,416	38,384,416
- Car Parks	30/06/18	-	-	10,416,364	10,416,364
- Meru Landfill	30/06/18	-	-	17,663,151	17,663,151
- Airport	30/06/18	-	-	30,743,294	30,743,294
Total Infrastructure		-	-	686,294,473	686,294,473

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2018

Note 37. Fair Value Measurements (continued)

\$

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values: (continued)

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	
Financial Assets					
Receivables	30/06/17	-	-	13,096,497	13,096,497
Total Financial Assets		-	-	13,096,497	13,096,497
Financial Liabilities					
Payables	30/06/16	-	-	17,109,642	17,109,642
Loans / Advances	30/06/16	-	-	27,850,324	27,850,324
Total Financial Liabilities		-	-	44,959,966	44,959,966
Property, Plant & Equipment					
- Land	30/06/15	-	81,491,000	-	81,491,000
- Buildings	30/06/15	-	1,338,000	104,458,735	105,796,735
- Furniture & Equipment	30/06/16	-	-	1,479,392	1,479,392
- Plant & Equipment	30/06/16	-	9,713,081	-	9,713,081
- Artwork	14/11/14	-	642,176	-	642,176
Total Property, Plant & Equipment		-	93,184,257	105,938,127	199,122,384
Infrastructure					
- Roads	30/06/15	-	-	565,303,234	565,303,234
- Recreation	30/06/15	-	-	42,890,249	42,890,249
- Car Parks	30/06/15	-	-	10,762,251	10,762,251
- Meru Landfill	30/06/15	-	-	14,696,490	14,696,490
- Airport	30/06/15	-	-	26,940,278	26,940,278
Total Infrastructure		-	-	660,592,501	660,592,501

(2) Transfers between Level 1 & 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 2018

Note 37. Fair Value Measurements (continued)

\$

(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:

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 with 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 2018

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 observable 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 the 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 was 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 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 2018

Note 37. Fair Value Measurements (continued)

\$

(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 2018.

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 2018.

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 2018

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 (2017-2018: \$12,496,405.25) 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 My Data 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 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 30/06/2018. 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 2018

Note 37. Fair Value Measurements (continued)

\$

(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
Opening Balance - 1/7/16	3,456,000	104,577,134	1,204,829	567,839,869	677,077,832
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
Closing Balance - 30/6/17	-	104,458,735	1,479,392	565,303,234	671,241,361
Purchases (GBV)	-	1,353,450	563,327	15,091,008	17,007,785
Depreciation & Impairment	-	(2,033,309)	(419,734)	(15,647,701)	(18,100,744)
FV Gains - Other Comprehensive Income	-	-	-	24,340,705	24,340,705
Closing Balance - 30/6/18	-	103,778,876	1,622,985	589,087,246	694,489,107
	Recreation	Car Parks	Meru Landfill	Airport	Total
Opening Balance - 1/7/16	35,526,313	10,984,792	13,499,106	26,990,029	87,000,240
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
Closing Balance - 30/6/17	42,890,249	10,762,251	14,696,490	26,940,278	95,289,268
Purchases (GBV)	13,038,768	44,700	226,832	272,514	13,582,814
Depreciation & Impairment	(742,551)	(459,429)	(399,360)	(603,149)	(2,204,489)
Other movement	(16,802,050)	68,842	3,139,190	4,133,652	(9,460,366)
Closing Balance - 30/6/18	38,384,416	10,416,364	17,663,152	30,743,295	97,207,227

(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 2018

Note 38. "Held for Sale" Non Current Assets & Disposal Groups

\$

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 39. Investment Properties

Council has not classified any Land or Buildings as "Investment Properties"

Note 40. Intangible Assets

Intangible Assets are as follows;	Notes	2018 Carrying Amount	2017 Carrying Amount
Opening Values:			
Gross Book Value (1/7)		-	-
Net Book Value - Opening Balance		<u>-</u>	<u>-</u>
Movements for the year			
- Purchases		104,144	-
Closing Values:			
Gross Book Value (30/6)		104,144	-
Total Intangible Assets - Net Book Value ¹		<u><u>104,144</u></u>	<u><u>-</u></u>
¹ The Net Book Value of Intangible Assets represent:			
- Laneway Easement		104,144	-
		<u><u>104,144</u></u>	<u><u>-</u></u>

Council will not amortise the Laneway Easement as it has an indefinite useful life.

Note 41. Equity - Retained Earnings and Reserves Adjustments

Council made no correction of errors or made voluntary changes in any accounting policies during the current reporting period.

Note 42. Discontinued Operations

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 2018

Note 43. Events occurring after the Reporting Period

\$

Events that occur between the end of the reporting period (ending 30 June 2018) 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 dd/mm/yy.

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 2018.

(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 2018 and which are only indicative of conditions that arose after 30 June 2018.

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 2018

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) 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:

	2018	2017
Short-Term Employee Benefits	1,393,531	1,518,139
Post-Employment Benefits	120,511	109,587
Long-Term Benefits	21,270	9,578
Total	<u>1,535,312</u>	<u>1,637,304</u>

(d) 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 2017-2018.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2018

Note 45. Council Information & Contact Details

Principal Place of Business:

63 Cathedral Avenue
Geraldton WA 6530

Contact Details

Mailing Address:

PO Box 101
Geraldton WA 6531

Opening Hours:

Monday - Friday
8.30am to 5.00pm

Telephone: 08 9956 6600

Facsimile: 08 9956 6674

Internet: www.cgg.wa.gov.au

Email: 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
Sally Elphick
Jerry Clune

Other Information

ABN: 55 907 677 173

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Greater Geraldton

Report on the Audit of the Financial Report

Opinion

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

In our opinion the annual financial report of the City of Greater Geraldton:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

The Council is responsible for overseeing the City of Greater Geraldton's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In our opinion, there are no significant adverse trends in the financial statements of the City of Greater Geraldton.
- (ii) There were no instances of non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In our opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

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

AMD CHARTERED ACCOUNTANTS



**MARIA CAVALLO CA
DIRECTOR**

28-30 Wellington Street, Bunbury, Western Australia

11 October 2018



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ACN 145 719 259 t/a AMD

Unit 1, 28-30 Wellington Street,
Bunbury, WA 6230
PO Box 1306, Bunbury, WA 6231

11 October 2018

Mr S Van Styn
Chairman
Audit Committee
City of Greater Geraldton
PO Box 101
GERALDTON WA 6531

Dear Shane

CITY OF GREATER GERALDTON
MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018

We provide our Management Report following completion of our recent City of Greater Geraldton 30 June 2018 year-end audit conducted from the 2nd to the 6th of September 2018. We attach a list of matters raised with management during our exit meeting.

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 2017 in respect of the preparation of the 30 June 2018 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.

8.0 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 adverse trend based on the Department of Local Government and Communities guidelines:

- Operating Surplus Ratio as at 30 June 2018 is calculated at -0.25% (recommended to be greater than 1% 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, additional borrowings and setting rates for future years.

9.0 Exit Meeting Discussions and Interim Audit Recommendations

During our exit meeting with management held on 6 September 2018, we discussed the following matters:

9.1 Fixed Asset Fair Values – Internal Valuations

We discussed with management post our interim visit that the methodology and basis of internal valuation used for each class of infrastructure asset is to be documented with corresponding supporting documentation retained and available for our review.

Our review identified that the unit costs applied by the City of Greater Geraldton had not changed since the previous revaluation conducted as at 30 June 2015 with the explanation provided being that the market had not substantially changed. However, the City of Greater Geraldton's internal assessment identified that the unit costs for some of the assets had changed (increased or decreased) and although would appear immaterial if assessed at an overall unit cost level, when applied across the length of the asset the differences were substantial.

Our review also identified that where an internal infrastructure class valuation had been completed, the majority of the asset's condition was not physically assessed as at 30 June 2018. For example roads were last independently assessed in 2015 (in-house visual assessment conducted in 2017) and footpaths and lighting were last assessed in 2016.

We acknowledge that the Asset Management team completed the fair value assessments, however in future we recommend that a review be conducted by the Finance team to ensure that the fair value assessment is adequately supported prior to providing the information to the audit team.

9.2 Excessive Leave Balances

From our review of annual leave listing, we noted 20 employees who have accrued in excess eight weeks annual leave at year-end. We also note from our review of the long service leave listing there were 21 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.

9.3 Interim Audit Comment and Recommendations

We note the recommendations from our interim audit completed in February 2018 have been subsequently actioned/completed.

We would like to thank management for being pro-active in responding to our internal control recommendations.

9.4 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 the 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.

10.0 Other Matters

10.1 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 2018 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 2018.

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.

10.2 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.

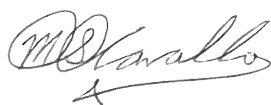
10.3 Other

We would like to take this opportunity to thank Paul, Renee, Temba, Nita 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



MARIA CAVALLO CA
Director

cc Mr R McKim
Chief Executive Officer

AC068	REVIEW OF AUDIT COMMITTEE CHARTER
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AGENDA REFERENCE:	D-18-062779
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	B Davis, Director Corporate and Commercial Services
DATE OF REPORT:	8 October 2018
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x3)
	A. Draft Audit Committee Charter v1.6
	B. A Guide to Local Government Auditing Reforms June 2018
	C. Comparison Table

EXECUTIVE SUMMARY:

The purpose of this report is for the Audit Committee to review the Audit Committee Charter and identify any changes required, with reference to recent amendments to the *Local Government (Audit) Regulations 1996* in relation to the role of Audit Committees.

EXECUTIVE RECOMMENDATION:

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

1. ENDORSE amendments to the Audit Committee Charter v1.6

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

The Audit Committee Charter was last reviewed by the Audit Committee on 15 March 2018, AC059. On 27 June 2018 amendments were passed to the *Local Government (Audit) Regulations 1996* giving the Audit Committee a new role, with greater involvement in assisting the CEO to carry out reviews, under regulation 17, of systems and procedures concerning risk management, internal control and legislative compliance. The amendments empower the Committee to monitor and advise the CEO in relation to reviews of certain systems prescribed by the Audit Regulations and the *Local Government (Financial Management) Regulations 1996*.

The reforms are intended to assist CEO's to formulate recommendations to Council to address issues identified in reviews. The Audit Committee will also support the auditor as required, and have functions to oversee:

- The implementation of audit recommendations, made by the auditor and accepted by Council: and
- Accepted recommendations arising from reviews of local government systems and procedures.

The attached article from Civic Legal provides an overview of the changes (attachment AC068-D)

Suggested amendments to the Audit Committee Charter are noted in attachment AC068C - Comparison Table, and within Draft Audit Committee Charter v.1.6 - attachment AC068A, for the Audit Committees consideration.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no adverse community impacts.

Environment:

There are no adverse environment impact.

Economy:

There are no adverse economic impacts.

Governance:

An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions. Clear and comprehensive terms of reference, setting out the committee's roles and responsibilities, are therefore essential.

RELEVANT PRECEDENTS:

The Audit Committee previously reviewed its charter on 15 March 2018, AC059.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.13(1)

Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

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

Amendments to the *Local Government (Audit) Regulations 1996* have changed the role of the Audit Committee, consequently amendments to the Audit Committee Charter are required to ensure that the Committee undertakes the new role as prescribed under the Regulations.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

There were no alternative options considered by City officers.



AUDIT COMMITTEE CHARTER

Audit Committee Charter

1. Objectives of Audit Committees

1.1. The primary objective of the audit committee is to:

- Accept responsibility for the annual external audit;
- Support the auditor to conduct an audit and carry out other duties under the Act.
- Liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.
- Monitor and advise the CEO when the CEO is carrying out functions in relation to a regulation review under regulation 17(1); and Local Government (Financial Management) Regulations 1996 regulation 5(2)(c).
- Oversee the implementation of audit recommendations made by the auditor and accepted by Council, and accepted recommendations arising from reviews of Local Government systems and processes.

1.2. Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and monitor and advise the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

1.3. The committee is to facilitate –

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

2. Powers of the Audit Committee

2.1 The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

2.2 The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

3 Membership

3.1 The committee will consist of four elected members and a proxy elected member. All members shall have full voting rights.

3.2 The CEO and employees are not members of the committee.

- 3.3 The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.
- 3.4 The local government shall provide secretarial and administrative support to the committee.
- 3.5 The Chairperson shall be recommended and appointed by the Audit Committee.

4. Meetings

- 4.1. The committee shall meet up to four times annually.
- 4.2. Additional meetings shall be convened at the discretion of the presiding person.

5. Reporting

- 5.1. Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.
- 5.2. The committee shall report annually to the Council summarising its activities during the previous financial year.

