



AUDIT COMMITTEE MEETING
MINUTES

27 JANUARY 2021

TABLE OF CONTENTS

1	DECLARATION OF OPENING.....	2
2	ATTENDANCE.....	2
3	CONFIRMATION OF PREVIOUS MINUTES.....	2
4	EXIT MEETING.....	3
5	ITEMS FOR AUDIT COMMITTEE REVIEW.....	4
	AC093 2019-20 ANNUAL FINANCIAL REPORT.....	4
	AC094 FRAUD AND CORRUPTION PLAN AUDIT.....	8
	AC095 STRATEGIC INTERNAL AUDIT PLAN.....	11
	AC096 APPLICATION OF THE COUNCIL POLICY 4.28 MANAGING UNREASONABLE CUSTOMER CONDUCT.....	17
	AC097 PROCUREMENT UPDATE.....	20
	AC098 BUSINESS CONTINUITY MANAGEMENT.....	25
	AC099 AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL.....	29
	AC100 MANAGEMENT ACTIONS ON INTERNAL AUDIT.....	33
6	COMPLIANCE REVIEW – STANDING ITEM.....	37
	AC101 COMPLIANCE AUDIT RETURN 2020.....	37
7	GENERAL BUSINESS LATE ITEM.....	40
8	MEETING CLOSURE.....	40

CITY OF GREATER GERALDTON

AUDIT COMMITTEE MEETING
TO BE HELD ON WEDNESDAY 27 JANUARY 2021 AT 2.30PM
IN THE COMMITTEE MEETING ROOM – CIVIC CENTRE

MINUTES**1 DECLARATION OF OPENING**

The meeting was declared open at 2.40pm by Chairman Mayor Shane Van Styn.

2 ATTENDANCE**Present:**

Mayor S Van Styn
Cr T Thomas
Cr N Colliver
Cr D Caudwell

Officers:

R McKim, CEO
P Radalj, Director Corporate and Commercial Services
N Jane, Acting Chief Financial Officer
B Pierce, Manager Corporate Compliance and Safety
K Wheeler, Governance Officer (*Minutes*)

By Invitation:

Mark Ambrose – Office of the Auditor General (via telephone)
Melanie Blain – AMD Chartered Accountants (via telephone)

Apologies:

T Machukera, Financial Accountant

Leave of Absence:

N/A

3 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 3 March 2020 as attached be accepted as a true and correct record of proceedings.

COMMITTEE DECISION

MOVED Cr Caudwell, **SECONDED** Cr Colliver

That the minutes of the City of Greater Geraldton Audit Committee meeting held on 3 March 2020 ,as attached, be accepted as a true and correct record of proceedings

CARRIED 4/0

Signed _____ Dated _____



AUDIT COMMITTEE MEETING
MINUTES

3 MARCH 2020

[Handwritten signature]
27/1/20

TABLE OF CONTENTS

1 DECLARATION OF OPENING..... 2

2 ATTENDANCE..... 2

3 CONFIRMATION OF PREVIOUS MINUTES 2

4 ITEMS FOR AUDIT COMMITTEE REVIEW 3

AC090 ICT BUSINESS CONTINUITY AND DISASTER RECOVERY..... 3

AC091 WORK HEALTH & SAFETY BILL UPDATE..... 6

5 COMPLIANCE REVIEW – STANDING ITEM..... 14

AC092 COMPLIANCE AUDIT RETURN 2019 14

6 GENERAL BUSINESS..... 17

7 MEETING CLOSURE..... 17


27/1/21

CITY OF GREATER GERALDTON**AUDIT COMMITTEE MEETING
TO BE HELD ON TUESDAY 3 MARCH 2020 AT 3.30PM
IN THE COMMITTEE MEETING ROOM – CIVIC CENTRE****A G E N D A****1 DECLARATION OF OPENING**

The meeting was declared open at 3.30pm by Chairman Mayor Shane Van Styn.

2 ATTENDANCEPresent:

Mayor S Van Styn
Cr T Thomas
Cr N Colliver
Cr D Caudwell

Officers:

R McKim, CEO
P Radalj, Director Corporate and Commercial Services
R Doughty, Chief Financial Officer
T Machukera, Financial Accountant
B Pierce, Manager Corporate Compliance and Safety
M Adam, Coordinator Governance (*Minutes*)
K Wheeler, Governance Officer (*Minutes*)

By Invitation:

N/A

Apologies:

Nil

Leave of Absence:

Nil

3 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 2 December 2019 as attached be accepted as a true and correct record of proceedings.

COMMITTEE DECISION

MOVED Cr Thomas, **SECONDED** Cr Colliver

That the minutes of the City of Greater Geraldton Audit Committee meeting held on 2 December 2019 ,as attached, be accepted as a true and correct record of proceedings.

CARRIED 4/0

Signed

2

Dated

27/1/21

4 ITEMS FOR AUDIT COMMITTEE REVIEW

AC090	ICT BUSINESS CONTINUITY AND DISASTER RECOVERY
-------	---

AGENDA REFERENCE:	D-20-021678
AUTHOR:	D Duff, Manager ICT Services
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	20 February 2020
FILE REFERENCE:	IT/11/0005
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The purpose of this report is to update the audit committee on the testing of the City's ICT business continuity and disaster recovery (ICT BCDR) 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 successful testing of the ICT business continuity and disaster recovery (ICT BCDR) plan.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

In April 2018 the City's ICT BCDR plan was finalised, endorsed and published. Following the completion of the plan a live test was conducted to verify the effectiveness of the plan. This live test was completed in December 2018. Following the live test, some minor improvements were made to procedures and infrastructure, and a second test was completed on 29 March 2019.

The March 2019 test was executed as defined in the ICT BCDR Plan with no issues encountered. Notably, the recovery item objective (RTO) of 2 hours was met in 18 minutes and the recovery point objective (RPO) was met with zero data loss.

Following the March 2019 test, scheduled quarterly system checks have been conducted to confirm the infrastructure and dependent services are active and ready should an event take place.

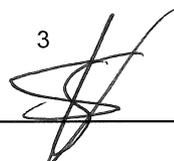
The annual live test was recently conducted in February 2020. This test was executed as defined in the ICT BCDR Plan with no issues encountered. Recovery times were met and there was zero data loss.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no adverse community impacts.

Signed _____

3


Dated _____

27/1/20

Environment:

There are no adverse environment impacts.

Economy:

There are no adverse economic impacts.

Governance:

A program of continual testing related to BCDR Planning is aimed at ensuring that procedures are up-to-date and in place, to adequately deal with significant disruptions to critical business operations.

RELEVANT PRECEDENTS:

The Audit Committee last noted outcomes from the ICT BCDR plan in October 2019

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 Strategy 4.4.3	Financial Sustainability and Performance Delivering and ensuring business systems and services support cost effective Council operations and service delivery
Title: Community Strategy 1.4.1	Emergency Management Building resilience and capacity to manage natural and man-made emergency events

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The City's ICT BCDR plan ensures core business operations can continue in the event of a disaster. It ensures the City can receive payments, make payments, pay staff, communicate, and record and retrieve activities of business during a disaster, as well as successfully recover all services following a disaster.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternate options were considered by officers.

COMMITTEE DECISION

MOVED Cr Thomas, SECONDED Cr Caudwell

4

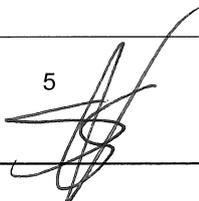
Signed  Dated 27/1/21

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

- 1. NOTE the successful testing of the ICT business continuity and disaster recovery (ICT BCDR) plan.**

Carried 4 /0

Signed

5 

Dated

27/1/21

AC091 WORK HEALTH & SAFETY BILL UPDATE

AGENDA REFERENCE: D-20-02224
AUTHOR: B Pearce, Manager Corporate Compliance & Safety
EXECUTIVE: P Radalj, Director Corporate and Commercial Services
DATE OF REPORT: 21 February 2020
FILE REFERENCE: RM/6/0020
ATTACHMENTS: No

EXECUTIVE SUMMARY:

The purpose of this report is to inform the Audit Committee of the Work Health & Safety Bill (WHS) that is anticipated to progress through parliament in coming months.

EXECUTIVE RECOMMENDATION:

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

1. ACKNOWLEDGE receipt of the Work Health & Safety Bill report;
2. ENDORSE that the updated City of Greater Geraldton Safety Management System be included into CGG "rolling" internal audit program; and
3. ENDORSE that the Safety Management System audit report findings when completed be provided to the Audit Committee.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

WHS, the national model safety legislation, was developed to harmonise the diverse and at times, conflicting safety legislation across Australia. Since its development by SafeWork Australia (and other key stakeholders) all states and territories excluding Western Australia and Victoria have adopted WHS. In addition, WHS has also been adopted by New Zealand.

Western Australia had taken minimal action on adopting WHS until 2017 when the State Government announced that it had commenced development of WHS for WA. This development took approximately one year, following which public consultation was undertaken.