6 Duties and Responsibilities

- 6.1 The duties and responsibilities of the committee will be –
 - a. Guide and assist the Local Government in carrying out its functions in relation to audits and other matters related to financial management;
 - b. Meet with the auditor once in each year on behalf of Council, in accordance with s.7.12A(2) of the *Local Government Act 1995*, and provide a report to Council on the matters discussed and outcome of those discussions.
 - c. Liaise with the CEO to ensure that the local government does everything in its power to –
 - support the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;
 - d. Examine the reports of the auditor after receiving a report from the CEO on the matters and –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
 - e. Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor, in accordance with section 7.12A (3) of the *Local Government Act 1995*, and oversee the implementation of any action that the local government is :
 - required to take; and
 - has stated it has taken or intends to take in a report prepared under section 7.12A(4); and
 - has accepted should be taken, following receipt of a report of a review conducted under regulation 17(1) or conducted under the Local Government (Financial Management) Regulations 1996 r.5(2)(c).

Present the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;

- f. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;
- g. Review the level of resources allocated to internal audit and the scope of its authority;
- h. Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- i. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- j. Review the local government's draft annual financial report, focusing on –
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with Australian Accounting Standards and other reporting requirements; and
 - significant variances from prior years;
- k. Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- l. Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- m. Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council.
- n. Review the annual Compliance Audit Return and report to the council the results of that review, and
- o. Consider the CEO's reviews, in accordance with the provisions of regulation 17, and *Local Government Financial Management Regulations 1996* regulation 5(2)(C), of the appropriateness and effectiveness of the local government's systems and procedures in regard to:
 - risk management;
 - internal control ;
 - legislative compliance;
 - financial management systems and procedures;

required to be provided to the committee, and report to the council the results of those reviews.

- p. Perform any other function conferred on the audit committee by these regulations or another written law.

7. Internal Audit

- 7.1. Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.
- 7.2. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 7.3. The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government's internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who reports independently to Council, through the mayor/president and the CEO, on the annual financial statements. The external auditor's primary role is to decide whether the annual financial statements of a local government are free of material misstatement.
- 7.4. There are certain functions of the internal audit that complement the external auditor's role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.
- 7.5. An internal auditor's activities should typically include the following:
 - a. review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements
 - b. a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
 - c. examination of financial and operating information that includes detailed testing of transactions, balances and procedures;
 - d. a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
 - e. a review of compliance with management policies and directives and any other internal requirements;
 - f. review of the annual Compliance Audit Return, and
 - g. assist in the CEO's reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, to be conducted not less than once every 3 financial years.
 - h. specific tasks requested by management.
- 7.6. For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.

- 7.7. A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.
- 7.8. While it is recognised that smaller councils may not be able to justify a full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.
- 7.9. The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared by them or their accounting practice, as this is considered incompatible with the standard of independence.
- 7.10. Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken not less than once every three years in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 7.11. The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.



Department of
**Local Government, Sport
and Cultural Industries**

A Guide to Local Government Auditing Reforms - June 2018

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June 2018

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A Guide to Local Government Auditing Reforms – June 2018

Introduction

On 24 August 2017, amendments to the *Local Government Act 1995* were passed by State Parliament that will enable the Auditor General to audit council finances and performance.

The changes to the Act have been supported by amendments to the Local Government *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit Regulations)* gazetted on Tuesday, 26 June 2018,

Unless otherwise specified, the changes to the regulations commence on 27 June 2018. Regulations 13 and 14 of the *Local Government (Financial Management) Regulations 1996* commence on 1 July 2018.

This guide has been prepared by the Department of Local Government, Sport and Cultural Industries (the Department) to inform local governments and auditors about the changes and replaces the guide published in September 2017.

Changes to the *Local Government Act 1995* made in 2017

Auditor General will be responsible for financial and supplementary audits

The reforms made in 2017 have expanded the Auditor General's scope of powers to undertake and report on local government financial audits and provide for the independent oversight of the local government sector.

The Auditor General will take over responsibility for financial audits on a transitional basis as existing audit contracts expire. From 2020-21, all local governments will be audited by the Auditor General, regardless of whether their auditing contracts have expired.

The Department has received advice that this termination requirement will not expose the State, the Director General, or local governments to any liability if audit contracts are cancelled as a result of the changes.

A local government may not appoint a person to be its auditor.

The Auditor General will be able to contract out some or all of the financial audits but all audits will be done under the supervision of the Auditor General.

As is currently the case, local governments will be responsible for meeting the costs of financial audits. The Auditor General will determine the fees for a financial audit.

The Department has published the status of each local government's audit arrangements. This will provide transparency so that members of the community are aware of whether or not the Auditor General has responsibility for a local government audit.

Amendments mean that regional subsidiaries and regional councils will be audited by the Auditor General in the same way as local governments. The Auditor General will have the power to dispense with a financial audit of a local government or regional subsidiary where the Auditor General believes this is appropriate.

The Auditor General must consult with the Minister for Local Government before exercising this power. This could be used, for example, if a regional council has ceased to operate but has not yet been wound up. If this power is exercised, the Auditor General must notify the Public Accounts Committee and the Estimates and Financial Operations Committee of Parliament.

The Auditor General must give the report on the financial audit to the Mayor / President of the local government, the CEO of the local government, and the Minister for Local Government.

New category of audits: performance audits

The 2017 reforms introduced a new category of audits: performance audits. These audits examine the economy, efficiency, and effectiveness of programs and organisations, including compliance with legislative provisions and internal policies.

The new legislation gives the Auditor General the power to conduct such audits, which may focus on a particular issue or theme, such as procurement practices, and may include individual or multiple local governments and related bodies. This is in line with the approach adopted in other jurisdictions and with what applies to State Government agencies. Performance audits will be paid for by the State Government.

The Auditor General publishes its audit program on the Auditor General's website.

Performance audit reports are submitted to both Houses of Parliament for the Public Accounts Committee and the Estimates and Financial Operations Committee. The report is also provided to the relevant local governments.

Publication of financial reports

Commencing with their 2017-18 annual report, local governments will be required to publish the annual report, including audit reports on the local government's official website within 14 days after the report has been accepted by the local government.

Local governments will be required to publish their annual report online regardless of who undertakes the audit.

Local government duties with respect to audits

Legislation now requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

Local governments must prepare a report addressing the significant matters identified in the report and state what action the local government has taken or intends to take. This report must be provided to the Minister within three months of receiving the audit report. Within 14 days after the local government gives the report to the Minister, the CEO must publish a copy of the report on its official website.

Amendments to the Local Government (Financial Management) Regulations 1996

The following amendments to the *Local Government (Financial Management) Regulations 1996* have been made.

Timeframe for review of financial management systems

Regulation 5 regarding the CEO's duties as to financial management has been amended to require the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures from no less than once in very four financial years to no less than three financial years. This change in combination with amendments to the provisions in the Audit Regulations related to reviewing auditing systems, will achieve greater consistency.

Timeframe for local governments to revalue assets

Regulation 17A(4) has been amended to require a local government to revalue an asset:

- whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and
- in any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.

These changes have been introduced to achieve greater consistency with the Australian Accounting Standards.

Assets values under \$5,000

Amendments to Regulation 17A excludes assets valued under \$5,000. This regulation commences on 1 July 2018.

Regulation 17B requires the CEO to take steps to protect excluded portable and attractive assets. This regulation requires a CEO to take all reasonable steps to prevent the theft or loss of non-consumable assets that are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

The language of this requirement is consistent with State Government requirements contained in Treasurer's Instruction 410 Record of Assets and has been revised following consultation with the local government sector.

A property register for portable and attractive items may be an appropriate means to properly record portable and attractive assets. The steps necessary to protect portable and attractive assets are a decision for each local government CEO.

Terminology

Amendments to the terminology used in the *Local Government (Financial Management) Regulation 1996* have been made to achieve consistency with the Australian Accounting Standards:

1. the statement from the CEO specified in Schedule 2 Form 1 has been modified replacing the part that states that annual financial report is in the opinion of the CEO properly drawn, with a statement that the annual financial report is 'based on proper accounts and records.'
2. clarification that the annual financial report complies with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Amendments to the Local Government (Audit) Regulations 1996

Role of the Audit Committee

With the transfer of auditing to the Auditor General, local government Audit Committees will have a new and important role.

The role of the Audit Committee has been amended so that the Audit Committee has greater involvement in assisting the CEO to carry out the review under Regulation 17 of the Audit Regulations of systems and procedures concerning risk management, internal control, and legislative compliance. The Audit Committee is empowered to 'monitor and advise' the CEO in reviews of certain systems prescribed by the audit and financial management regulations. The terms 'monitor and advise' have been selected following consultation with the sector.

The reforms are intended to help CEOs formulate recommendations to council to address issues identified in the reviews.

The Audit Committee will also support the auditor as required and have functions to oversee:

- the implementation of audit recommendations made by the auditor, which have been accepted by council; and
- accepted recommendations arising from reviews of local government systems and procedures.

These roles reflect the importance of the Audit Committee as a section of council charged with specific responsibilities to scrutinise performance and financial management. The regulations continue to allow for external membership of Audit Committees. Councils are encouraged to consider inviting appropriate people with expertise in financial management and audit to be members of their Audit Committee.

Role of the council assisting the auditor

Local governments are required to provide the auditor with a copy of their Strategic Community Plan, Corporate Business Plan or another plan or informing strategy. The powers to request documentation are consistent with the Auditor General's powers to request information of State Government agencies when conducting audits.

Timeframe for reviewing audit systems and procedures

An amendment to Regulation 17(2) requires the CEO to undertake a review of audit systems and procedures no less than once in every three financial years. This change will introduce consistency in CEO responsibilities to review financial management and audit systems and procedures in a timely manner.

Compliance Audit Return

Questions regarding the adoption of Integrated Planning and Reporting documents have been included as fields in the Compliance Audit Return.

Terminology

The following amendments for the terminology used in the Audit Regulations have been made:

- references to Executive Director have been replaced by Departmental CEO to reflect Machinery of Government changes; and
- references to the conduct of audits in regulation 9 have been updated to reflect language used in the Australian Accounting Standards.

For more information, please contact:

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CURRENT CHARTER	SUGGESTED AMENDMENT	NOTES
<p>1. Objectives of Audit Committees</p>		
<p>1.1. The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government’s auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.</p>	<p>1.1. The primary objective of the audit committee is to;</p> <ul style="list-style-type: none"> • accept responsibility for the annual external audit; • Support the auditor to conduct an audit and carry out other duties under the Act • Liaise with the local government’s auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs. • Monitor and advise the CEO when the CEO is carrying out functions in relation to a regulation review under regulation 17(1): and <i>Local Government (Financial Management) Regulations 1996</i> regulation 5(2(c)) • Oversee the implementation of audit recommendations made by the auditor and accepted by Council, and accepted recommendations arising from reviews of Local Government systems and processes. 	<p><i>Local Government Audit (Regulations) 1996</i> 16(e)</p> <p><i>Local Government Audit (Regulations) 1996</i> 16(d)</p> <p><i>Local Government Audit (Regulations) 1996</i> 16(f)</p>

Audit Committee Charter

Suggested Amendments due to amendments to *The Local Government Act 1995 and the Local Government (Audit) Regulations 1996*

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<p>1.2. Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.</p>	<p>1.2. Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources.</p> <p>The committee will ensure openness in the local government's financial reporting and will monitor and advise the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation</p>	<p><i>Local Government Audit (Regulations) 1996 16(d)</i></p>
<p>1.3. The committee is to facilitate –</p> <ul style="list-style-type: none"> • the enhancement of the credibility and objectivity of internal and external financial reporting; • effective management of financial and other risks and the protection of Council assets; • compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance; • the coordination of the internal audit function with the external audit; and • the provision of an effective means of communication between the external 		<p>No Change</p>

<p>auditor, internal auditor, the CEO and the Council.</p>		
<p>1.4. The committee at the time of the mid-year budget review will review the financial performance of the Council and identify any variance due to the failure of lack of internal controls.</p>	<p>Recommend delete this clause as reporting directly to Council can include a review of financial performance related to internal controls. Note: Internal Audit Plan includes regular reviews of council's financial management system and internal controls including mid-year review.</p>	
<p>2. Powers of the Audit Committee</p>		
<p>2.1 The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.</p>		<p>No Change</p>
<p>2.2 The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.</p>		<p>No Change</p>

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3 Membership		
<p>3.1 The committee will consist of four elected members and a proxy elected member. All members shall have full voting rights.</p> <p>3.2 The CEO and employees are not members of the committee.</p> <p>3.3 The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.</p> <p>3.4 The local government shall provide secretarial and administrative support to the committee.</p> <p>3.5 The Chairperson shall be recommended by the Audit Committee and appointed by Council.</p>	<p>3.5 The Chairperson shall be recommended and appointed by the Audit Committee.</p>	<p><u>Advice received from WALGA</u></p> <p><i>Committees are empowered to elect a Chair from amongst themselves – Section 5.12 of the LG Act.</i></p> <p><i>Given this process is run as an election, Council has no involvement in the appointment of any Committee Chair.</i></p>
4. Meetings		
<p>4.1. The committee shall meet up to four times annually.</p> <p>4.2. Additional meetings shall be convened at the discretion of the presiding person.</p>		No Change