In late 2019 State Government commenced workshops across the state seeking final feedback on the WHS bill. During this consultation, it was confirmed that WHS would reduce the current eight safety-related legislation across general, mining and

Signed

6

Dated

29/1/21

petroleum industries to four main acts. The general WHS act developed is the main act that legislates City operations.

Following the conclusion of the consultation, State Government tabled the WHS Bill in parliament on the 27 November 2019.

On the 11 February 2020, the State Government confirmed the approval from the WA Governor to progress the WHS Bill to an Act.

The WHS Bill then progressed as follows through the Legislative Assembly and is now with the Legislative Council.

Legislative Assembly	Date
Introduced	27 Nov 2019
First Reading	27 Nov 2019
Second Reading	27 Nov 2019
Second Reading Agreed	19 Feb 2020
Consideration in Detail	19 Feb 2020
Amendments adopted	19 Feb 2020
Third Reading	20 Feb 2020

Legislative Council	Date
Introduced	20 Feb 2020
First Reading	20 Feb 2020
Second Reading	20 Feb 2020

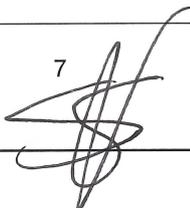
Image sourced 21/02/2020 [WA Parliament Work Health and Safety Bill 2019](#)

While the City can not pre-empt the action of the State Government and Legislative Council, it appears that the WHS Bill will be adopted by mid-2020. This is supported by the speed the WHS Bill has progressed through the Legislative Assembly and Council, and the fact that the Department of Mines, Industry Regulation and Safety (WorkSafe) has had an increase in departmental budget; and has recruited additional WorkSafe inspectors and officers across WA in readiness for the expanded requirements under WHS.

There are key differences from the current WA safety legislation to the proposed WHS legislation. The following summarises major changes WHS will bring.

Item	Explanation
PCBU	The term 'employer' in existing WA safety laws is replaced with the broader 'person carrying on a business or undertaking,' ('PCBU'), capturing all types of organisations including those without employees.

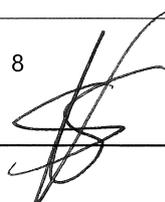
Signed



Dated

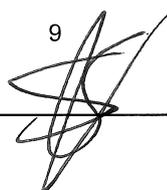
27/1/21

Item	Explanation
	A PCBU can be an individual, including a member of a partnership and a sole trader but will typically apply to companies and other entities. PCBU's will owe a new 'primary duty of care' to ensure the health and safety of workers and others affected by the work.
Officer Due Diligence	<p>The Bill includes up-front positive corporate 'officer' due diligence duties for organisational decision-makers. These new duties replace derivative, fault-based duties in existing WA safety laws and are intended to increase accountability on decision making that affects health and safety.</p> <p>WHS Bill sets out the six core elements of the due diligence obligation, which in summary requires officers to:</p> <ul style="list-style-type: none"> • acquire and keep up-to-date knowledge of WHS matters – beyond the workplace; • understand the nature of the operations of the organisation and the hazards and risks associated with those operations; • ensure appropriate resources and processes are available for use and are actually used, to eliminate or minimise risks; • provide appropriate processes to obtain information regarding incidents, hazards and risks and ensure response in a timely way to that information; • implement a process for ensuring ongoing legal compliance with all duties; and • verify the provision and use of these resources and processes. <p>It is not yet fully understood how far the term officer applies as the above-listed items are inherent to all roles involving people management.</p>
Increased Consultation	Increased internal and external organisational WHS consultation requirements are included in the Bill. Contractor consultation obligations require PCBU's with common interests, to 'consult, cooperate and coordinate' in relation to health and safety matters.
Upstream Duties	Increased 'upstream' duties to ensure health and safety-related to plant, substances and structures are also included, with WHS obligations on designers, manufacturers, constructors, suppliers, and importers.

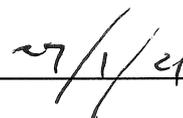


Item	Explanation
Workers	Any person who carries out work for a PCBU, including work as an employee, contractor, subcontractor, self-employed person, outworker, apprentice or trainee, work experience student, an employee of a labour-hire company placed with a 'host employer' and volunteers.
Duty to all people affected by the work	<p>The type of people owed a duty under the proposed new WHS laws by PCBU's and other duty holders, is broadened from 'employees' to 'workers' and other 'people affected by the work'.</p> <p>This includes all directly employed and indirectly engaged workers. It also includes customers, patrons, residents, tenants, students, visitors, spectators, and passers-by.</p>
Volunteers	Volunteers are deemed to be workers under the new WHS laws and are owed a primary duty of care by a PCBU, as well as owing a worker duty of care themselves
Enforceable Undertakings	<p>There is an option for a negotiated Enforceable Undertaking in lieu of prosecution or criminal conviction as an enforcement option for all but the most serious of WHS offences.</p> <p>This may include a commitment to develop, implement or support a worthwhile and approved workplace or public WHS initiative that would be broadly equivalent to or exceeds the relevant conviction penalty for the related WHS offence.</p>

Signed

9


Dated

27/1/21


Item	Explanation
Manslaughter	<p>The WHS Bill 2019 (WA) proposes two new industrial manslaughter offences for breaches of a health and safety duty involving a workplace death.</p> <p>‘Simple’ offence: The less serious ‘industrial manslaughter – simple’ WHS offence arises where a person fails to comply with a health and safety duty causing the death of a person. Many workplace fatalities will fit into this category in circumstances where a person was killed at work and where a duty was breached causing the death of the person.</p> <p>‘Crime’ offence: The more serious ‘industrial manslaughter – crime’ offence is a criminal offence. It arises where a person has a health and safety duty and engages in conduct that causes a workplace death, knowing that the conduct is likely to cause the death of an individual, and the person acted in disregard of that likelihood.</p> <p>A PCBU can be charged with an industrial manslaughter offence, as well as an officer of the PCBU. For officers, the prosecution must prove additional elements including that the PCBU’s conduct was attributable to neglect by the officer and that the PCBU’s conduct was engaged in with the officer’s consent or connivance.</p> <p>The ‘industrial manslaughter – simple’ WHS offence attracts a maximum penalty for an individual of 10 years imprisonment and a fine of \$2.5 million, and for a corporation \$5 million. The maximum penalty for the ‘industrial manslaughter – crime’ criminal offence for an individual is 20 years imprisonment and a fine of \$5 million, and for a corporation \$10 million.</p>
Penalties	<p>Penalties in the WHS Bill 2019 (WA) are even higher with breaches of a health and safety duty ranging from to \$570,000 to \$3.5 million for a corporation and for an individual \$120,000 to \$680,000 and imprisonment for 5 years.</p>
Prohibition on insurance and other indemnities	<p>The Bill proposes an offence where a person either indemnifies, or offers to indemnify, another person for a WHS fine liability. An insurance policy that would otherwise indemnify a person’s liability to pay a fine for a WHS offence is invalid.</p> <p>Similarly, a contractual obligation or other promise by a person to pay a WHS fine liability for another person is also invalid. The penalty for a breach of the WHS indemnity provisions for a corporation is \$285,000 and \$55,000 for an individual.</p>



The above information makes use of the following WHS resources:

[Morgan & Baldwin, Work Health & Safety Bill 2019 – Introduced into WA Parliament](#)
[Wade - Changes to Occupational Safety and Health Regime in WA](#)
[Safe Work Australia](#)

State Government has advised that the implementation of WHS will make use of the Safe Work Australia *Model Work Health and Safety Act - transitional principles*. These principles detailed that the WHS Act implementation may vary across jurisdictions but that a no grace period is not recommended.

At the WorkSafe consultation session held late last year presenters advised that it is anticipated that the WHS Act would come into effect by mid-2020 with all other requirements to follow in the subsequent 12 months. This ultimately will depend on the outcome of the parliament process.

To enable the City to meet its proactive responsibilities for ensuring a safe workplace under WHS the City has commenced the following.

Safety Management System alignment to WHS

The City undertook a review of its documented safety policies, procedures and templates in comparison to a range of other Council and businesses who are currently operating under WHS.

Using these as a basis the City has developed a suite of safety documents aligned to City operations and WHS. Due to the scale of City operations, the Safety Management System at the time of this report is circa 220 records (Policies, procedure, manager toolkits, and templates).

Training and Communications

A primary requirement of WHS is training and consultation, it is for this reason that the City has developed Manager Toolkits. These toolkits enable line-supervisors to be trained to manage and oversee their teams undertaking works safely. Manager toolkits have been developed for all primary safety procedures.

A current review is underway of the City's induction process to align with WHS. This is being supported by the establishment of verification of competency process for activities and plant and equipment use.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no adverse community impacts.

Environment:

There are no adverse environmental impacts.

Economy:

The cost of compliance with WHS will impact the City, and local businesses and associations. This will be due to the increase in administration for all who now must proactively manage and document safety management.

Signed  Dated 27/1/21

Governance:

Effective safety management under WHS requires the establishment of robust systems of work, i.e. governance practices. The implementation of the City's new WHS aligned Safety Management System shall ensure effective governance of City safety.

RELEVANT PRECEDENTS:

There is no precedents noted for this item.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Occupation Safety & Health 1984

Occupation Safety & Health Regulations 1996

Work Health & Safety Bill 2019

FINANCIAL AND RESOURCE IMPLICATIONS:

The implementation and ongoing management of the new WHS requirements will require the application of additional resources to meet compliance obligations.

In addition, WHS requires that the City must ensure the safety of all workers (which includes volunteers and contractors) as such, this will require the deployment of new process and resources to ensure these categories of workers are managed in accordance with WHS requirements.

INTEGRATED PLANNING LINKS:

Title: Governance	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 establishment of the WHS aligned Safety Management System is a critical risk management and compliance control.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives have been considered.

COMMITTEE DECISION

MOVED Cr Colliver, SECONDED Cr Thomas

Signed

12



Dated

27/1/21

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

- 1. ACKNOWLEDGE receipt of the Work Health & Safety Bill report;**
- 2. ENDORSE that the updated City of Greater Geraldton Safety Management System be included into CGG “rolling” internal audit program; and**
- 3. ENDORSE that the Safety Management System audit report findings when completed be provided to the Audit Committee.**

Carried 4 /0

Signed

13



Dated

27/1/21

5 COMPLIANCE REVIEW – STANDING ITEM

AC092 COMPLIANCE AUDIT RETURN 2019

AGENDA REFERENCE:	D-20-006514
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	11 January 2019
FILE REFERENCE:	RM/6/0020
ATTACHMENTS:	Yes (x1) Compliance Audit Return 2019

EXECUTIVE SUMMARY:

The purpose of this report is to submit the 2019 Compliance Audit Return (CAR) to the Audit Committee for review.

EXECUTIVE RECOMMENDATION:

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

1. REVIEW the results of the Compliance Audit Return 2019.
2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2019, at the Ordinary Meeting of Council on 24 March 2020.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

In accordance with section 7.13(1) of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*, the City is required to complete a Compliance Audit Return in relation to the period 1 January 2019 to 31 December 2019 against the requirements set out in the CAR.

The 2019 CAR continues in a reduced format, with the areas of compliance included restricted to those considered high risk.

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

There are no adverse community impacts.

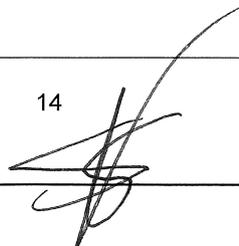
Environment:

There are no adverse environmental impacts.

Economy:

There are no adverse economic impacts.

14

Signed  Dated 27/1/21

Governance:

Review of the Compliance Audit Return by the Audit Committee is a regulatory requirement under the provisions of the *Local Government (Audit) Regulations 1996 r.14*

RELEVANT PRECEDENTS:

The Audit Committee reviewed the 2018 Compliance Audit Return for the City of Greater Geraldton on 12 March 2019, AC080.

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 r.14

14. Compliance audits by local governments

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

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

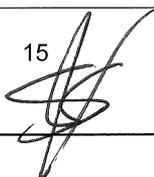
REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The CAR is a statutory compliance requirement for local governments and requires a review first by the Audit Committee and then a report to Council for adoption before being submitted to the Department of Local Government. The City is required to provide this to the Department prior to 31 March 2020.

Signed

15


Dated

27/1/21

The Audit Committee does not have the option not to review the CAR as it would therefore be non-compliant with the *Local Government Act 1995* and associated regulations.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives have been considered.

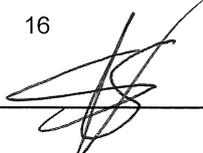
MOVED Cr Colliver, SECONDED Cr Caudwell

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

1. REVIEW the results of the Compliance Audit Return 2019.
2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2019, at the Ordinary Meeting of Council on 24 March 2020.
3. REPORT to the Audit Committee at their next meeting on instances of tendering non-compliance related to changes to recurrent supply arrangements, collective procurement values and actions taken to address this matter.

Carried 4 /0

16

Signed  Dated 27/1/21

6 GENERAL BUSINESS

Business Continuity - Coronavirus

The Chief Executive Officer provided the Audit Committee with an overview of the of preparations to address the threat of a potential outbreak of cases of the Novel Coronavirus:

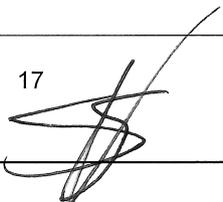
- Influenza vaccinations will be offered to City staff.
- Posters have been placed throughout the workplace promoting hygiene (washing hands).
- Novel Coronavirus bulletin with links to Health Department web pages emailed to all staff
- Hand Sanitiser has been provided in the workplace.
- The City has contacted the Health Departments coordinator for Local Government authorities.
- The use of gloves / masks is being investigated.
- The CEO will attend a briefing about the Novel Coronavirus on Friday 6 March 2020.

The City is not a big player in the response to the Novel Coronavirus however there is potential for City services may be interrupted.

7 MEETING CLOSURE

There being no further business the meeting was declared closed at 4pm.

17

Signed  Dated 27/1/20

Audit Committee Action Items –January 2021

Title	Item/ References	Action	Item# Date completed	Outcome
Business Continuity Management	AC063 15.3.18 AC083 3.12.19	Require a report be provided to the audit committee on the completion of a BCM Exercise Require the CEO to report back to the Audit Committee the ongoing status of the City of Geraldton Geraldton’s Business Continuity Management Program.	AC098	RECEIVE the update on the City of Greater Geraldton’s Business Continuity Management Plan
Financial Management Systems Review	AC075 12.3.19	Add any active action to the existing schedule to be reviewed at the next audit committee meeting (Note nothing was reported – 2.12.19, or 3.3.20)	AC100	RECEIVE the Progress Report on the current status of management actions related to Internal Audits.
Risk Management Profile	AC084 3.12.19	Require the CEO to report back to the Audit Committee the ongoing status of the City’s risk profile	AC098	RECEIVE the update on the City of Greater Geraldton’s Business Continuity Management Plan
Unreasonable Customer Conduct	Council Policy 4.28	Report to the Audit Committee , in a report intended for review by the council , the application of the policy	AC096	NOTE the information provided below in relation to Council Policy 4.28 Managing Unreasonable Customer Conduct. REQUIRE the CEO to report back annually to the Audit Committee at the first meeting held after the close of the relevant financial year.

Annual Report of Audit Committee Activities to Council	Audit Committee Charter 5.2	The committee shall report annually to the Council summarising its activities during the previous financial year.	AC099	<ol style="list-style-type: none"> 1. ENDORSE the summary of Audit Committee activities for the period 1 July 2019 to 30 June 2020. 2. SUBMIT the summary of Audit Committee activities for the period 1 July 2019 to 30 June 2020 to Council as the Audit Committee annual report of activities.
Annual Financial Report 2019/2020	<i>Local Government Act 1995</i>	Receive the Annual Financial Report 2019/2020, note the findings and make a recommendation to the Council	AC093	<ol style="list-style-type: none"> 1. RECEIVE the Annual Financial Report for the financial year ended 30 June 2020; 2. RECEIVE the Audit Report for the financial year ended 30 June 2020; 3. NOTE that for the Annual Financial Report for the year ended 30 June 2020 the Auditor has provided an unqualified audit opinion; 4. RECOMMEND to Council the adoption of the audited Financial Report for the year ended 30 June 2020; 5. NOTE the findings identified during the Interim Audit and REQUEST they be listed for review until completed. <ol style="list-style-type: none"> a. Payroll Masterfile accuracy and validity b. Income Statement per Trading Undertaking

				<ul style="list-style-type: none">c. General Journals – supporting documentationd. Daily Banking Reconciliations – Art Gallery <p>6. NOTE the findings identified during the Final Audit and REQUEST they be listed for review until completed.</p> <ul style="list-style-type: none">e. High annual leave accrual at year end
--	--	--	--	---

4 EXIT MEETING

Exit meeting with the Audit Committee and the Auditors Mark Ambrose, Office of the Auditor General (via telephone) and Melanie Blain, AMD Chartered Accountants (via telephone)

NOTE Cr Thomas declared an interest - AMD Chartered Accountants being her personal accountant (the Geraldton branch, not the Bunbury branch).

Melanie Blain, AMD Chartered Accountants

1. Audit Approach

- a. Entrance Meeting held on 21 February 2020
- b. Audit conducted in line with Audit Planning Summary – highlighted sections 5 & 6 (Significant Risks and Other Audit Issues, Audit Emphasis and Significant Account Balances)
- c. Interim Audit conducted on site 3 - 6 March 2020
- d. Final Audit conducted on site 7-11 September 2020
- e. Acknowledged significant delay due to retrospective changes to the Local Government (Financial Management) Regulations, however no changes were required to CGG financial statements

2. Variations to Audit Plan

- a. No variations from the audit plan

3. Subsequent Events

- a. No subsequent events

4. Audit Issues

- a. Status of prior year audit issues:
 - i. Recommendations have been implemented where applicable
- b. Status of audit issues reported at 2020 interim:
 - i. Recommendations have been implemented where applicable
- c. Audit issues reported per the 2020 final visit:
 - i. High annual leave accrual at year end – 14 instances where employees have annual leave accrued balances in excess of 304 hours
 1. Management advised this has been reduced to 4 as at the end of July 2020.