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<p>5. Reporting</p>		
<p>5.1. Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.</p> <p>5.2. The committee shall report annually to the Council summarising its activities during the previous financial year.</p>		<p>No Change</p>
<p>6 Duties and Responsibilities</p>		
<p>6.1 The duties and responsibilities of the committee will be –</p>		
<p>a. Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;</p>	<p>a. Guide and assist the Local Government in carrying out its functions in relation to audits, and other matters related to financial management.</p>	<p><i>Local Government Audit (Regulations) 1996 r.16(a) & (b)</i></p>
<p>b. Meet with the auditor once in each year on behalf of Council, in accordance with s.7.12A (2) of the <i>Local Government Act 1995</i>, and provide a report to Council on the matters discussed and outcome of those discussions.</p>		<p>No Change</p>
<p>c. Liaise with the CEO to ensure that the local government does everything in its power to –</p> <ul style="list-style-type: none"> • assist the auditor to conduct the audit and carry out his or her other 	<p>c. Liaise with the CEO to ensure that the local government does everything in its power to –</p> <ul style="list-style-type: none"> • Support the auditor to conduct the audit and carry out his or her other duties under the <i>Local Government Act 1995</i>; and 	<p>Local Government Audit (Regulations) 1996 r.16(e)</p>

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<p>duties under the <i>Local Government Act 1995</i>; and</p> <ul style="list-style-type: none"> ensure that audits are conducted successfully and expeditiously; 	<ul style="list-style-type: none"> ensure that audits are conducted successfully and expeditiously; 	
<p>d. Examine the reports of the auditor after receiving a report from the CEO on the matters and –</p> <ul style="list-style-type: none"> determine if any matters raised require action to be taken by the local government; and ensure that appropriate action is taken in respect of those matters; 		<p>No Change (<i>Local Government Act 1995</i> s.7.12A(3))</p>
<p>e. Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;</p>	<p>e. Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor, in accordance with section 7.12A (3) of the <i>Local Government Act 1995</i>, and oversee the implementation of any action that the local government is :</p> <ul style="list-style-type: none"> required to take; and has stated it has taken or intends to take in a report prepared under section 7.12A(4); and has accepted should be taken, following receipt of a report of a review conducted under regulation 17(1) or conducted under the <i>Local Government (Financial Management) Regulations 1996</i> r.5(2)(c). <p>Present the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;</p>	<p>(<i>Local Government Act 1995</i> s.7.12A(2))</p> <p><i>Local Government Audit (Regulations) 1996</i> r.16(f) (i) – (iv)</p>

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<p>f. Review the scope of the audit plan and program and its effectiveness;</p>	<p>Delete this clause (Internal Audit covered by g - j below)</p>	<p>regulation 16(b) (i) & (ii) Deleted <i>'May provide guidance and assistance to the local government as to –</i> <i>(i) matters to be audited; and</i> <i>(ii) the scope'</i></p>
<p>g. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO (see reference to internal audit page 14).</p>	<p>f. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO.</p>	<p>Change to f –</p>
<p>h. Review the level of resources allocated to internal audit and the scope of its authority;</p>		<p>Change to g</p>
<p>i. Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;</p>		<p>Change to h</p>
<p>j. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;</p>		<p>Change to i</p>
<p>k. Review the local government's draft annual financial report, focusing on –</p> <ul style="list-style-type: none"> • accounting policies and practices; • changes to accounting policies and practices; • the process used in making significant accounting estimates; 	<p>j. Review the local government's draft annual financial report, focusing on –</p> <ul style="list-style-type: none"> • accounting policies and practices; • changes to accounting policies and practices; • the process used in making significant accounting estimates; 	<p>Change to j</p>

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<ul style="list-style-type: none"> • significant adjustments to the financial report (if any) arising from the audit process; • compliance with accounting standards and other reporting requirements; and • significant variances from prior years; 	<ul style="list-style-type: none"> • significant adjustments to the financial report (if any) arising from the audit process; • compliance with Australian Accounting Standards and other reporting requirements; and • significant variances from prior years; 	<p>Local Government Audit (Regulations) 1996 r.9(1), (2)</p>
<p>l. Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;</p>		<p>Change to k</p>
<p>m. Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;</p>		<p>Change to l</p>
<p>n. Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council.</p>		<p>Change to m</p>
<p>o. Review the annual Compliance Audit Return and report to the council the results of that review, and</p>		<p>Change to n</p>

<p>p. Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.</p>	<p>o. Consider the CEO's reviews, in accordance with the provisions of regulation 17, and <i>Local Government Financial Management Regulations 1996</i> regulation 5(2)(C), of the appropriateness and effectiveness of the local government's systems and procedures in regard to:</p> <ul style="list-style-type: none"> • risk management; • internal control ; • legislative compliance; • financial management systems and procedures; <p>required to be provided to the committee, and report to the council the results of those reviews.</p>	<p>Change to o <i>Local Government Audit (Regulations) 1996</i> 17(2) amended to 3 years – remove biennial</p> <p><i>Local Government Audit (Regulations) 1996</i> regulation 16(d) (ii)</p>
	<p>p. Perform any other function conferred on the audit committee by these regulations or another written law.</p>	<p><i>Local Government Audit (Regulations) 1996</i> regulation 16(g)</p>
<p>7. Internal Audit</p>		
<p>7.1. Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.</p>		<p>No Change</p>
<p>7.2. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk</p>		<p>No Change</p>

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<p>management, control, and governance processes.</p>		
<p>7.3. The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government’s internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who is appointed by council on the recommendation of the Audit Committee, to report independently to it, through the mayor/president and the CEO, on the annual financial statements. The external auditor’s primary role is to decide whether the annual financial statements of a local government are free of material misstatement.</p>	<p>7.3. The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government’s internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who reports independently Council, through the mayor/president and the CEO, on the annual financial statements. The external auditor’s primary role is to decide whether the annual financial statements of a local government are free of material misstatement.</p>	
<p>7.4. There are certain functions of the internal audit that complement the external auditor’s role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.</p>		<p>No Change</p>
<p>7.5. An internal auditor’s activities should typically include the following: a. review of the internal control structure, monitoring the operations</p>		<p>No Change – a.- f., h.</p>

<p>of the information system and internal controls and providing recommendations for improvements</p> <ul style="list-style-type: none"> b. a risk assessment with the intention of minimising exposure to all forms of risk on the local government; c. examination of financial and operating information that includes detailed testing of transactions, balances and procedures; d. a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government; e. a review of compliance with management policies and directives and any other internal requirements; f. review of the annual Compliance Audit Return, and g. assist in the CEO’s biennial reviews of the appropriateness and effectiveness of the local government’s systems and procedures in regard to risk management, internal control and legislative compliance. h. specific tasks requested by management. 	<ul style="list-style-type: none"> g. assist in the CEO’s reviews of the appropriateness and effectiveness of the local government’s systems and procedures in regard to risk management, internal control and legislative compliance, to be conducted not less than once every 3 financial years. 	
<p>7.6. For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day</p>		<p>No Change</p>

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<p>management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.</p>		
<p>7.7. A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.</p>		<p>No Change</p>
<p>7.8. While it is recognised that smaller councils may not be able to justify a full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.</p>		<p>No Change</p>

<p>7.9. The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared by them or their accounting practice, as this is considered incompatible with the standard of independence.</p>		<p>No Change</p>
<p>7.10. Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken every four years in accordance with regulation 5(2)(c) of the <i>Local Government (Financial Management) Regulations 1996</i>.</p>	<p>7.10. Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken not less than once every 3 years in accordance with regulation 5(2)(c) of the <i>Local Government (Financial Management) Regulations 1996</i>.</p>	
<p>7.11. The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.</p>		<p>No Change</p>

New Audit Committee responsibilities for Regulation 17 review

1 October 2018

A Local Government Audit Committee will now have a more important and responsible role than ever before as a result of amendments to Regulation 16 of the *Local Government (Audit) Regulations 1996* (the “Regulations”).

Since 2013, a local government CEO has been required to carry out a Regulation 17 review into the appropriateness and effectiveness of the local government’s risk management, internal control and legislative compliance of systems and procedures. The CEO must also report the results of the review to the Audit Committee.



The Regulations were amended in June 2018 so that the Audit Committee has more responsibility to help the CEO in the carrying out of a Regulation 17 review.

Changes to Regulation 16

Previously Regulation 16 limited the role of the Audit Committee to merely reviewing the CEO’s report and providing a copy to the council.

However, the amendments in June 2018 increase the function and responsibilities of the Audit Committee so it must now:

Key Points

The Audit Committee must now

- Monitor and advise the CEO when the CEO is carrying out functions in relation to a Regulation 17 review
- Oversee the implementation of any action to be taken following the CEO’s Regulation 17 report

- “monitor and advise the CEO when the CEO is carrying out functions in relation to a Regulation 17 review”; and
- “oversee the implementation of any action that the local government...has accepted should be taken following receipt of [the CEO’s Regulation 17 report]”.

The Department of Local Government Guide to Local Government Auditing Reforms suggests that the intention of the reforms is to help CEOs with the formulation of recommendations to the council, so that the matters identified in the Regulation 17 Report can be addressed.

What does this mean for local governments?

It has always been a challenge for CEOs and councils to balance the organisation’s obligations to achieve legislative compliance with its available resources, while continuing to meet community expectations in other areas.

The State Government's amendments to Regulation 16 give a strong message to local governments that governance needs to be a priority.

This is in keeping with the overarching statutory role of councils, which is to be responsible for the performance of their local government's functions (Section 2.7 of the *Local Government Act 1995*).

Interestingly, Regulation 16 therefore requires the Audit Committee to be more proactive in assisting with the structural side of governance – the nuts and bolts of systems and procedures of the organisation.

“Legislative compliance has been legislatively prioritised”

The changes to the role of the Audit Committee within Regulation 16 are somewhat of a wake-up call to local government councils and administrations throughout WA.

The Audit Committee must now be more proactive in ensuring that the local government is doing what it can to improve the systems and procedures of the organisation.

However, it is always important for the Audit Committee to properly understand its role as set out in Regulation 16, and not mistake it as a way to get involved in the day-to-day administrative running of the local government.

On the positive side, the changes to Regulation 16 present an opportunity for administrations and audit committees to see how they can and should work with each other more synergistically to raise the governance standards in their local government.

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Disclaimer: This article provides a general summary of subject matter and does not constitute legal advice. The law may change and circumstances may differ. Therefore, you should seek legal advice for your specific circumstances.

AC069	BUSINESS CONTINUITY MANAGEMENT PROGRAM
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AGENDA REFERENCE:	D-18-069885
AUTHOR:	J Graham, Manager Corporate Services
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	10 September 2018
FILE REFERENCE:	RM/6/0012
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The purpose of this report is to provide an update to the Audit Committee as to the City of Greater Geraldton's Business Continuity Management (BCM) Program.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. NOTE the development of the City of Greater Geraldton Business Continuity Management Program; and
2. REQUIRE the CEO to report back to the Audit Committee following each BCM exercise.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

As per the report AC063 to the Audit Committee, 15 March 2018, the City has completed the development of the City wide BCM plans; and will conduct a desktop exercise of the BCM Plans on 2 November 2018.

The desktop exercise will test the Executive Management Team (EMT) Event Response Plan and a selection of critical BCM Sub-plans. This being the initial exercise its primary purpose is to train EMT and the BCM crisis support team in how to utilise and respond to a business disruption. Lessons learnt from this exercise will subsequently be incorporated into the BCM plans.

To support the ongoing maintenance and validation of the City's BCM program, EMT has established a BCM Working Group. The group has commenced planning for a full BCM exercise in January 2019. Moving forward the intent is to take advantage of the relative quiet period in January each year to conduct BCM exercises.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:**Community:**

There are no adverse community impacts.

Environment:

There are no adverse environment impacts.

Economy:

There are no adverse economic impacts.

Governance:

There are no adverse governance impacts.

RELEVANT PRECEDENTS:

This item has the following relevant precedents;

- AC039 – Status of City Risk Management Activities
- AC044 – Status of Risk Management & Compliance Activities
- AC056 – Status of Business Continuity Plan
- AC063 - Business Continuity Management Implementation Program

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

This item has compliance and policy implications as follows;

- *Local Government (Audit) Regulations 1996 Regulation 17*
- Department of Local Government & Communities Integrated Planning
- City of Greater Geraldton Risk Management Framework
- Council Policy 4.7 Risk Management

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	4.5 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 BCM program is a critical risk mitigation strategy to manage disruption to City operations. Its successful implementation has better equipped the City to deal with a potential disruption.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative options were considered as the BCM program has been previously reviewed and approved.

AC070	PROCUREMENT AUDIT
AGENDA REFERENCE:	D-18-075602
AUTHOR:	J Graham, Manager Corporate Services
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	3 October 2018
FILE REFERENCE:	GO11/0020
ATTACHMENTS:	Yes (X 2)
	A. Auditor General's report
	B. Procurement Action Plan

EXECUTIVE SUMMARY:

The purpose of this item is to provide the Audit Committee with a copy of the recent Auditor General's report on the City's procurement processes, along with a procurement action plan to address the findings of the report.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. Acknowledge receipt of the Auditor General's report
2. Accept the City's procurement action plan
 - a. Require the CEO to report back to the Committee on the status of the action plan at the next Audit Committee meeting.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The Office of the Auditor General (OAG) commenced a procurement audit of the City of Greater Geraldton late 2017. The Audit was concluded in mid-2018 after two site visits and numerous pieces of correspondence between the OAG and the City, with a final report being provided in September 2018. The Coordinator of Procurement and Risk was directed to formulate an action plan to address the findings of the Audit Report (AC070 attachment A). It is important to note that several of the findings of the report were historical in nature and had already been addressed, this includes the two significant findings.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:**Community:**

There are no adverse community impacts.