5. Audit Report

- a. No qualification to audit opinion
- b. Report on Other Legal and Regulatory Requirement matters – no adverse trends

6. Issues Relevant to Next Audit

- a. None.

MEETING CLOSURE There being no further business to discuss, the Exit Meeting was declared closed at 2.45pm.

Signed _____ Dated _____



AUDIT PLANNING SUMMARY

CITY OF GREATER GERALDTON

Year ended 30 June 2020

February 2020

AMD Chartered Accountants on behalf of
Office of the Auditor General Western
Australia



Table of Contents

1.	Purpose of the Audit Planning Summary	3
2.	Introduction	4
2.1	Background and General Information	4
2.2	City Council and Executive Management	5
2.3	Governance and Roles and Responsibilities	5
2.4	Financial Report and Regulation	6
3.	Terms of Engagement and Appointment	6
3.1	Auditor General	6
3.2	Contractor Appointment – AMD Chartered Accountants (“AMD”)	7
3.3	Conflicts of Interest	7
4.	Our Audit Approach	8
4.1	Audit Approach Steps	8
4.2	Audit Approach and Methodology	8
4.3	Australian Auditing Standards	10
4.4	Materiality	10
4.5	Fraud Risk	10
4.6	Meetings	11
4.6.1	Entrance Meeting	11
4.6.2	Interim Audit Findings	11
4.6.3	Final audit close out meeting	11
4.6.4	Exit meeting	11
5.	Significant Risks and Other Audit Issues	12
6.	Audit Emphasis and Significant Account Balances	13
7.	Management Representation Letter	21
8.	Related Entities	21
9.	Reporting Protocols	21
9.1	AMD Reporting Requirements	21
9.3	OAG Contract Reporting Requirements	22
10.	Proposed Audit Schedule	23
11.	Audit Evidence – Specific Audit Requirements	24
12.	Your Audit Team	25

1. Purpose of the Audit Planning Summary

The purpose of this Audit Planning Summary is to provide the City of Greater Geraldton Audit Committee and Executive Management our proposed approach to the audit of the financial report of the City of Greater Geraldton for the year ending 30 June 2020.

This Audit Planning Summary will be discussed during the meeting scheduled for 21 February 2020 and ensures our responsibility to communicate with those charged with governance are satisfied.

Specifically, this Audit Planning Summary includes:

- Introduction
- Terms of Engagement and Appointment
- Our Audit Approach
- Significant Risks and Other Audit Issues
- Audit Emphasis and Significant Account Balances
- Management Representation Letter
- Related Entities
- Reporting Protocols
- Proposed Audit Schedule
- Audit Evidence - Specific Audit Requirements
- Your Audit Team

If there are any matters in the Summary that you would like clarified, please do not hesitate to contact us.

There may be areas where you would like us to increase the audit focus. We would be pleased to discuss these to determine the most efficient and effective approach to performing the City of Greater Geraldton's audit requirements.

2. Introduction

2.1 Background and General Information*

Located 424 kilometres north of Perth with a thriving population of over 40,000 – Greater Geraldton has been named one of Australia’s regional capitals. The City boasts a prosperous economy and a number of industries including mining, fishing, manufacturing, construction, retail and tourism. As one of Western Australia’s top places to live, work, study or invest, Geraldton is the capital of the Mid West region.

With the best of coastal and rural living, Greater Geraldton has stunning weather all-year round. With mild winters, balmy autumn evenings, summers cooled by regular sea breezes and spring bursting with stunning wildflowers, you can enjoy all that Geraldton has to offer no matter what time of the year. Geraldton’s coastline is a huge tourist attraction and it has a beautiful Foreshore to match. Other attractions include the iconic lighthouse, the HMAS Sydney Memorial and the Houtman Abrolhos Islands which are located 80km off the coast of Geraldton.

Greater Geraldton is also home to a number of private and public schools from K-12 as well as the opportunity for higher education studies with the Geraldton University Centre, Durack Institute of Technology and the Batavia Coast Marine Institute. The City has a rich long-spanning heritage with much of that still preserved throughout the City.

Greater Geraldton also incorporates the town of Mullewa which lies 98kms north east of the city and the Greenough settlement located 24kms south of Geraldton on the Brand Highway.

The City of Greater Geraldton Council is responsible for all matters relating to governance, policy, local laws and budget appropriation on behalf of its constituents.

Individual Councillors, including the Mayor, cannot make decisions as individuals. The Council itself does not have any delivery or executive functions, but rather relies on the decisions of the majority of the group which provide direction for the Chief Executive Officer to implement.

The Local Government Act defines the roles of Council and the Councillors as follows:

Role of Council

1. direct and control the Local Government’s affairs
2. be responsible for the performance of the Local Government’s functions
3. oversee the allocation of the Local Government’s finances and resources
4. determine the Local Government’s policies.

*The above information was extracted from the City of Greater Geraldton website.

2.2 City Council and Executive Management

The City of Greater Geraldton Council consists of:

Mayor	Shane Van Styn
Deputy Mayor	Tarleah Thomas
Councillor	David Caudwell
Councillor	Jerry Clune
Councillor	Natasha Colliver
Councillor	Jennifer Critch
Councillor	Steve Douglas
Councillor	Sally Elphick
Councillor	Peter Fiorenza
Councillor	Robert Hall
Councillor	Simon Keemink
Councillor	Kim (Butch) Parker
Councillor	Victor Tanti

The City Executive Management consists of:

Chief Executive Officer (“CEO”)	Ross McKim
Director Corporate & Commercial Services	Paul Radalj
Director Infrastructure Services	Chris Lee
Director Development & Community Services	Phil Melling

2.3 Governance and Roles and Responsibilities

As one of Australia's three spheres of government (Federal, State, Local), Local Government is the sphere that most closely affects the daily lives of citizens.

The roles and responsibilities of Local Government generally include:

- infrastructure and property services, including local roads, bridges, footpaths, drainage, waste collection and management;
- provision of recreation facilities, such as parks, sports fields and stadiums, golf courses, swimming pools, sport centres, halls, camping grounds and caravan parks;
- health services such as water and food inspection, toilet facilities, noise control and meat inspection and animal control;
- community services, such as child-care, aged care and accommodation, community care and welfare services;
- building services, including inspections, licensing, certification and enforcement;
- planning and development approval;
- administration of facilities, such as airports and aerodromes, ports and marinas, cemeteries, parking facilities and street parking;
- cultural facilities and services, such as libraries, art galleries and museums; and
- water and sewerage services in some states.

Local Government revenue comes from three main sources:

- rates;
- charges for sale of goods and services; and
- grants from Federal and State/Territory Governments.

The City of Greater Geraldton is governed by an independent Council. Councillors are elected by the ratepayers.

The City of Greater Geraldton Council appoints a CEO to ensure resources are effectively and efficiently managed. Council may delegate to the CEO the exercise of any of its powers or the discharge of any of its duties under the Local Government Act 1995.

2.4 Financial Report and Regulation

The City of Greater Geraldton's annual financial report is general purpose financial statements prepared in accordance with the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Applicable financial reporting regulations the City of Greater Geraldton must comply with includes:

- Local Government Act 1995 ("the Act");
- Local Government (Financial Management) Regulations 1996 ("the Regulations"); and
- Local Government (Audit) Regulations 1996.

The Auditor General's audit report will be prepared in accordance with the Act, Regulations and Australian Auditing Standards and include the audit opinion on the annual financial report. The Auditor General's audit report will also report:

- Any significant adverse trends in the financial position of the City of Greater Geraldton;
- Any instances of non-compliance with the Act, the regulations or applicable financial controls of any other written law identified during the course of the audit;
- Whether all required information and explanations are obtained during the audit;
- Whether all audit procedures are satisfactorily completed;
- Whether, in the Auditor General's opinion, the asset consumption ratio and asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.

The City of Greater Geraldton is required to publish the auditor's report with the annual financial report on its website. If the Auditor General reports other significant matters to the City of Greater Geraldton, then the City will be required to report to the Minister action taken with respect to those matters.

3. Terms of Engagement and Appointment

3.1 Auditor General

Following proclamation of the Local Government Amendment (Auditing) Act 2017, the Auditor General becomes responsible for the annual financial report audit of Western Australian Local Governments.

The Act allows the Auditor General to contract out financial audits however by the year ending 30 June 2021 all Western Australian Local Government audits will become the responsibility of the Auditor General and Office of Auditor General ("OAG").

The annual financial statement audit of the City of Greater Geraldton was completed by the Auditor General for the first time for the year ended 30 June 2019.

3.2 Contractor Appointment – AMD Chartered Accountants (“AMD”)

AMD has been contracted by the Auditor General to perform the City of Greater Geraldton financial report audit on the Auditor General’s behalf for the year ending 30 June 2020. The OAG and AMD have signed a contractor agreement which outlines the relationships between the OAG, City and AMD.

Our audit procedures will be conducted under the direction of the Auditor General, who will retain responsibility for forming the audit opinion and issuing the audit report to the City of Greater Geraldton. The signed contractor agreement requires AMD to use the OAG’s audit approach and methodology.

AMD is required to report any matter to the Auditor General which may affect the Auditor General’s responsibilities under the Auditor General Act 2006. AMD’s reporting requirements as outlined within the contractor agreement are outlined within section 9 of this Audit Planning Summary, Reporting Protocols.

3.3 Conflicts of Interest

We confirm we have completed our independence evaluation and are satisfied we do not have any actual or perceived conflicts of interest in completing the annual audit of the City of Greater Geraldton on behalf of the Auditor General.

4. Our Audit Approach

4.1 Audit Approach Steps

Our audit approach comprises five steps:



4.2 Audit Approach and Methodology

Our audit approach is designed to specifically focus audit attention on the key areas of risk faced by the City of Greater Geraldton in reporting on finances and performance.

As part of our audit approach, we have conducted an initial financial report risk assessment to determine whether any of the risks identified are, in our judgement, high risks. A high risk is an assessed risk of material misstatement in the financial report that in our judgement is a key audit area and therefore requires special audit consideration.

Our assessment of key audit areas is based on:

- Discussions held with the Executive Management team;
- The complexity of transactions within each audit area;
- The degree of subjectivity in the measurement of financial information related to the risk, in particular those requiring significant accounting estimates and assumptions; and
- The degree of susceptibility to fraud risk.

Testing of high risk material balances follows a hierarchy approach commencing with tests of controls, substantive analytical review procedures and finally tests of details. Testing of low risk material balances is coordinated with the auditing of high risk material balances.

Our audit will be separated into two components, the interim audit and the final audit.

The interim audit includes:

- understanding the City of Greater Geraldton's current business practices;
- assessment and response to engagement risk, entity risk and system risk;
- understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively;
- testing transactions to confirm the accuracy and completeness of processing accounting transactions;
- clarifying significant accounting issues, including accounting estimates and fair value considerations before the annual financial report is prepared for audit;
- review and assess legislative compliance;
- review and assess contingent liabilities;
- review and assess progress with respect to the introduction of new Accounting Standards; and
- follow up prior year management letter comments and recommendations.

The final audit focuses on verifying the annual financial report and associated notes, and includes:

- verifying material account balances using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties; and
- reviewing the annual financial report and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

It is important to note that:

- The Council and the CEO are responsible for keeping proper accounts and records, maintaining effective internal controls, preparing the annual financial report, and complying with the Local Government Act and Regulations, and other legislative requirements.
- An audit does not guarantee that every amount and disclosure in the annual financial report is error free. Also, an audit does not examine all evidence and every transaction. However, our audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the annual financial report.
- The Council and CEO are responsible for ensuring the accuracy and fair presentation of all information in its annual report, and that it is consistent with the audited annual financial report. We do not provide assurance over your annual report.
- The Council and the CEO have responsibility for maintaining internal controls that prevent or detect fraud or error and to ensure regulatory compliance. The Audit Committee and AMD/the OAG should be informed by management of any fraud or material errors. During the audit we will make inquiries with management about their process for identifying and responding to the risks of fraud, including management override. It should be noted that our audit is not designed to detect fraud, however should instances of fraud come to our attention, and we will report them to you.

4.3 Australian Auditing Standards

Our audit is conducted in accordance with Australian Auditing Standards. Our aim is to provide reasonable assurance whether the annual financial report is free of material misstatement, whether due to fraud or error. We perform audit procedures to assess whether, in all material respects, the annual financial report is presented fairly in accordance with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

The nature of the audit is influenced by factors such as:

- the use of professional judgement;
- selective testing;
- the inherent limitations of internal controls; and
- the availability of persuasive rather than conclusive evidence.

As a result, an audit cannot guarantee that all material misstatements will be detected. We examine, on a test basis, information to provide evidence supporting the amounts and disclosures in the annual financial report, and assess the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management.

4.4 Materiality

The scope of our audit also applies materiality. The planning materiality level will be calculated and determined using AMD's audit methodology. The amount of materiality may be adjusted during the audit, depending on the results of our audit procedures.

4.5 Fraud Risk

In accordance with *ASA240 The Auditor's Responsibility Relating to Fraud in the Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial report as a result of fraud or error.

Council and management of the City of Greater Geraldton is responsible for the prevention and detection of fraud and error. The Council and management of the City of Greater Geraldton is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial report.

We will request management complete a self assessment fraud control questionnaire. This allows us to make inquiries of management, to obtain an understanding of the risk of fraud within the City and to determine whether management have knowledge of fraud activities. We will review the fraud control questionnaire assessment.

In addition we will review the City's fraud prevention control procedures, review significant or unusual transactions, review accounting estimates and key assumptions and review year end accounting adjustments.

4.6 Meetings

4.6.1 Entrance Meeting

The entrance meeting will discuss this Audit Planning Summary and be held with the Audit Committee, Director Corporate & Commercial Services, Chief Financial Officer, Financial Accountant, OAG Director and AMD.

4.6.2 Interim Audit Findings

The interim audit findings will be discussed with management by the audit team at the completion of the interim audit. Draft management letters will be provided to the City's CEO for coordination of comments from appropriate members of your management.

4.6.3 Final audit close out meeting

The final audit findings will be discussed with management by the audit team at the completion of the final audit.

4.6.4 Exit meeting

The exit meeting will discuss the financial report, proposed audit report to be issued and the management letter. This meeting will be held with the Audit Committee, Director Corporate & Commercial Services, Chief Financial Officer, Financial Accountant, OAG Director and AMD.

5. Significant Risks and Other Audit Issues

Through discussions with the Executive Management team and based on the 2018/2019 audit, we have identified the following issues and key areas of risk affecting the audit.

Details of Risk / Issue	Audit Approach
<p>Audit findings reported in the previous audit</p>	<p>We will follow-up the issues reported by the OAG during the 2018/2019 audit. There were no significant issues identified.</p>
<p>Changes to Australian Accounting Standards:</p> <ul style="list-style-type: none"> • <i>AASB15 – Revenue from Contracts with Customers</i> This standard is applicable to Local Government for the year ended 30 June 2020. This standard requires revenue to be recognised by the Local Government on the fulfilment of the performance obligations of an enforceable contract at a point in time or over time, as applicable. For example grant monies. • <i>AASB1058 - Income of Not-for-profit Entities</i> This standard, in combination with AASB15 establishes new principles for income recognition for not-for-profit entities applicable to Local Governments for the year ended 30 June 2020. • <i>AASB16 – Leases</i> This standard removes the distinction between operating leases and finance leases, and requires all leases (except short term leases and leases of low value assets) to be recognised as lease assets and lease liabilities on the balance sheet. Peppercorn leases can be elected to be measured either at cost or at fair value. The standard is applicable to Local Governments for the year ended 30 June 2020. • <i>AASB1059 - Service Concession Arrangements: Grantors</i> This standard is applicable to public sector entities that enter into service concession arrangements with private sector operators. It requires grantors to recognise a service concession asset and where applicable, a service concession liability on the balance sheet. This standard is applicable to Local Governments for the year ended 30 June 2021. 	<p>We will review the assessment completed during the prior year 2019 audit, including the 2019 financial report disclosures.</p> <p>At the interim audit, we will request management’s progress with request to standard implementation.</p> <p>Throughout the audit, we will monitor the progress of these applicable Australian Accounting Standards and work with management as and when the changes are implemented.</p>
<p>We have identified the following areas that we consider require additional focus during 2019/2020 Local Government Audits:</p> <ul style="list-style-type: none"> • General accounting journals • Fair value of assets, including restricted use assets taking into account externally imposed restrictions • Trust account balances • Financial ratios • Related party disclosures • Contingent Liabilities, including waste facility and contaminated sites 	<p>We will review the accounting treatment and disclosure processes during our interim audit.</p>

Details of Risk / Issue	Audit Approach
<ul style="list-style-type: none"> Joint Ventures Purchasing processes and documented evidence relating to obtaining quotations and tenders Major land transactions Major trading undertakings Current and approved Long Term Financial Plan and Asset Management Plan, with sufficient data. 	
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> Provision for rehabilitation Provision for annual and long service leave Fair value of assets Impairment of assets 	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations.</p>

6. Audit Emphasis and Significant Account Balances

Our audit approach involves assessing the City of Greater Geraldton’s overall control environment and understanding key business processes/cycles and internal controls relevant to the audit.

We will test key controls for all significant business cycles. The level of testing will be dependent on our assessment of the risk in each business cycle. We plan to address the following cycles:

- Revenue and Receivables cycle;
- Expenditure and Payable cycle;
- Payroll and Employee Entitlements cycle;
- Cash and Financing cycle;
- Inventory cycle; and
- Fixed assets cycle (Property, Plant, Equipment and Infrastructure).

The extent of our reliance on controls, together with the materiality level, determines the nature and extent of our audit procedures to verify individual account balances.

The table below lists those items in the Statement of Financial Position and the Statement of Comprehensive Income that are significant account balances, and our planned audit approach for these balances. When selecting significant account balances, we consider materiality, the nature of the balance, inherent risk and the sensitivity of disclosures.