Environment:

There are no adverse environment impacts.

Economy:

There are no adverse economic impacts.

Governance:

The procurement systems of the City are acknowledged as vital in complying with the *Local Government Act 1995*. This Audit and the associated action plan ensures that the City maintains a robust procurement framework.

RELEVANT PRECEDENTS:

The City has held regular audits of its financial and management systems which have been relayed back to the Committee. This is the first external audit by the Office of the Auditor General.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

The Auditor General has now (as of July 2017) the authority to review Local Government Authorities. Any action arising from this report would link back to the *Local Government Act 1995* and Regulations.

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 procurement action plan is a risk mitigation strategy to support the continued effective management of procurement at the City

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative course of action was considered



Our Ref: 7729

Mr Shane Van Styn
Mayor
City of Greater Geraldton

Via email: mayor@cgg.wa.gov.au

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

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Email: info@audit.wa.gov.au

Dear Mayor

PERFORMANCE AUDIT: LOCAL GOVERNMENT PROCUREMENT - SUMMARY OF FINDINGS

As you know, we have been undertaking a performance audit on *Local Government Procurement*. Please find attached the Summary of Findings document which will form the basis of the Auditor General's report to Parliament.

In preparing the Summary of Findings we considered information provided by your City, including feedback on our management letters.

It is important that you be aware that the Summary of Findings is provided to you in confidence. It must not be copied, reproduced or disclosed to any other person within or outside your local government (for example to Council or other officers) except to the extent necessary to enable you to provide a response to the Auditor General or to obtain legal advice.

We now seek written feedback from the City on any factual inaccuracies or other concerns that require consideration before we table the report in Parliament. Where a change is requested, we ask that you provide evidence to support the change. If you are not requesting any changes, please confirm this in writing.

Your feedback should be emailed to Jesse Barker at Jesse.Barker@audit.wa.gov.au by no later than midday on Friday 28 September 2018.

The Summary of Findings has a section 'Response from local governments' which reflects the overall feedback we received from all the sample local governments on our management letters. We do not expect to include responses from individual local governments, however, please contact me if you believe an individual response is warranted.

Please contact me on 6557 7630 if you have any questions about the Summary of Findings, or our procedural fairness or tabling process. At this stage, we anticipate tabling the Summary of Findings in Parliament in early October 2018.

Thank you for your ongoing cooperation during this audit.

Yours sincerely

ALOHA MORRISSEY
ACTING ASSISTANT AUDITOR GENERAL
INFORMATION SYSTEMS AND PERFORMANCE AUDIT
14 September 2018

CC Mr Ross McKim, Chief Executive Officer

Attach

"Significant" issues noted in OAG audit

AC070 - B

1. Access to bank accounts outside of delegated authority (Payment)

Implication	Finding	Recommendation	City comment
Staff may be able to make payments out of the bank account without a delegated authority to do so. This increases the risk of unauthorised access which could result in financial loss to the LG.	We found that an employee who had commenced leave, prior to ending their employment with CGG was still listed as an active, authorised approver in the banking system.	CGG should update its processes to require staff access to all systems be removed on their practical day of completion with the City.	<p>No staff without delegated authority are able to make or authorise payment from bank accounts.</p> <p>The mentioned person listed as an active approver was in fact still an employee, but was on leave prior to departing the organisation. Note that access by the person to City network systems was cancelled (security token revoked) on final working day prior to going on leave, making it impossible to exercise any delegated authority. The officer assuming responsibility for that role received appropriate delegation.</p> <p>The City notes that there is no evidence of any unauthorised making of payments which requires 2 delegated employees to be able to authorise bank payments.</p> <p>The correct list of authorised people with access corresponds to the delegation register.</p> <p>The City as part of the current annual compliance and financial systems audit reviews the effectiveness of these controls.</p>

2. Failure to tender in line with regulatory requirements (Tendering)

Implication	Finding	Recommendation	City comment
This is a breach of the <i>Local Government (Functions and General) Regulations 1996</i> and Council policy. While the purchase did go through a competitive quote process, it did not qualify for tender exemption. Consequently, the Council may not have achieved the best value for money for this purchase.	<p>We found that purchasing sample 16, which had a total value of \$322,993, did not go to tender in accordance with LG regulations or the Council's procurement policy.</p> <p>We note that the purchase was the result of grant funding awarded by a State Government agency. We consulted the Funding Guidelines, which stipulates that 'Where the project purchasing threshold is that the 'Model Purchasing Policy' provides an LGA with the option to elect to procure through either an open tender or through a WALGA preferred panel option, the LGA Applicant is free to exercise whichever option they deem appropriate'.</p> <p>While we note that the opportunity to quote was provided to 3 panels via eQuotes. Only 2 of the panels were WALGA preferred suppliers, the third was a CGG Vendor Panel supplier (not WALGA). Ultimately, the accepted quote was from the CGG Vendor Panel supplier, rather than a WALGA exempt supplier.</p>	<p>CGG should ensure staff understand and follow its policy around tendering requirements.</p> <p>CGG should consider introducing a dollar threshold for quotes sought through its Vendor Panel.</p>	<p>The instance cited related to WA Police grant funding for expansion of CCTV systems in the City undertaken in 2016. A condition of the State funding grant was that, in accordance with State Government procurement requirements, a minimum of three quotes had to be sought, evaluated and a recommendation provided to the WA Police grant funding unit for approval of a recommended provider. Sixteen WALGA-preferred providers had opportunity to quote but only three quotes were received. The standard evaluation process was applied and a recommendation was submitted to the WA Police grants unit. The City officer responsible for the process genuinely believed that the State procurement rules applied, as regards tender thresholds, as he understood that the funding deed required the State agency to approve the determination of preferred provider, prior to execution of the deed, as distinct from the City making the award determination as a City procurement. This was a misunderstanding. There was no element of misfeasance or malfeasance involved. The City officer is now aware of requirements.</p> <p>Under standard City processes, in cases where there are no tender-exempt providers via WALGA or State panels, and where initial competitive procurement is undertaken via the eQuotes RFQ system and quotes received exceed the City's tender threshold of \$150,000 then RFQ process is terminated and a full tender process will be initiated.</p> <p>The City has in recent years delivered extensive officer information and training sessions on procurement across the organisation, and will emphasise the requirements in periodic refresher training for officers.</p> <p>In addition all current procurement plans are now required for all procurement activities exceeding the tender threshold. All procurement plans required Executive Management Team approval prior to commencement with the process. In addition current process now has clear requirements associated with procurement associated with third party grants.</p>

"Moderate" issues noted in OAG audit

3. Raising unlimited value purchase orders/standing orders (Requisitions and purchase orders)			
Implication	Finding	Recommendation	City comment
Unlimited purchase orders increase the risk that the LG will be overcharged, or expend more than the Council approved budget. Unlimited POs also increase the risk that expenditure will not be capped or monitored, and increase the risk of fraud.	We checked a Purchase Order report from the financial system (SynergySoft) and found numerous purchase orders raised with \$0 or nominal amounts. Our site visit to the depot also identified the practice of raising zero-dollar purchase orders.	The CGG should review its processes to eliminate the use of unlimited value purchase orders. Purchase orders should be raised for the planned spend, contracted amount or budgeted amount so that spend can be monitored.	<p>Purchase orders that are in place with \$0 or nominal values relate to the following:</p> <ul style="list-style-type: none"> • Suppliers contracts or WALGA preferred suppliers where the schedule of rates are set, preventing overcharging; or • Standing orders with merchants (maximum 12-month period) which mainly revolve around the purchase of low cost supplies/consumables for which procurement and holding of volume stocks is not justified. Note: Any purchase with a value over \$1,000 still requires seeking a quote via Equotes. <p>These purchases are still governed by the controls and procedures per CGG procurement and purchasing policies. The accounts payable team monitors expenditure against such orders on a routine basis. All related payments are included in and monitored via the monthly list of payments submitted to Council.</p> <p>CGG is currently reviewing procurement processes to reduce or limit the number of standing orders by the following actions:</p> <ul style="list-style-type: none"> • Establishing further specific period supply contracts • Establishing formal Trade accounts in lieu of standing orders • Increased "Roll-Out" of Corporate Credit Cards to facilitate minor urgent purchases.
4. Reconciliations not performed, or not recorded, prior to invoice payment (Receiving goods and verifying for payment)			
Implication	Finding	Recommendation	City comment
In the absence of adequate review of supplier invoices before payment, there is an increased risk of incorrect and improper payments being made, without detection.	<p>We were unable to reconcile invoices to the supporting documentation for 2 of the 20 purchasing samples we reviewed (purchasing samples 5 and 6).</p> <p>1. Purchasing sample 5 and 6 - we were unable to reconcile these items to the supporting tender documentation. The items on the invoice for purchasing sample 5 do not appear on the contract price schedule, purchasing sample 6 does not have sufficient information to reconcile to the tender schedule.</p>	<p>CGG should remind staff of their responsibilities when receiving goods, and approving invoices for payment. These responsibilities include checking invoices against quotes and purchase orders to ensure all work has been completed, goods received and the LG has been charged correctly.</p> <p>CGG should also remind suppliers to reference the relevant contracts on their invoices and provide sufficient detail to allow reconciliation to contracted rates.</p>	<p>Sample 5 is related to an unpriced item that was covered by the existing supply contract. Supply contracts for road construction products provide the ability to source other aggregate types that are included on the main roads specifications list. These are infrequently utilised so a specified price is not generally required and is priced upon request.</p> <p>Sample 6 is a compliant process, the Purchase order/requisition and invoices are aligned to contract value i.e. 6690.29 x 12 = \$80,283.57 as per contract. Whereas the values as per the contract schedules provides a full pricing breakdown eg hourly rates, weekly rates, monthly rates etc.</p>
5. Works completed prior to requisition and purchase orders being raised and approved (Requisitions and purchase orders)			
Implication	Finding	Recommendation	City comment
Purchase orders support monitoring of commitments against Council approved budgets. Without purchase orders LG are more likely to exceed budgeted amounts. They also provide transparency around the use of delegated authority to commit the LG to expenditure.	Purchasing Sample 7 – email provided by CGG shows that the works were complete prior to the PO being raised.	All staff involved in the purchasing process should be reminded of the importance of raising purchase orders, and gaining appropriate approvals for a purchase, prior to committing the LG to a supplier.	<p>The City acknowledges occurrences where purchase orders have been raised after the invoice had been received. In the main, they relate to urgent purchases, but occasionally that is not necessarily the case.</p> <p>The City has processes in place where:</p> <ol style="list-style-type: none"> 1) Invoices received without purchase order reference numbers are returned to suppliers. This practise discourages local suppliers from accepting purchase requests from City officers, without an official purchase order. 2) On detection of an invoice without a purchase order, the Purchasing Officers raise the issue directly with the staff member involved; and 3) In case of repeated failure by any particular officer to adhere with the policy the relevant Manager or Director is informed and advised to take appropriate action. Counselling and disciplinary action which may include cessation of delegations, may result. <p>The City will emphasise the requirements in periodic refresher training for officers.</p>

6. Recording conflict of interest declarations (Tendering)			
Implication	Finding	Recommendation	City comment
<p>Failure to record declarations increases the risk that real or perceived conflicts of interest will go unnoticed and unmanaged. This increases the risk of inappropriate decision making going undetected when awarding tenders, and decreases transparency of LG decision making.</p>	<p>We found that not all conflict of interest declarations were completed and signed for 2 of the 5 tenders sampled:</p> <p>1. Tender sample 3 – there were 3 panel members for this tender, 1 declaration was not provided and 1 declaration was only a word version, with the relevant page incomplete.</p> <p>2. Tender sample 4 – there were 3 panel members for this tender, 1 was only a word version, with the relevant page incomplete.</p> <p>We noted that none of the 5 tenders we reviewed had conflict of interest declarations recorded for the Procurement and Risk staff that act in a non-voting capacity on tender evaluation panels.</p> <p>CGG informed us that Procurement and Risk staff declare interests on an exception basis due to the large volume of tenders and quotes they monitor. The City also advised it has strict confidentiality and conflict of interest controls in employee’s agreements and in CGG’s code of conduct which mandate officers to declare each and every instance where a conflict (actual, perceived etc.) may arise.</p>	<p>CGG should ensure all documentation relating to the tendering process is captured.</p> <p>CGG should remind all staff involved in tender evaluation panels of their obligations and responsibilities to declare and manage any real or potential conflicts of interest.</p> <p>CGG should update its tender evaluation documentation to reflect the process that Procurement and Risk staff follow for declaring conflicts.</p>	<p>There were a few instances of panellists having completed an electronic MSWord evaluation workbook but who did not sign the final page. All other tenders had physically signed evaluation workbooks and conflict of interest declarations.</p> <p>Officer have undergone further training to explain the difference between the</p> <p>1) standard declaration i.e. they have a conflict, and 2) the tender declaration i.e. they don’t have a conflict and are allowed to access the records.</p> <p>In addition to these specific conflict declarations each procurement plan contains and addresses conflict of interest, and CGG training processes drive home the importance of this issue.</p> <p>The City will continue to emphasise the requirements in periodic refresher training for officers.</p> <p>The City will as discussed with OAG now require the appointed Probity and Compliance Officer (Procurement and Risk staff) monitoring tenders to sign an annual declaration.</p>