Significant Account	2019 Audited Balance \$'000	Audit Approach
Statement of Financial Position		
Cash and cash equivalents	36,211	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Perform walkthroughs of the cash cycle. Review bank reconciliations.

Significant Account	2019 Audited Balance \$'000	Audit Approach
		<ul style="list-style-type: none"> Review transfers between bank accounts. Verify large or unusual reconciling items. Verify year end bank balance through bank confirmations. Verify classifications including restricted / unrestricted; trust vs municipal and financial assets. Substantive analytical review.
Financial Assets, including Self Supporting Loans	5,637	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Perform walkthroughs of the financial assets cycle. Review investment reconciliations. Verify year end investment balances, including Local Government House investment through external confirmations (where applicable). Review internal controls, self-supporting loan debtor invoicing and reconciliations. Substantive analytical review.
Receivables including rates	9,394	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Perform walkthroughs of the revenue and receivable cycle. Perform cut-off testing and review credit notes. Review subsequent receipts. Verification of accrued income, ensuring requirements of AASB15 and AASB1058 are met. Review expected credit loss assessment ensuring compliant with AASB9. Substantive analytical review.
Inventories	525	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Perform walkthroughs of the inventory cycle. Review of stock listings. Verification of units costs. Consider obsolete and slow moving inventories.
Land held for resale	333	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Review listings of land held for re-sale. Obtain titles to verify existence and ownership of land held for re-sale. Obtain evidence to support land development or land held for sale (agent listing, advertising). Verification of value ensuring lower of cost and net realizable value. Ensure classification between current and non-current correct.
Property, plant, equipment and infrastructure	918,711	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls, including internal control testing with respect to the City's processes for determining inputs into fair value. Perform walkthroughs of the fixed assets cycle.

Significant Account	2019 Audited Balance \$'000	Audit Approach
		<ul style="list-style-type: none"> Analyse year end balances for each major class of asset comparing to last year. Perform sample testing on asset additions and disposals. Review management's impairment assessment at year end. Test items posted to construction in progress to assess appropriateness of expenses being capitalised. Review accounting treatment for repairs and maintenance costs to determine correct classification. Ensure assets less than \$5,000 are expensed as required. Assess and perform tests to determine whether carrying amounts approximate fair value. Where relevant, confirm balances to independent valuation reports and test key assumptions in determining fair value. Ensure revaluation increments / decrements are correctly applied. Ensure vested land and restricted use assets recorded in accordance with AASb13 take into account externally imposed restrictions. Review developer contributions to ensure correctly recorded and disclosed.
Intangibles	104	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls, including internal control testing with respect to the City's processes for recognising and measuring intangible assets Test recognition and measurement of intangible assets in accordance with AASB138 Intangible Assets.
Right to use assets and respective lease liability	N/A	<ul style="list-style-type: none"> Review of internal controls, including the means utilised to identify and record leased asset arrangements. Verify leased assets transaction calculations and test on a sample basis. Ensure compliance with AASB16. Substantive analytical review.
Payables	19,357	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Perform walkthroughs of the purchasing and payables cycle. Test for unrecorded liabilities and review subsequent payments post year end. Test and review material accrual balances. Verification of accrued expenses. Perform cut-off testing. Ensure prepaid rates are correctly classified as a liability in accordance with AASB1058. Substantive analytical review.
Borrowings	38,375	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Agree amounts to WATC confirmation.

Significant Account	2019 Audited Balance \$'000	Audit Approach
		<ul style="list-style-type: none"> • Verification of classification between current and non-current. • Agree bank facilities to confirmation.
Provisions	15,730	<ul style="list-style-type: none"> • Review internal controls and employee provision reconciliations. • Review the reasonableness of assumptions and calculations. Ensure calculations in accordance with AASB119. • Test a sample of leave balances to ensure correct. • Test Provision for Infrastructure Meru – Rehabilitation, including supporting documentation, plans, assumptions and calculations. • Substantive analytical review.
Equity (Total)	897,453	<ul style="list-style-type: none"> • Review internal controls. • Sample test reserve movements to supporting documentation including cash reserves and asset revaluation reserves. • Substantive analytical review.
Statement of Comprehensive Income		
Operating and non-operating grants, subsidies and contributions	29,788	<ul style="list-style-type: none"> • Review of key processes and controls. • Perform walkthroughs of the revenue cycle relating to grants, subsidies and contributions. • Sample testing of transactions, including grant agreements. • Perform cut-off testing. • Review and test disclosures in respect to unspent grants at year end. • Sample testing of non-cash contributions. • Substantive analytical review.
Rates	45,873	<ul style="list-style-type: none"> • Review of key processes and controls. • Perform walkthroughs of the revenue cycle relating to rates. • Sample testing of transactions. • Perform cut-off testing. • Substantive analytical review.
Fees and charges	22,474	<ul style="list-style-type: none"> • Review of key processes and controls. • Perform walkthroughs of the revenue cycle relating to fees and charges. • Sample testing of transactions. • Perform cut-off testing and review credit notes. • Assessment of requirements to conduct site visits to facilities operated where fees and charges are applied. • Substantive analytical review.

Significant Account	2019 Audited Balance \$'000	Audit Approach
Other revenue, including interest earnings	2,930	<ul style="list-style-type: none"> • Review of key processes/controls. • Perform walkthroughs of the revenue cycle relating to other revenue. • Sample testing of transactions. • Perform cut-off testing. • Review credit notes. • Substantive analytical review.
Employee related expenses	27,672	<ul style="list-style-type: none"> • Review of key processes and controls. • Perform walkthroughs of the payroll cycle. • Sample testing of transactions. • Verify wages reconciliation. • Substantive analytical review.
Materials and contracts Utilities Insurance	23,560	<ul style="list-style-type: none"> • Review of key processes and controls. • Perform walkthroughs of the purchasing and payments cycle. • Sample resting of transactions. • Substantive analytical review.
Depreciation and amortisation	24,152	<ul style="list-style-type: none"> • Review of management's assessment of the useful lives of assets and assess reasonableness. • Verify depreciation expenses to valuation reports (where applicable). • Perform re-calculation tests. • Substantive analytical review.
Other expenses, including interest expense	4,044	<ul style="list-style-type: none"> • Review of key processes/controls • Perform walkthroughs of the purchasing and payments cycle. • Sample testing of transactions. • Agree interest expense to WATC confirmation. • Review listing of other expenses to identify large or unusual accounts and test accordingly. • Substantive analytical review.

The table below lists those significant financial statement disclosures or other auditable areas and our planned audit approach for these disclosures. When selecting significant disclosures, we consider materiality, the nature of the item, inherent risk and the sensitivity of disclosures.

Statement, Auditable Area and / or Disclosures	Audit Approach
Statement of Cash Flows and Cash Flow Reconciliation Note	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Review Statement of Cash Flows and reconciliation note calculations. Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.
Legislative Compliance	<ul style="list-style-type: none"> Ensure City of Greater Geraldton’s financial management policies and procedures are compliant with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996, Local Government (Financial Management) Regulations 1996 and Accounting Standards. Assess City of Greater Geraldton’s compliance with internal policy and procedures throughout the year, identify any instances of non-compliance which also resulted in legislative requirements not being met. Review draft annual financial statements to ensure compliance with Local Government Act 1995, Local Government (Financial Management) Regulations 1996, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.
Contingent Liabilities	<ul style="list-style-type: none"> Review of internal controls. Enquiries of management. Assess Council’s disclosures of obligations under the Contaminated Sites Act 2003. Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996. Determine if any contingent liabilities relating to waste facilities, contaminated sites or aluminium composite panelling.
Capital and Leasing Commitments	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Enquiries of management. Verify disclosures to supporting calculations and documentation. Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.
Related Party Transactions, including elected member remuneration, key management personnel compensation and transactions with related parties	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Enquiries of management. Obtain an understanding of the means utilised to identify related parties and record related party transactions. Verify elected members remuneration calculations and test on a sample basis analytical review to ensure that remuneration paid calculations is consistent with our expectations. Verify key management personnel compensation calculations and test on a sample basis. Ensure KMP classifications correct. Assess related party transactions terms and associated fraud risks.