7. Contract commencement dates precede contract signing dates (Tendering)

Implication	Finding	Recommendation	City comment
<p>Allowing work to start prior to contracts being signed may expose the LG to additional costs incurred through out of scope work activities.</p>	<p>We found 2 of the 5 tenders we reviewed had contract commencement dates that preceded the contract signing dates:</p> <ul style="list-style-type: none"> • Tender sample 2 – the formal deed of agreement was signed on 2 June 2017, the contract commencement was 29 May 2017. • Tender sample 5 – the formal deed of agreement was signed on 19 September 2016. The contract commencement date was 1 September 2016, for a period of 5 weeks and 2 days ending on 7 October 2016. 	<p>The LG consider alternative approaches for signing contracts that lessen the need to vary contract terms.</p>	<p>As CGG still issues hardcopy contracts which unfortunately can cause timing issues for both parties to execute the contract. The cited contracts required postage back and further from Geraldton to Perth this caused delays to the execution of multiple weeks. The City usual process allows 2 weeks for execution of contracts, but these particular contracts were delayed due to issues beyond the City’s control.</p> <p>City standards for tenders require the RFT to include a proposed draft contract, and tenderers are obliged to indicate agreement to, or specify any desired changes to the clauses of the draft contract. Any such desired variations from the draft clauses are considered during the tender appraisal process and either agreed, or not agreed by the City, in coming to a recommendation as to contract award.</p> <p>When any delay occurs in physical signature by both parties to execute a contract, the City issues directions clarifying any amended commencement date. The City notes that award date, contract execution date by each party, contract commencement date, and actual works commencement date, may be different. Significantly, in all instances cited, no works commenced prior to contracts being executed by both the City and the Contractor. City process also ensures that a Contractor is not granted possession/access to site nor can commence invoicing for works until the contract is signed.</p>

"Minor" issues noted in OAG audit

8. Purchase Orders raised after invoices (Requisition and purchase orders)

Implication	Finding	Recommendation	City comment
Purchase orders support monitoring of commitments against Council approved budgets. Without purchase orders LGs are more likely to exceed budgeted amounts. They also provide transparency around the use of delegated authority to commit the LG to expenditure.	<p>We found 3 of 17 purchase orders (purchasing samples 3, 5 and 17) were raised after the invoice date.</p> <ol style="list-style-type: none"> Purchasing sample 3 – purchase order raised 23/11/2016, invoice dated 19/11/2016. Purchasing sample 5 – purchase order raised 09/12/2016, invoice dated 01/12/2016. Purchasing sample 17 – purchase order raised 17/08/2016, invoice dated 15/07/2016 <ol style="list-style-type: none"> We also noted that the invoice was verified for payment on 09/06/2016 	All staff involved in the purchasing process should be reminded of the importance of raising purchase orders, and gaining appropriate approvals for a purchase, prior to committing the LG to a supplier.	<p>See City response to matter number 5 (*note, this is now finding 5).</p> <p>The City will emphasise the requirements in periodic refresher training for officers.</p>

9. Recording dates on documentation (Requisitions and purchase orders, receiving goods and verifying for payment)

Implication	Finding	Recommendation	City comment
Failure to record dates when key steps take place reduces the transparency around compliance with policy.	<p>We found a number of issues relating to the recording of dates at key steps in the purchasing process:</p> <ol style="list-style-type: none"> Purchasing samples 2, 5, 6, 7, 10, 11, 12 and 18 - no date was recorded on the invoice for when goods were received. Purchasing samples 5, 7, 10, 11, 12, 13, 14, 15, 16 and 19 - no date was recorded on the invoice to authorise payment. All 16 requisitions provided to us did not have the date field completed, the only date on the copies is the print date. Purchasing sample 1, 2, 3, 5, 6, 7, 8, 10, 12 and 17 - were not dated when signed for approval. 	<p>CGG should request staff complete the date field in Synergy when raising a requisition.</p> <p>CGG should require staff to both sign and date invoices when receiving goods and authorising payment.</p>	<p>The City, in collaboration with the Cities of Kalamunda, and Kalgoorlie-Boulder, and IT Vision, is currently in the process of developing new Corporate Software via the ALTUS project, to replace the current SynergySoft system. The new software suite will include new purchasing and account payables modules and will include digital authorisation, verification and approval processes which will eliminate requirements for manual date input, as these relevant dates will be captured automatically in the automated process workflows.</p> <p>In the interim CGG has reinforced with staff the requirements re dates input for requisitions, and date annotation with approval signatures on invoices.</p> <p>The City will further emphasise the requirements in periodic refresher training for officers.</p>

10. Administrative issues in tendering documentation (Tendering)

Implication	Finding	Recommendation	City comment
Complete records support the LG and Council to ensure tenders are conducted in line with regulatory requirements and LG policy. Incorrect or incomplete records reduce transparency and assurance.	<p>We identified the following issues with information retained for our tender samples:</p> <ol style="list-style-type: none"> Tender sample 3 - individual evaluation workbooks were not provided for 1 panel member. We noted that dates and attendance of panel consensus meetings were not recorded for the tenders we reviewed. <p>CGG informed us that it has since updated its process around recording of evaluation workbooks.</p>	Remind staff involved in tendering of the importance of maintaining an accurate record of all steps in the process.	<p>The City notes apparent omission of specific separate consensus meeting records for some tenders. Established City processes do require consensus meetings, with a non-voting procurement and risk officer in attendance. The nature/complexity of RFTs and submitted tenders, and number of tenders received, varies significantly, and not all tender processes require something formal like a set of meeting minutes from a consensus meeting. In contrast, more complex projects may require multiple panel meetings before a consensus position is achieved. The process of a consensus meeting requires discussions with focus on the submissions, the criteria, the independent scores of each panel member, and reasons for any significant divergence on any criterion, generally leading to consensus on a preferred tenderer. The panel convenor/chair and procurement officer take notes and the notes guide the process of framing a first draft of the evaluation report. More complex projects may require a series of drafts, circulated in confidence to panel members seeking feedback and comments. It is the combination of one or more evaluation panel meetings and iterations of individual and panel consideration of the draft report that leads to a consensus decision, first, on whether to award, and second, if to award, consensus on a preferred tenderer. If consensus is not achieved, the evaluation report is framed accordingly. The City considers that, as required practice, process transparency will be served by recording the dates/times and attendees of each panel meeting in the final evaluation report, along with attachment/retention of the scoring workbooks of all panel members.</p>

AC071 RISK AND COMPLIANCE MANAGEMENT

AGENDA REFERENCE:	D-18-075526
AUTHOR:	J Graham, Manager Corporate Services
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	3 October 2018
FILE REFERENCE:	RM/6/0012
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The purpose of this report is to provide an update to the Audit Committee as to the City of Greater Geraldton's Risk Management Framework and associated Council Policies CP4.7 Risk Management, CP4.24 Risk Appetite and Tolerance and CP4.26 Compliance Management and the Compliance Management Plan

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. Note the status of the Risk Management Framework and associated Council Policies CP4.7 Risk Management, CP4.24 Risk Appetite and Tolerance and CP4.26 Compliance Management
2. Note the status of the Compliance Management Plan.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

As per the report AC063 to the Audit Committee, 15 March 2018, the City presented the Risk Management Framework to Council (25 September 2018) which has been endorsed. Council Policies CP4.7 Risk Management, CP4.24 Risk Appetite and Tolerance and CP4.26 Compliance Management have been issued for Councillor feedback and are intended to be presented at the 27 November 2018 Council meeting for final endorsement.

The Compliance Management Plan which supports the newly developed CP4.26 Compliance Management policy is under development. The City is currently undertaking a review of the City's compliance obligations which will be captured into the WALGA template Compliance Calendar. At this time the City has documented all compliance obligations associated with the *Local Government Act 1995* and Regulations, a review is commencing shortly to determine broader compliance obligations. When complete the City's Compliance Calendar will list compliance obligations across all legislation impacting City operations. In addition compliance obligations will link to relevant Departments and Officers to ensure compliance obligations are managed and complied with.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:**Community:**

There are no adverse community impacts.

Environment:

There are no adverse environment impacts.

Economy:

There are no adverse economic impacts.

Governance:

There are no adverse governance impacts.

RELEVANT PRECEDENTS:

This item has the following relevant precedents.

- AC039 – Status of City Risk Management Activities
- AC044 – Status of Risk Management & Compliance Activities
- AC056 – Status of Business Continuity Plan
- AC063 - Business Continuity Management Implementation Program

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

This item has compliance and policy implications as follows;

- *Local Government (Audit) Regulations 1996* Regulation 17
- Department of Local Government & Communities Integrated Planning
- City of Greater Geraldton Risk Management Framework
- Council Policy 4.7 Risk Management

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	4.5 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 risk and compliance management framework, policies and plans are critical risk mitigation strategies for the City.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative options were considered as the risk and compliance management framework, policies and plans has been previously reviewed and approved.

AC072 AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL

AGENDA REFERENCE:	D-18- 072948
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	25 September 2018
FILE REFERENCE:	GO11/0020
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The purpose of this report is to seek Audit Committee endorsement of the summary of activities, for the period 1 July 2017 to 30 June 2018, for submission as the annual report to Council.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. ENDORSE the summary of Audit Committee activities for the period 1 July 2017 to 30 June 2018.
2. SUBMIT the summary of Audit Committee activities for the period 1 July 2017 to 30 June 2018 to Council as the Audit Committee annual report of activities.

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 2017 to 30 June 2018 for the purposes of providing the above mentioned report to Council:

Audit Committee Meeting – 2 October 2017

Report Number	Title	Decision
AC053	Annual Report to Council	Summary of activities received, with a recommendation that Council accept the report.
AC054	Status of Risk Management Systems	The status of risk management and Promapp were noted. The Audit

		Committee required a further report be submitted to Council
AC055	Risk Management Framework Review	Framework endorsed and to be presented to Council
AC056	Status of Business Continuity Plan	Business Continuity Plan noted. A BCP exercise to be held in the first quarter 2018, and the CEO to provide a first draft of the BCP to the Audit Committee by March 2018
AC057	Information Technology Internal Audit Report	Note the findings and recommendations of the report and endorse actions by staff to resolve items identified in the report.
AC058	Audit Report City of Greater Geraldton	Adopt the Audit Report for the period ending 30 June 2017, endorse actions taken by staff to resolve identified issues and note the unqualified audit report.

Audit Committee Meeting - 15 March 2018

Report Number	Title	Decision
AC059	Review of Audit Committee Charter	Endorse the audit committee charter and recommend to Council proposed amendments to the Audit Committee Charter as determined by the Audit Committee.
AC060	External Member of Audit Committee	Not to appoint an external member of the Audit Committee, and amend the Audit Committee charter accordingly.
AC061	Compliance Audit Return	Endorse the results of the Compliance Audit Return 2017 and report the results of the Compliance Audit Return 2017 to Council at the Ordinary meeting to be held on 27 March 2018
AC062	Business Continuity – Generator Connectivity	Note the works undertaken to improve Business continuity with the City's ability to respond to power outages and emergency events. Require the CEO to investigate options to hire or purchase equipment to respond to power outages or emergency events.
AC063	Business Continuity Management implementation Program	Note the business continuity management implementation program. Require the CEO to hold a BCP exercise in accordance with the implementation program and require a report be provided to the Audit Committee on the completion of a BCM exercise.

AC064	Risk Management Report	Endorse the updated Risk Management Framework; Require the updated Risk Management Framework and associated council policy be presented to council for endorsement; and note the development of the Compliance Management Plan, and require the status of the Compliance Management Plan to be reported to the Audit Committee in future.
AC065	ICT Business Continuity and Disaster Recovery Planning	Note the progress in development and testing of the ICT business continuity and disaster recovery plan.
AC066	Audit Reviews for City of Greater Geraldton	Adopt the Financial Management Systems review, Audit Regulation 17 review, interim audit management letter and Fleet Management internal audit report. Endorse actions taken or proposed to be taken by staff to resolve any items identified in the reports; and require progress on implementation of the proposed management actions, at the next Audit Committee Meeting.
Briefing Note	Contractor Payment of Employee & Subcontractor Entitlements	Note the preliminary advice and direct the CEO to continue to monitor the situation
General Business	After Hours processes for notification and attendance	Direct the CEO to review the City's after hour's processes and emergency response procedures. Require the CEO to provide a report on the outcome of the review to the Audit Committee

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no adverse community impacts.

Environment:

There are no adverse environment impact.

Economy:

There are no adverse economic impacts.

Governance:

There are no adverse governance 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 2 October 2017, Item Number AC053, and Council on 17 October 2017, CCS287.

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.

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.

5 COMPLIANCE REVIEW – STANDING ITEM

AC073 MANAGEMENT ACTIONS ON INTERNAL AUDIT REPORT 2018

AGENDA REFERENCE:	D-18-074361
AUTHOR:	R Doughty, Financial Accountant
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	11 October 2018
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x3) A. Management Actions Financial Management Systems Audit. B. Management Actions Regulation 17 Review. C. Management Actions Fleet Management

EXECUTIVE SUMMARY:

This report provides the Audit Committee with a report on the management actions from the AMD Financial Systems review, Regulation 17 Review and Fleet Management Review 2018.

EXECUTIVE RECOMMENDATION;

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

1. NOTE the Report on the management actions on the AMD Financial Systems Review, Regulation 17 Review, and Fleet Management Review 2018 as recorded in the attached worksheets - Attachment AC073(A-C)

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The Audit Committee at their meeting on 15 March 2018 endorsed the following recommendation:

1. *ADOPT the Financial Management Systems Review, Audit Regulation 17 Review, Interim Audit Management Letter and Fleet Management Internal Audit Report;*
2. *ENDORSE actions taken or proposed to be taken by staff to resolve any items identified in the reports; and*
3. *REQUIRE progress on implementation of the proposed management actions, at the next Audit Committee Meeting*

The attached working report - Attachment AC073 (A- C) provides the Committee with the information as required.

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	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT**ALTERNATIVE OPTIONS CONSIDERED**

No alternatives have been considered.

Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
3.2.1.	<p>Our inquiries identified that the key register is currently maintained by the Land and Leasing Department who inherited this register from another department. As part of the register handover it was identified that some information contained in the register was incorrect and the Land and Leasing team is currently working through the anomalies. Observation of the current key register identified that information such as the individuals who have a key allocated to them, their position, the date the key was allocated, the key number and contact details of each staff member was missing from the register.</p>	<p>We recommend the City ensure that the key register is up to date. The register should include the individuals who have a key allocated to them, their position, the date the key was allocated, the key number and contact details of each staff member</p>	<p><i>Current practise is that all keys are signed for, documenting name, key details, number of keys, date and signature verification. These forms are trimmed for record purposes. An electronic register of keys is maintained, which are individually numbered and correlated to the relevant buildings.</i></p>	<p>No further action proposed</p>	<p>Laura MacLeod</p>

Financial Management System Review

AC073-A

Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
4.2.1.	Our inquiries indicated the City has an insurance claim schedule in place, however the schedule is relatively sparse in detail as it is only used for the purposes of obtaining an I.D number in Synergy	We recommend consideration be given to populating all the fields in the insurance claim schedule which include additional detail such as the name and/or registration number, date the claim was lodged with the insurer, date the claim is closed, total cost, excess, amount recovered etc.	<i>This function to date has effectively been managed via Trim workflow and Promapp documented insurance processes. These processes have ensured all claims are actioned to LGIS within 24hrs of full documentation being provided. An update however, to the current insurance recording process can easily be achieved to capture this claims information in a register as well the trim folders.</i>	Since this initial finding Procurement and Risk have taken oversight of the insurance claim schedule from Treasury & Finance. Currently editing register to include the extra fields as recommended, this is scheduled for full completion by the end of 2018.	Adrian Paine
5.2.1	After the fact purchase orders. Finding Rating: Low Our sample testing identified four instances where the purchase order was raised post the invoice.	We acknowledge based on our sample testing that the four instances identified above appear to be exceptions, however we recommend purchase orders are raised and approved prior to the goods/services being provided to the City.	<i>The City is aware of occurrences where purchase orders have been raised after the invoice had been received. The City continues in its endeavours to eradicate this issue and has put a process in place where: 1) At first occurrence the Purchasing Officers raises the item with the staff member involved; and 2) In case of repeated failure to adhere with the policy the relevant manager is informed and advised to</i>	CGG continues to follow the strategy per original action	Paul Radalj

Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
			<i>take appropriate action; and 3) Invoices without PO numbers are returned to suppliers</i>		
6.2.1	Conflicts of interest. Finding Rating: Moderate. Through discussions with the Human Resources department we noted members of the interview panel (for new employee interviews) are not required to complete a formal conflict of interest declaration confirming whether they know any of the applicants or have any conflicting interests	We recommend when a job advertisement period closes that the interview panel reviews the list of applicants and complete a documented conflict of interest declaration.	The current process now involves HR providing each panellist with a list of names from the recruitment folder and a directive to review those names and formally declare any conflicts of interest using the <u>Declaration of Conflicts of Interest: Recruitment & Selection</u> form. The forms are then reviewed by the HRA whom is responsible for the recruitment folder and recommendations are made in order to manage any declared conflicts. The Manager Corporate Services is then required to review those recommendations and give their approval or objection. Additionally, there is a section on the form that allows for escalation to the relevant Director/CEO should the Manager Corporate Services deem necessary. The	No further action proposed	Natalie Hope

Financial Management System Review

AC073-A

Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
			<p>completed and signed forms are then returned to the HR Administrator who records the form in a secured TRIM folder (SM/3/0021) and notifies the relevant HRA. Only after each panellist has completed a form (declared a conflict or declared they did not have any conflict with the candidates) will the security on the recruitment folder be changed to allow the panellists access to continue with the recruitment and selection process.</p>		

Financial Management System Review

AC073-A

Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
6.2.2	<p>Stocktake. Finding Rating: Low. Our enquiries indicated that stock counts at various locations holding stock are generally conducted annually, with exception to the depot where monthly counts are conducted</p>	<p>We recommend stock by location be counted and reconciled on a predetermined basis which is documented. In addition, we recommend stock count sheets should be signed by the individual performing the count and should be subject to independent review and sign off. It may be appropriate for the regularity of stocktakes to vary from location to location depending on the nature of goods held at each location, however we recommend that stocktakes should be conducted at least quarterly</p>	<p><i>The stock at locations where annual stocktakes are conducted represents between 25%-30% of the total stock value of around \$600,000. The City considers it inefficient to conduct more frequent stock takes at these locations because of: 1) Staff time involved;2) Loss of business due to closure of the location during stock take3) The value of the stock being immaterial4) The low stock turnover rate5) The low value of the majority of stock itemsBased on the above, the City assesses the risk rating as low to negligible.The City has now implemented the recommendation to sign off on the stock count sheets at the depot.</i></p>	<p>No further action proposed</p>	<p>Renee Doughty</p>
6.2.3	<p>Administration and overhead allocation methodology. Finding Rating: Low. Our inquiries indicated that the administration and overhead allocation</p>	<p>We recommend formal documentation of the methodology applied by the City to calculate and allocate the administration and overhead expenses to</p>	<p><i>Agree – Complete Promapp action to document methodology and process.</i></p>	<p>Methodology and process documented. Currently, being uploaded into Promapp</p>	<p>Renee Doughty</p>

Financial Management System Review

AC073-A

Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
	methodology utilised by the City is currently not formally documented	the respective departments.			

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
2.2.1	We recommend the City finalise and adopt the draft Business Continuity Plan and IT Disaster Recovery Plan.	The primary element of the City's ICT BCDR strategy is hosting of core application systems and data in the 'cloud', via an infrastructure as a service contract, with core systems and data now hosted by the Geraldton Data Centre, with replication to partner data centres located in Perth to create DR capability, with continuity enabled via remote Internet access. That strategy was documented in reports to Council, formally adopted by Council, and implementation was completed in late 2015. Availability of that capability is monitored via a documented process and checklist fortnightly. Development of testing scenarios, and execution of event tests, is an ongoing process.	The ICT BCDR Plan was endorsed at EMT659 on 11 April subject to a full operational test and related revision(s). The business continuity alternate site was endorsed at EMT679 on 6 June 2018.	Dennis Duff
	In addition, we recommend the adopted Business Continuity Plan (including the IT Disaster Recovery Plan) is tested on a regular basis to ensure that in the event of a disaster, appropriate action(s) can be taken.	The City has developed a new BCDR framework, which involves development of multi-tiered plans, requiring formulation of site-specific and function-specific detailed continuity plans, elements of which will be dependent on the ICT BCDR plan. The new framework is being submitted to the Audit Committee in March 2018 for endorsement. It is anticipated that, once the site and function specific plans are framed, scenarios for the ICT BCDR plan can be finalised.	As per above and subsequent to these EMT endorsements the ICT BCDR Plan Testing Process is now fully completed and ready to validate the ICT BCDR Plan. EMT endorsed 20th June 18 the Testing Process completing the City's ICT BCDR Plan	Dennis Duff

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
		The City acknowledges the Business Continuity Management Plan (BCM) is currently in draft, the City has commenced the BCM implementation project which has scheduled the development, review and testing of the City's BCM by September 2018.	Desktop exercise conducted 21 September, with Organisation wide Event/Incident Response Plan and a sample of BCM departmental sub plans. Unit Plans completed and BCM working group established to implement BCM test that will initially undertake an ICT shutdown and activation of an alternative site - programmed to occur in December 2018.	Dennis Duff
2.2.2	The City's Risk Management Framework and accompanying risk management policies be reviewed on an ongoing basis.	The City has commenced implementation of the recommendation.	New Framework endorsed by Council 25 September 2018	Brodie Pearce
	Toolbox meeting minutes acknowledge the previous meetings minutes and articulate those actions raised including individual(s) responsible and completion date.	The City has commenced implementation of the recommendation.	Risk management framework training is established and already incorporated in Promapp and templates.	Brodie Pearce

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
	The Code of Business Ethics is implemented and communicated to all current contractors / sub-contractors and is provided to all tenderers at commencement of the tender process.	The City has commenced implementation of the recommendation.	Code of Business Ethics is linked to Procurement Policies which are scheduled for Council endorsement on the 23 October 2018 All relevant templates have been prepared for rollout of the Code.	Brodie Pearce
	The identified link error on the Public Interest Disclosure page of the City's website is rectified	The Public Interest Disclosure page linkage on the website has now been rectified.	No further action required	Margot Adam
2.2.3	We recommend a formal procedure be implemented to monitor lessee compliance with the terms and conditions of Council leased properties which could include updating the lease register to include insurance details and any other specific lessee reporting requirements. This amended lease register should be used to make requests of lessees with respect to reporting requirements.	The City has now implemented an annual request for all lessees to supply a copy of their current certificate of currency. Noted - The Child Health Care building in Mullewa was inadvertently not included in our recent pest control inspection (certificate now being obtained). All other leased buildings comply.	No further action proposed	Laura MacLeod

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
	In addition, good lease management practices would include the formal communication in the form of a letter to the lessee of any amendments of the rent payable to the City i.e. outcome of a rent review.	Currently, notification of rent increases is contained within the body of any invoice sent to lessees.	No further action proposed	Laura MacLeod
2.2.4	We recommend that the City designs and implements a central contractor/sub-contractor Insurance Register which is maintained by one or two individuals to ensure that all insurances are up to date	The City ensures that all contracts at commencement via eQuotes Internal Supplier lists, WALGA Preferred Supplier and Request for Tenders have the required insurance certificates. These insurance certificates are recorded to a centralised Trim folder, which all contract managers can access. If the contract is an ongoing arrangement, it is the responsibility of the contract owner to ensure the contractor provides insurance certificates on the anniversary. The development of the City's new corporate software system (ALTUS) will include new procurement, tendering and contract software modules that will manage and record contractual documents including insurance certificates.	In the near future ALTUS will streamline the management of this function	Adrian Paine

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
2.2.5	We recommend that all stated documents are updated to reflect the current status and physically signed as required once finalised.	The copy provided to the auditor was retrieved from the City's website (attached to the Council meeting minutes of 28 Feb 2017, where the document was endorsed unanimously) which has a 'draft' watermark. A signed copy of this plan exists. Regarding the Mullewa Emergency Plan, the document is current and was also endorsed on 28 Feb 2017 by Council. The Bush Fire Plan was reviewed in 2017 as noted in the findings, but the amendment list was not updated at that time. In order to address these findings, public copies of these documents will be published to the CGG website, where accurate and signed copies of each document can be retrieved in the future.	Action completed	Brendan Wilson
3.2.1	We recommend that management develop and implement a policy requiring other departments to consult with the IT department where a product or 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.	This does not require a 'policy' per se. The Executive Management team has addressed this issue and determined that business units must consult with the ICT Manager in all instances where any solution involving ICT-related technologies is proposed.	No further action required	Dennis Duff

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
	<p>In addition, we recommend that this policy would also document 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.</p>		<p>No further action required</p>	<p>Dennis Duff</p>
<p>3.2.2</p>	<p>We recommend an independent review of all changes made to master files be conducted periodically. The review should involve:</p>	<p>The City believes there is adequate processes and reviews in place to manage this function and audit trail. Journals are reviewed and "signed off" by an independent person – either Financial Accountant or Manager of Treasury & Finance relating to changes and adjustments. As part of the weekly supplier payment the "Creditors Bank Details Audit Trial" report is reviewed. This reports provides a detailed listing of activity (amend, delete, edit) on an individual supplier account within a given timeframe with the name of the officer who undertook the action. A similar process is followed with</p>	<p>No further action proposed</p>	

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
		regard to the payroll function in reviewing the "Payroll Bank Details Audit" report.		
	A download of all changes (new / old / modify) made to each master-file;			
	A representative sample then be tested and traced to originating / supporting documentation to assure validity and timeliness; and			
	A review for suspicious master-file changes (e.g. changes to bank details, unusual variations to pay-rates and amendments to existing supplier bank account details) should be performed.			