Statement, Auditable Area and / or Disclosures	Audit Approach
	<ul style="list-style-type: none"> • Ensure completeness of disclosures. • Identify any related parties with dominant influence. • Ensure related party disclosures comply with AASB124.
Trading Undertaking and Major trading Undertakings	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Enquiries of management. • Obtain an understanding of the means utilised to identify and record trading undertaking and major trading undertaking transactions. • Verify trading undertaking and major trading undertaking transaction calculations and test on a sample basis. • Analytical review. • Ensure completeness of disclosures. • Ensure compliance with Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and part 3 of the Local Government (Functions and General) regulations 1996.
Joint Venture Arrangements	<ul style="list-style-type: none"> • Review of internal controls. • Enquiries of management. • Obtain an understanding of the means utilised to identify and record joint venture arrangements. • Obtain joint venture agreements. • Verify joint venture transaction calculations and test on a sample basis. • Analytical review. • Ensure completeness of disclosures and in accordance with AASB. • Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.
Financial Risk Management	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Review financial risk management note and reconciliation calculations. • Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.
Internal Control and Risk Management	<ul style="list-style-type: none"> • Assess control environment including segregation of duties and level of independent review / checks in place. • Ensure Council have established and maintained a risk management framework that is appropriate. • Assess how management place a strong emphasis on the design, implementation and maintenance of internal control to prevent and detect fraud. • Assess classes of transactions and account balances which are more susceptible to fraud and test accordingly.
Fraud	<ul style="list-style-type: none"> • Assess control environment including segregation of duties and level of independent review / checks in place. • Assess how management place a strong emphasis on fraud prevention and deterrence. Review reporting mechanisms to those charged with governance. • Assess classes of transactions and account balances which are more

Statement, Auditable Area and / or Disclosures	Audit Approach
	<p>susceptible to fraud and test accordingly.</p> <ul style="list-style-type: none"> Review of unusual transactions, in particular near balance date which may have a significant effect on the result.
IT	<ul style="list-style-type: none"> Obtain an understanding of the IT general control environment. Perform tests to assess the effectiveness of IT general controls over the IT system, including both physical and logical access of the users, change management process and audit trail / transaction log.
Accounting General Journals	<ul style="list-style-type: none"> Assess control environment in respect to accounting general journal entry and level of independent review / checks in place. Sample testing of accounting general journals. Assess classes of transactions and account balances which are more susceptible to fraud and test any large or unusual accounting general journals accordingly. Review of unusual accounting general journals, in particular near balance date which may manipulate the result.
Accounting Estimates	<ul style="list-style-type: none"> Assess control environment in respect to accounting estimates and level of consultation / independent review / checks in place. Sample testing of application accounting estimates, ensuring significant assumptions used in making accounting estimates are reasonable. Assess classes of transactions and account balances which are more susceptible to fraud and test any large or unusual accounting estimates accordingly. Review of unusual accounting estimates, in particular those recorded or changed near balance date which may manipulate the result. Ensure accounting estimates disclosures comply with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.
Financial Ratios	<ul style="list-style-type: none"> Determine basis of calculating individual financial ratios and annual reporting requirements. Establish Local Government's internal controls to capture financial ratio source data, including Long Term Financial Plan, Asset Management Plan, valuation reports etc. Ensure Long Term Financial Plan and Asset Management Plan(s) are current, approved by Council and include ten years of data. Determine ratio's which do not meet OAG guidelines and require adverse trend reporting accordingly. Ensure financial ratio calculations and disclosures comply with the Local Government Act 1995 and section 50 of the Local Government (Financial Management) Regulations 1996.
New Accounting Standards application	<ul style="list-style-type: none"> Ensure the City's accounting policies and procedures are consistent with the requirements of AASB15, AASB1058 and AASB16. Test balances recorded in related note disclosures in respect of revenue recognition, right to use assets and respective short term /

Statement, Auditable Area and / or Disclosures	Audit Approach
	long term lease liabilities.

7. Management Representation Letter

The above audit procedures assume that management expects to be in a position to sign a management representation letter. The proposed letter for this purpose is attached. This letter should be reviewed and tailored to meet your local government’s particular circumstances, and be signed and dated by the CEO, Director of Corporate & Community Services and Chief Financial Officer as close as practicable to the date of the proposed auditor’s report. Ordinarily, this would be no longer than five working days prior to the issue of the auditor’s report.

Please bring to the attention of the Mayor that we will also be relying on the signed Statement by CEO in the annual financial report as evidence that they confirm:

- they have fulfilled their responsibility for the preparation of the annual financial report in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards
- they have provided us with all relevant information necessary or requested for the purpose of the audit
- all transactions have been recorded and are reflected in the annual financial report.

8. Related Entities

Section 7.12AL of the *Local Government Act 1995* applies section 17 of the *Auditor General Act 2006* to a local government. Section 17 requires a local government to advise the Auditor General in writing of details of all related entities that are in existence.

9. Reporting Protocols

9.1 AMD Reporting Requirements

AMD is to provide a report to the Auditor General to enable the Auditor General to:

- form the audit opinion with respect to the City of Greater Geraldton’s annual financial report;
- report any findings, significant control weaknesses and any other relevant matters arising from our audit procedures; and
- report any significant non-compliance with relevant legislation.

AMD will be required to form an opinion and report to the Auditor General whether the City of Greater Geraldton’s financial statements:

- are based on proper accounts and records; and
- fairly represents, in all material respects, the results of the operations of the City of Greater Geraldton and its financial position for the years covered by the contract in accordance with the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

9.2 Management Letter

Significant issues identified during the course of our audit procedures will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to the CEO (or other nominated representative) for coordination of comments from appropriate members of your management. We request that these be returned promptly, preferably within 5 working days.

At the conclusion of the audit, the abovementioned management letter will accompany the auditor's report and the audited annual financial report forwarded to the Mayor, the CEO and the Minister for Local Government. The management letter is intended to communicate issues arising from the audit that may impact on internal control, compliance, and financial reporting.

Where considered appropriate, and to ensure timely reporting of audit findings and action by management, interim management letters may be issued to the CEO and the Mayor. A copy will also be forwarded to the Minister when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Specific matters resulting from issues identified during the audit may be reported in an Auditor General's Report to Parliament. Should this occur, you will be consulted in advance to assure the context and facts of the issue are adequately represented.

9.3 OAG Contract Reporting Requirements

As OAG contractors we are required to report to the OAG as follows:

1. Complete Interim planning audit;
2. Prepare and provide OAG representative with interim audit findings and prepare interim management letter (if required);
3. Complete post 30 June year end audit;
4. Obtain signed Management Representation Letter from City of Greater Geraldton;
5. Prepare and provide OAG Representative with Signing Review Memo (SRM), Draft Management Letter, Draft Financial Report and Signed Management Representation Letter; and
6. Provide OAG Representative with access to audit workpapers.

10. Proposed Audit Schedule

	Date
Planning and issue of Interim Audit Checklist by AMD	21 February 2020
Entrance Meeting (City, OAG & AMD)	21 February 2020
Onsite Interim Audit by AMD	3-6 March 2020
AMD provide OAG clearance for Interim Audit Review including draft Interim Management Letter (week ending)	20 March 2020
OAG complete Interim Audit Review	3 April 2020
Interim Management Letter to be issued by OAG (if required)	9 April 2020
Issue of Year End Audit Checklist by AMD (week ending)	5 June 2020
Final Trial Balance to be provided to AMD by the City	28 August 2020
Draft Annual Financial Report to be provided to AMD by the City	28 August 2020
Onsite Final Audit by AMD	7-10 September 2020
AMD provide OAG clearance for Audit File Review including all applicable Contractor deliverables / reports (week ending)	2 October 2020
OAG complete Final Audit Review	16 October 2020
AMD issue exit meeting agenda and associated reports (Management Representation Letter, draft Management Letter and draft Audit Report)	23 October 2020
Exit Meeting (week ending)	To be scheduled dependent on above
AMD to provide the signed AMD Audit Report, stamped FS, signed SRM, final Management Letter and signed Representation Letter to OAG	Within 1 day of Exit Meeting
OAG to issue signed audit report and Management Letter to the City.	Within 5 days of Exit Meeting

The above proposed audit schedule is subject to change depending on individual circumstances.

11. Audit Evidence – Specific Audit Requirements

We will discuss our requirements with your staff to facilitate a timely, efficient and effective audit. We will formally agree our information requirements and timeframes for the final audit with the Chief Financial Officer and Financial Accountant using our Audit Checklists.

We will issue an Interim Audit Checklist and Year-End Audit Checklist in advance of each audit visit. The checklists are intended to help City of Greater Geraldton staff to have various documents readily available when we perform our audit. Please note however that in several instances, particularly during our audit sampling at the interim visits, audit staff will need to retrieve some evidence themselves, rather than being given the evidence by your staff. This is essential for an independent audit.

As the information requests contained within the Audit Checklists will form an important component of our audit working papers, the information must be made available to AMD on the dates specified. This will assist us in delivering an efficient audit and minimising interruptions to City staff.

12. Your Audit Team

	Name	Contact
Contractor – AMD Chartered Accountants		
Director	Maria Cavallo	(08) 9780 7555 maria.cavallo@amdonline.com.au
Alternate Director	Tim Partridge	(08) 9780 7555 tim.partridge@amdonline.com.au
Audit Manager/Team Leader	Melanie Blain	(08) 9780 7555 melanie.blain@amdonline.com.au
Auditor	Sam Chernabaeff	(08) 9780 7555 sam.chernabaeff@amdonline.com.au
Office of the Auditor General		
Auditor General	Caroline Spencer	(08) 6557 7500
Assistant Auditor General	Don Cunninghame	Don.Cunninghame@audit.wa.gov.au (08) 6557 7526
OAG Representative Director	Mark Ambrose	Mark.ambrose@audit.wa.gov.au (08) 6557 7521

5 ITEMS FOR AUDIT COMMITTEE REVIEW

AC093	2019-20 ANNUAL FINANCIAL REPORT
-------	---------------------------------

AGENDA REFERENCE:	D-21-002290
AUTHOR:	N Jane, Acting Chief Financial Officer
EXECUTIVE:	P Radalj, Director Corporate & Commercial Services
DATE OF REPORT:	16 November 2020
FILE REFERENCE:	FM/3/0003
ATTACHMENTS:	Yes
	A. 2019-20 Annual Financial Report
	B. Auditors Report 2019-20
	C. Confidential - Management Letter - Interim Audit Results
	D. Confidential - Management Letter - Final Audit Results

EXECUTIVE SUMMARY:

The purpose of this report is for the Audit Committee to consider and accept the 2019-20 Annual Financial Report and Auditor's Report.