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
3.2.3	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.	Agreed. This forms part of the network monitoring and event management project currently in development.	Project currently in progress expected completion date 2019	Dennis Duff
3.2.4	We recommend formal performance project reviews be completed following implementation of major IT projects, and where appropriate for specific IT projects, reviews continue to be performed on a periodic basis.	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.	No further action required at this time	Dennis Duff
3.2.5	We recommend the City formally document the process and security mechanism in place to protect the City's assets.	Agreed – A process will be developed and formalised in Promapp.	Mapping process completed and uploaded into Promapp.	Laura McLeod
3.2.6	We recommend policies and procedures are updated to reflect the last review date and the date the next review will be conducted.	Policy OP037 & OP046 have now been reviewed and updated. Policy OP031 External & Internal Grant Funding review is on hold as the City is currently undertaking a review of its existing model for delivery of funding support.	OP031 policy retired and replaced with new council Policy Community funding Programs - CP1.8 approved by council July 2018.	Paul Radalj

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
	Policies should clearly document the last review date and the next review date.		All policies document these dates	Paul Radalj
4.2.1	We recommend the City finalise and adopt the Compliance Framework.	The City has a Compliance Calendar which incorporates all compliance requirements under the <i>Local Government Act 1995 and Regulations</i> and which is applied to ensure all legislative requirements are met. The City has drafted a Compliance Management Plan and Policy and is in the process of its implementation.	Compliance Management Plan developed presented to Audit committee March 2018. Draft Policy completed and proposed to be presented to Council October 2018.	Brodie Pearce
4.2.2	We noted that the following Integrated Strategy Planning documents are due for review or have not been finalised:	The Corporate Business Plan includes a requirement for an Asset Management Working Group (AMWG) to be established by the end of 2017/18. The City is currently working on a draft Terms of Reference and putting together a list of people (positions) who will be on the AMWG in order that the group can commence the process of reviewing existing documents and developing them for the future as per the above. An operating (Non Capital) Project nomination Form is included in the draft program for next FY requesting \$150k for external consultant support to update the Council AM Policy and develop a more detailed and	Asset Management Working formed and terms of reference created May 2018. Asset Policy & Strategy reviewed. Framework & Custodian matrix currently under review.	Kerry Smith

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
		robust Strategic Asset Management Plan in order to guide the subsequent AM plans.		

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
	<p>IT Strategic Plan (as raised in the Information Technology Internal Audit Report, dated 11 April 2017, the City does not currently have a finalised IT Strategic Plan in place).</p>		<p>Response provided Internal Audit ICT (11 April 2017) - <i>'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 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 outsourced 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 inhouse 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'</i>.</p>	<p>Dennis Duff</p>

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
	Infrastructure Asset Management Strategy, dated June 2013 (due for review every two years per section 3.15).		AMWG currently developing Road Map for review, update and implementation of plans	Kerry Smith
	Building Asset Management Plan, dated January 2012 (the plan had a life of 4 years and was due for revision and updating every 2 years per section 8.3).		AMWG currently developing Road Map for review, update and implementation of plans	Kerry Smith
	Drainage Asset Management Plan, dated February 2012 (a full review of the plan should take place every three to five years and should be reviewed during the annual budget preparation per section 8.3).		AMWG currently developing Road Map for review, update and implementation of plans	Kerry Smith
	Parks Asset Management Plan, dated February 2012 (a full review of the plan should take place every three to five years and should be reviewed during the annual budget preparation per section 8.3).		AMWG currently developing Road Map for review, update and implementation of plans	Kerry Smith

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
	Transport Asset Management Plan, dated February 2012 (a full review of the plan should take place every three to five years and should be reviewed during the annual budget preparation per section 8.3).		AMWG currently developing Road Map for review, update and implementation of plans	Kerry Smith
4.2.3	Local Government Operational Guideline Number 09 – Audit in Local Government outlines it is best practice for the Audit Committee to meet on at least on a quarterly basis. This is also stipulated in the City’s Audit Committee Charter.	Recommend Charter be amended from quarterly to biannual meetings.	Wording amended in Charter - "4.1. The committee shall meet up to four times annually". Endorsed by the Audit Committee and approved by Council 27th March 2018	Paul Radalj
	In addition, we recommend a standing agenda item be added to the Audit Committee meeting agenda to assess the effectiveness of compliance		CAR is reviewed and results reported to Audit committee annually	Paul Radalj

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer
4.2.4	We recommend the development and implementation of a Complaints Handling procedure that deals with complaints made against a Councillor.	The Complaints handling procedure for elected members is prescribed by the Department of Local Government, Sport and Cultural Industries – Local Government Standards Panel. The Departments website provides information on the process including a guideline “The Minor Breach System “ which is publicly available to Elected Members and Complaints officers and members of the Community . The website also includes forms for lodgement of complaints. A Promapp process will now be developed to capture this information.	Promapp process completed March 2018 - incorporates breach form and guide	Margot Adam
4.2.5	We recommend the City develop and implement both a Conflict of Interest and Financial Interest Register. These register(s) should be monitored to ensure that all conflicts (whether perceived / actual) are disclosed. All conflicts of interest should be managed accordingly by the City.	The City has a Conflict of Interest Register that captures all disclosures. An added layer has now been applied to the process to provide a indexed and centralised register in the capturing and monitoring of these disclosures. The City already has a Financial Interest Register it is a Legislative Requirement under s.5.88 of the Local Government Act 1995 Register of financial interests.	No further action required	Margot Adam

Fleet Management

AC073 - C

Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
3.1	<p>Fleet Management Policies Finding Rating: Moderate</p> <p>The following fleet management policies were in draft at the time of our October 2017 visit, and we recommend and require additional enhancement and final review and approval by the City:</p> <ul style="list-style-type: none"> • OP009 Light Vehicle Use (OP009); • OP010 Light Vehicle Renewals (OP010); • OP039 Plant and Equipment Use (OP039); and • OP040 Plant and Equipment Renewals (OP040). <p>Perusal of these draft policies identified the following:</p> <ul style="list-style-type: none"> • Both policies OP009 and OP039 make reference to redundant policy OP026 Driving Licences; • Although both policies OP009 and OP039 references accidents and load restraints requirements within the detail of the policies, we recommend each of these critical matters have their own section in the policy; • Section 8 of OP009 references Weekly Check Books that is supplied by Fleet Services. The policy further notes, "These books will be subject to random inspection to ensure checking of tyre wear, vehicle oil, fluid levels, etc, are being carried out and that attention is being paid to all vehicle warning lights." In practice this is not the process followed regarding Light 	<p>We recommend the fleet management policies be updated to reflect those areas highlighted above and then undergo the City's review and approval process. Once the policies are approved, as part of the implementation process, we recommend that the City requires all employees that use the City's Light Vehicles and/or Plant and Equipment to sign off on each of the policies confirming that they have read, understood and will comply with each policy.</p>	<p><i>Approval was received from the Executive Management Team for these policies (009, 010, 039,040) on 20/11/2017. Reference to OP026 was excluded from OP009 in the update, but is still present in OP039. Arrangements will be made to remove this reference when the policies are next reviewed. The recommendation regarding load restraints and accidents in OP0039 has been noted and separate sections will be drafted for comment when the policy is next reviewed. It is correct that there is no provision for drivers to note that they have completed a weekly check as outlined at the back of the vehicle log book.</i></p> <p><i>As per the recommendation, drivers will now be given a checklist booklet and will be required to submit a completed check to their supervisor at least weekly. The completed daily check books are currently stored in a sea container behind the stores and are expected to be retained for seven years. (Two boxes dating back beyond the seven year retention period were recently discovered and, in view of this, the contents of the container will be checked and any documents that are time expired will be destroyed.) Fleet Services agrees that employees should</i></p>	No Further Proposed Action	Graham Morris

Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
	<p>Vehicles, rather the Weekly Vehicle Check list is located at the back of the logbook. There is no provision made in the logbook for vehicle operators to note that all checks have been conducted and the results of such checks; and</p> <ul style="list-style-type: none"> Section 4 of OP039 requires operators to complete a Daily Operator Check Sheet book, once the book is finished, the supervisor is required to provide the completed book to Fleet Services and new book is then issued to the supervisor. Our inquiries indicate that Fleet Services are currently unsure on how long these completed books should be retained for. 		<p><i>confirm their understanding of policies, but this is a HR responsibility.</i></p> <p>The HR information management ELMO system is now used to provide new and updated policies to employees via their individual site access. Employees are required to read the policy and confirm on the site (by checking a box) that they have read and understand the policy.</p> <p>Policies are available on the Intranet and in employment packs.</p>		
3.2	<p>Asset Management Plan Finding Rating: Moderate Our inquiries indicated that although components of the Asset Management Plan have been prepared, there is currently no Asset Management Plan in place. Implication / Risk</p> <ul style="list-style-type: none"> Risk of asset management objectives of Council not being met. Risk of non-compliance with statutory requirements. 	<p>We recommend an Asset Management Plan be drafted and finalised in accordance with the City's review and approval process.</p>	<p><i>The development of a comprehensive Asset Management Plan is a Corporate Business Plan action (2.4.1.2) to be completed in 2017-18 .Elements of the plan have already been completed, i.e. ten year replacement program, whole of life costs and internal charge rates, and updated fleet policies.</i></p> <p>Reviewed by Managers and approved by the Director Infrastructure Services 30 June 2018</p>	No Further Proposed Action	Graham Morris
3.3	<p>Fuel Usage Analysis Finding Rating: Moderate</p>	<p>We recommend that Fleet Services analyse fuel usage by asset on at least a monthly basis. This analysis should consider potential inappropriate usage by</p>	<p><i>A new fuel distribution arrangement with Caltex and BP is in the process of being implemented across the fleet and is due for completion by December. Numerous analysis reports will be</i></p>	No Further Proposed Action	Graham Morris

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Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
	<p>Our inquiries indicate that Fleet Services are currently not analysing fuel usage by asset for inappropriate use or theft. Furthermore, we understand the ability of conducting such reviews may have been limited by the lack of timely data and quality of this data received from its fuel supplier, Caltex, however Fleet Services are in the process of rectifying this issue.</p>	<p>way of fuel consumption compared to stated vehicle fuel consumption specifications; and consider excessive fuel purchased against the expected route the operator is travelling.</p>	<p><i>available from these suppliers. Fleet Services will take the above findings and recommendations into consideration when extracting and utilising the reports available in the supplier systems.</i></p> <p>Fuel usage is now monitored on a monthly basis.</p>		
<p>3.4</p>	<p>Driver Licence Checks Finding Rating: Moderate</p> <p>Our inquiries indicate that although employees are required to provide their drivers licence as part of the City's induction process, the employee is not required to disclose their driving history (i.e. that they may have previously lost their drivers licence from dangerous driving or due to drug and alcohol infringements) within a pre-determined period (i.e. past 5 years). In addition, we understand that there is no proactive checking of whether the employee still maintains the appropriate drivers licence, rather the employee is required to disclose to the City that they have lost their drivers licence or that their drivers licence has been restricted due to a driving incident.</p>	<p>We recommend that the induction process is updated to reflect the requirement of employees disclosing if they have previously lost their drivers licence, why they lost their licence, the date of loss of licence and the period the license was lost for. Where it is identified an employee has previously lost their license, the City would be better informed to make a risk based decision on the allocation of a Council vehicle, depending on the severity of any previous offence and date of offence. In addition, we recommend that on a periodic basis (say monthly), 5 - 10 employees are spot checked to ensure that they have a current drivers licence.</p>	<p><i>It is then the ongoing responsibility of each employee to report any changes in the status of their licence to their supervisor. (Policy 009.). HR are now actively checking all licenses in the system, uploading the information into ELMO and verifying them online at the Department of Transport prior to this. Going forward once all licences are checked and updated in ELMO, random spot checking can occur.</i></p> <p>An employee's Drivers Licence is viewed by HR at the time of employment, and it is the responsibility of the individual to report to their Supervisor immediately should they lose their licence.</p>	<p>No Further Proposed Action</p>	<p>Graham Morris</p>

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Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
3.5	<p>Logbook Completion and Training Finding Rating: Low</p> <p>Our inquiries indicate that employees located at the City's depot have attended logbook training, however those based at other locations such as the Civic Centre have not attended this training. In addition, perusal of a sample of logbooks indicated that the City's CEO has not completed a vehicle logbook.</p>	<p>We recommend that all City employee who utilise City assets attend log book training. In addition, we recommend that all employees utilising City assets complete the logbook allocated to that asset to ensure at year end when determining FBT liabilities, both the statutory method and log book / operating cost method can be assessed.</p>	<p><i>All Geraldton and Mullewa Depot staff attended logbook training in July/August 2017. The logbook entries referred to in this finding were input in the period before the training took place. Logbook spot checks were carried out for non-Depot staff and were found to be in order. Therefore, training was not considered necessary for these drivers.</i></p> <p>Civic Centre Personnel using City vehicles have now been trained. Note persons using Smart Fleet are not required to complete log books.</p>	No Further Proposed Action	Graham Morris
3.6	<p>Odometer Reading Checks Finding Rating: Low</p> <p>Our inquiries indicated that an informal process is followed by Fleet Services to check individual vehicle odometer readings. Currently, Fleet Services will check the odometers using one or a combination of the following practices:</p> <ul style="list-style-type: none"> • Servicing records i.e. works ticket; • Take a reading if the vehicle / plant is in the workshop; or • Use the fuel records from Caltex (although this data is not received in a timely manner). 	<p>We recommend the existing odometer review processes and practices in place be documented. In addition, we recommend that Fleet Services implement a process where on a periodic basis (say monthly), 5 assets odometer is checked to ensure that the readings are correct in mydata (and Teletrac Navman Director).</p>	<p><i>Utilisation of every item is recorded and checked every three months, and these figures are exported to the ten year replacement plan. Odometer analysis will be available from December when the new fuel distribution arrangement with Caltex and BP is in place. Fleet Services preferred option is to defer documentation of this until the new Assetic system is implemented and the controls emanating from that system can be assessed.</i></p>	No Further Proposed Action	Graham Morris

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Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
	<p>Mydata and Teletrac Navman Director is then updated to reflect the odometer reading of the asset. With the exception of the fuel records being uploaded to mydata on a monthly basis, the other practices are not applied on a set schedule. The above process is not documented nor is there a proactive checking process in place.</p>		<p>Utilisation is monitored for all the City's Plant and Fleet through the 10 year Plant Replacement, since 2016.</p>		
<p>3.7</p>	<p>Driver Education Finding Rating: Low</p> <p>Our inquires indicate that there is currently no requirement for employees utilising the City assets to complete driver education theoretical and/or practical training</p>	<p>We recommend that the City considers releasing the following online training modules on Elmo and implementing the requirement that all employees utilising City assets complete one or all modules depending on what asset the employee is operating:</p> <ul style="list-style-type: none"> • Driver Safety • Heavy Vehicle Driver Safety • Heavy Vehicle Driver Fatigue. <p>Dependent on individual employee results from the training, consideration may be given on whether the employee is required to complete practical drivers training</p>	<p><i>Fleet Services agrees that online training as recommended may be useful. HR have released online ELMO training courses however, ELMO may not be the best way of delivering all of this training and other options are to be explored in consultation with HR. As far as practical training is concerned, induction and training is imposed as a condition of purchase for each new asset acquired, and suppliers are required to provide specialised training for all staff involved with the asset. This requirement is documented in the updated policy 039.</i></p> <p>All Staff are attending new plant inductions and training sessions such as Isuzu, Hino, Caterpillar, Komatsu etc.</p>	<p>No Further Proposed Action</p>	<p>Graham Morris</p>
<p>3.8</p>	<p>Commuter Use Agreements Finding Rating: Low</p> <p>Perusal of a sample of Commuter Use Agreements identified that these agreements have a FBT</p>	<p>We recommend the Commuter Use Agreement template be further enhanced by referencing the requirement to comply with the fleet management policies</p>	<p>Commuter terms of use are documented in the updated fleet policies. The light vehicle policy is issued with the Commuter Use agreement to relevant employees and the agreement highlights that this should be read and any queries raised with the line</p>	<p>No Further Proposed Action</p>	<p>Graham Morris</p>

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Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
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	focus and do not reference the fleet management policies and appropriate usage of the asset.	and appropriate usage of the asset and fuel cards.	manager. An additional line can be added to the Commuter Use Agreement which specifically states they must comply with the policy. To be reviewed at the next policy update.		
3.9	<p>GPS System Finding Rating: Low</p> <p>During the year ending 30 June 2016 the City implemented GPS system Teletrac Navman Director, this system is in real time. The system allows the City to track where assets are located, whether the ignition is on or off, the speed of the asset over a period of time, the odometer reading (within 4% of the actual reading) and messages can be sent from the system to the assets (this particular functionality is being used frequently by the Rangers). In addition, the operator has a duress sensor linked to the GPS which notifies the City when they may require assistance. Given the level of information captured through this system, a number of reports can be generated and analysed by the City. Our inquiries indicated that the Fleet Services team generate 27 reports on a weekly basis and one team member spends two days assessing and distributing these reports to the Fleet Manager and relevant supervisors. Perusal of the reports being generated identified that there is a</p>	<p>We recommend that Fleet Services re-assess the reports generated from the system to ensure that there are no double ups. In addition, re-assess whether more than one Fleet Services team member needs to review reports for anomalies or to identify any asset policy breaches before distributing to the relevant supervisor.</p>	<p><i>The reported implementation date above of June 2017, was in fact June 2016. Because of the vast number of errors inherent in the initial installation of the Navman units, the system was malfunctioning right up until February 2017. The faults and omissions have been gradually rectified by Navman, including replacement and/or reinstallation of all GPS unit. Because of this, it was necessary to examine GPS activity minutely to ensure the accuracy of the information. As the situation moves towards greater accuracy, the need to examine numerous reports will diminish. However, if the situation changes negatively for any reason, including the addition or transfer of new units, it may again be necessary to include more reports for data analysis. To reduce the report analysis simply to reduce the workload would increase the risk of not identifying inaccuracies that could have significant adverse implications. It must also be recognised that the level of experience in analysing anomalies in the data can significantly</i></p>	No Further Proposed Action	Graham Morris

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Reference	Finding	Recommendation	Action	Proposed Action Status	Responsible Officer
	<p>potential double up of these reports i.e. one report identifies assets traveling over the speed of 125 km/hr whilst another identifies assets traveling over the speed 110 km/hr.</p>		<p><i>affect the amount of time the task takes to complete.</i></p> <p>Reports have been reduced further to four main reports at the present and this is being monitored</p>		
<p>3.10</p>	<p>Smartfleet Finding Rating: Low</p> <p>Our inquiries identified that Smartfleet continues to list terminated employees.</p>	<p>We recommend that Fleet Services delete terminated employees in Smartfleet.</p>	<p><i>In initial training provided by Smartfleet the process for removing terminated employees was not covered. A Fleet Services staff member has now been included on an IT employee termination notification list, and has been advised of the Smartfleet process to update the system. The removal of terminated employees is now be actioned within the system.</i></p> <p>Terminated names were removed from Smart Fleet in May 2018. Assistance on this process was provided by Smart Fleet.</p>	<p>No Further Action</p>	<p>Graham Morris</p>

6 LATE ITEMS

AC074 REVIEW OF AFTER-HOURS SERVICES

AGENDA REFERENCE:	D-18-085984
AUTHOR:	R McKim, Chief Executive Officer
EXECUTIVE:	R McKim, Chief Executive Officer
DATE OF REPORT:	15 October 2018
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The purpose of this report is to provide advice to the Audit Committee on the review of the City's after-hours process as required by the March 2018 Audit Committee.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. NOTE the outcome of the review of the after-hours processes and emergency response procedures.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

At its meeting of 15 March 2018, the Audit Committee passed the following recommendation:

1. *DIRECT the Chief Executive Officer to review the City's after hour's processes and emergency response procedures; and*
2. *REQUIRE the Chief Executive Officer to provide a report on the outcome of the review, of the after-hours processes and emergency response procedures, to the Audit Committee.*

In response, this requirement was placed on the Executive Management Team's agenda for discussion and resolution. The Manager Corporate Services (Mr Jeff Graham) kindly took the lead on this matter (Customer Service).

The review revealed the following:

- After normal business hours, the City's main phone number (9956 6600) is diverted to the city's Perth based after-hours phone answering service provider 'Connect call centre services'.
- Connect receive the phone calls and determine if the request is urgent and needs an immediate response or if the request can wait until the next working day.

- If the request can wait until the next work day, *Connect* forward the request to the city for entry in the CSDB system.
- If the request requires urgent attention, *Connect* have a list of phone numbers of city officers who they contact for assistance. This was identified as where the one of the two main problems were.
- On average *Connect* receive approx. 25 AH calls per month at a cost of \$4.95 per call, with a third of the calls requiring escalation. An analysis of the data revealed that *Connect* have been performing well. For the volume of calls they receive, their service is very cost effective.
- The problem is that no officers were required to be 'on-call' and so *Connect* were dependant on the good will of officers to answer phone calls after-hours. This is further compounded by the City's recently implemented "Fitness for work" policy (OP043) which stipulates a zero alcohol tolerance rate, which automatically excludes an employee from accepting or being available to be called out.
- The review also revealed that Geraldton Police had a list of very old City numbers and a list on their 'whiteboard' that they would ring if they had a problem. This was identified as the other main issue.
- The review revealed that the majority of the after-hours call received were for Ranger related activities (animals) with infrastructure issues (potholes, blocked drains) a close second.

In response the following actions were taken:

- The CEO has contacted the police and asked them to remove their council contact list as it is old and out of date and replace it with his mobile phone number. This has worked in the interim with the CEO being able to respond to police matters over the weekends (break-ins, asset fires, serious traffic accidents etc).
- The City called an internal 'Expression of Interest' to determine if there were existing officers who would be prepared to act as an AH agent on an after-hours roster for a small stipend and limited use of a city vehicle.
- This expression was well supported by staff and awarded to two officers from the Bush Fire unit as they were already on-call and already had access to City vehicles, laptops and mobile phones.
- If an issue requires escalation, *Connect* will ring a designated AH CGG number which will be answered one of the AH agents. The agent will have access the City's Customer Service knowledge base software (installed on their laptop), which will enable them to determine the next step (i.e. handle themselves or escalate further etc)
- The arrangement is on a trial 6 month basis after which time it will be reviewed. Agents will keep comprehensive log books of their activities and decisions.

These two changes has improved the City's after-hours' response which officers will continue to monitor.

With respect to emergency response procedures, the following actions have been taken:

- The majority of city customer facing outlets now have duress alarms fitted that alert a security company of the needs for a response.
- In school holidays, the city contracted in a security officer to 'patrol' the CBD area and be available at the library and visitors centre and art gallery (this worked well).
- Council, at its September 2018 meeting, endorsed the new City policy, 'Entry Conditions Local Government Buildings'.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

Improving the City's after-hours service is a benefit to the Gerladton community.

Environment:

There are no adverse environmental impacts.

Economy:

There are no adverse economic impacts.

Governance:

The measures implemented will improve the City's after-hours responses.

Disclosure of Interest:

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

The City investigated the arrangements that other Council's had put in place to manage the issue. A brief summary follows:

1. **City of Vincent** – have a Ranger and a Maintenance person on call.
2. **Subiaco** – Rangers and Park Supervisor on call – if *Connect* transfer a call to them the officers call out a contractor.
3. **Gosnells** – use *Connect* and they roster a Ranger and an Engineering Dept / Depot staff member on duty i.e. on call and they get paid an allowance for on call and they must go out on their own to try address the issue.
4. **Wanneroo** – use *Connect* who divert urgent calls to Ranger on call or Duty Officer on call.
5. **Canning** - Since 1998 Canning provide the following community service:
 - Rangers plus Community Service Officers. (CSO's);
 - Four (4) Rangers on day shift (8.30am to 5.00pm or 10am to 4pm);
 - Four (4) CSO's on night shift (6.30pm – 6.30am) (18 in total);
 - CSO's are not authorised officers – (Patrols, alarm response); and
 - CSO's will ring an after-hours contact number relevant to the issue faced.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

There are no legislative or policy implications.

FINANCIAL AND RESOURCE IMPLICATIONS:

In conducting this review and implementing the improvement measures, officers were very mindful of the city's financial position, the volume of after-hours calls received and the cost/benefits resulting. The additional cost of having one officer 'on-call' has been kept to a minimum. It is anticipated that in time, the city's commitment to after-hours services will need to increase.

INTEGRATED PLANNING LINKS:

Title: Governance	4.5 Good Governance & Leadership
Strategy 4.5.4	Ensuring Human Resource planning, policies and procedures support effective and safe Council service delivery.

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The aim of this investigation was to reduce the risk to Council with respect to events that occur outside of normal business hours. In developing the adopted approach, officers were mindful of the reputational risk presented when the city's after-hours customer service response is poor.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

As part of this review, the city contacted other WA councils and explored how they provided after-hours services (summary included within the report). Officers did consider having both ranger and depot officer's on-call. However the volume of calls received does not warrant this at this time.

Other options explored included offering a 24/7 Ranger/Community Safety service; contracting out all after-hours activities and not making any improvements.

7 MEETING CLOSURE