EXECUTIVE RECOMMENDATION:

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

1. RECEIVE the Annual Financial Report for the financial year ended 30 June 2020;
2. RECEIVE the Audit Report for the financial year ended 30 June 2020;
3. NOTE that for the Annual Financial Report for the year ended 30 June 2020 the Auditor has provided an unqualified audit opinion;
4. RECOMMEND to Council the adoption of the audited Financial Report for the year ended 30 June 2020;
5. NOTE the findings identified during the Interim Audit and REQUEST they be listed for review until completed.
 - a. Payroll Masterfile accuracy and validity
 - b. Income Statement per Trading Undertaking
 - c. General Journals – supporting documentation
 - d. Daily Banking Reconciliations – Art Gallery
6. NOTE the findings identified during the Final Audit and REQUEST they be listed for review until completed.
 - a. High annual leave accrual at year end

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The audit was conducted by AMD Chartered Accountants on behalf of the Office of the Auditor General (OAG). The interim audit was conducted from 3-

Signed _____ Dated _____

6 March 2020 and the final on-site audit from 7-11 September 2020. At the conclusion of these audits, the following reports are issued:

- Independent Auditor's Report;
- Management Letter - Interim Audit Results (to Mayor);
- Management Letter - Final Audit Results (to Mayor).

The Report and Management Letters are attached along with the Audited Financial Statements for 2019-20 for the information of the Audit Committee.

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:

An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting and external audit function.

RELEVANT PRECEDENTS:

The Audit Committee received the 2018-19 Financial Report for the City of Greater Geraldton on 2 December 2019, AC081.

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, then released to the community as a public document. 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;*

Signed _____ Dated _____

- (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

Findings outlined in the management letters have been assigned a risk rating by the Officer of Auditor General. These ratings are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. Consideration is given to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Management have provided responses to each of the findings.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative options were considered by City Officers.

COMMITTEE DECISION

MOVED Cr Caudwell, SECONDED Cr Thomas

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

- 1. RECEIVE the Annual Financial Report for the financial year ended 30 June 2020;**
- 2. RECEIVE the Audit Report for the financial year ended 30 June 2020;**
- 3. NOTE that for the Annual Financial Report for the year ended 30 June 2020 the Auditor has provided an unqualified audit opinion;**
- 4. RECOMMEND to Council the adoption of the audited Financial Report for the year ended 30 June 2020;**

Signed _____ Dated _____

5. **NOTE the findings identified during the Interim Audit and REQUEST they be listed for review until completed.**
 - a. **Payroll Masterfile accuracy and validity**
 - b. **Income Statement per Trading Undertaking**
 - c. **General Journals – supporting documentation**
 - d. **Daily Banking Reconciliations – Art Gallery**
6. **NOTE the findings identified during the Final Audit and REQUEST they be listed for review until completed.**
 - e. **High annual leave accrual at year end**

Carried 4/0

Signed _____ Dated _____



City of Greater Geraldton

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



City of Greater Geraldton

General Purpose Financial Statements for the year ended 30 June 2020

Contents	Page
1. Statement by Chief Executive Officer	2
2. Primary Financial Statements:	
- Statement of Comprehensive Income (by Nature or Type)	3
- Statement of Comprehensive Income (by Program)	4
- Statement of Financial Position	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
- Rate Setting Statement	9
3. Notes to the Financial Statements	11
4. Independent Auditor's Report	88

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.
-

City of Greater Geraldton

General Purpose Financial Statements for the year ended 30 June 2020

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 for the financial year ended to June 2020 is based on proper accounts and records to present fairly the financial position of the City of Greater Geraldton at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the _____ day of _____ 2021

Ross McKim

CHIEF EXECUTIVE OFFICER

City of Greater Geraldton

Statement of Comprehensive Income (by Nature or Type)
for the year ended 30 June 2020

\$	Notes	2020 Actual	2020 Budget	2019 Actual
Revenue				
Rates	26(a)	46,589,662	46,939,412	45,873,090
Operating Grants, Subsidies & Contributions	32	8,373,215	8,165,188	8,701,906
Fees & Charges	31	21,085,907	24,674,970	22,474,314
Interest Earnings	2(a)	1,992,198	2,047,851	1,653,321
Other Revenue		1,714,459	1,638,150	1,276,187
		<u>79,755,441</u>	<u>83,465,571</u>	<u>79,978,818</u>
Expenses				
Employee Costs	35	(28,172,282)	(28,487,934)	(27,672,236)
Materials & Contracts		(18,847,740)	(22,268,848)	(19,808,029)
Utilities		(2,956,953)	(2,978,255)	(3,031,203)
Depreciation & Amortisation	2(a)	(24,518,212)	(24,679,101)	(24,151,946)
Interest Expenses	2(a)	(1,344,619)	(1,373,139)	(1,042,202)
Insurance		(728,218)	(739,321)	(720,300)
Other Expenditure		(2,560,355)	(2,853,575)	(3,002,144)
		<u>(79,128,378)</u>	<u>(83,380,173)</u>	<u>(79,428,060)</u>
Operating Result from Continuing Operations ⁽¹⁾		<u>627,063</u>	<u>85,398</u>	<u>550,758</u>
Non-Operating Grants, Subsidies & Contributions	32	7,130,966	5,627,482	21,086,497
Fair Value Adjustments to financial assets at fair value through profit and loss	2(a)	5,187	-	315,308
Revaluation of Infrastructure, Property, Plant & Equip.	2(a)	(4,382,927)	-	-
Profit on Asset Disposals	23	46,742	74,898	39,391
Loss on Asset Disposal	23	(1,369,599)	(759,710)	(847,580)
		<u>1,430,369</u>	<u>4,942,670</u>	<u>20,593,616</u>
Net Result - Surplus (Deficit)		<u>2,057,432</u>	<u>5,028,068</u>	<u>21,144,374</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	15	(20,210,775)	-	(51,832)
Total Other Comprehensive Income		<u>(20,210,775)</u>	<u>-</u>	<u>(51,832)</u>
Total Comprehensive Income		<u>(18,153,343)</u>	<u>5,028,068</u>	<u>21,092,542</u>

⁽¹⁾ Allowing for or not factoring in the prepayment of Financial Assistance Grants for 2020-21 \$3,051,785 (2019-20: \$3,042,332), Council Operating Result from Continuing Operations would amount to a deficit of \$2,424,722 (2018-19: \$2,491,575).

City of Greater Geraldton

Statement of Comprehensive Income (by Program)
for the year ended 30 June 2020

\$	Notes	2020 Actual	2020 Budget	2019 Actual
Revenue				
Governance		86,210	66,136	110,095
General Purpose Funding		54,315,487	55,189,638	53,997,631
Law, Order, Public Safety		612,456	693,972	519,338
Health		60,822	86,150	77,054
Education & Welfare		322,854	349,905	290,062
Community Amenities		12,958,008	13,571,482	12,167,207
Recreation & Culture		4,206,830	4,383,295	3,196,668
Transport		4,956,682	6,669,496	6,766,215
Economic Services		946,120	1,114,397	1,114,931
Other Property & Services		1,289,972	1,341,100	1,739,616
		<u>79,755,441</u>	<u>83,465,571</u>	<u>79,978,817</u>
Expenses (excl. Finance Costs)				
Governance		(1,722,517)	(2,378,734)	(2,431,165)
General Purpose Funding		(866,049)	(901,532)	(912,649)
Law, Order, Public Safety		(3,016,906)	(3,019,812)	(2,271,607)
Health		(754,828)	(790,703)	(639,351)
Education & Welfare		(1,734,431)	(1,895,027)	(1,721,242)
Housing		(29,659)	(27,546)	(24,583)
Community Amenities		(9,862,448)	(10,906,208)	(10,507,085)
Recreation & Culture		(20,226,803)	(19,724,094)	(18,063,224)
Transport		(29,080,067)	(30,000,119)	(30,570,368)
Economic Services		(4,736,255)	(5,341,260)	(4,383,076)
Other Property & Services		(5,753,800)	(7,021,999)	(6,861,508)
		<u>(77,783,760)</u>	<u>(82,007,034)</u>	<u>(78,385,858)</u>
Finance Costs				
	2(a)			
Governance		(13,814)	(14,837)	(17,891)
General Purpose Funding		(11,185)	-	-
Law, Order, Public Safety		(35,716)	(36,545)	(6,165)
Community Amenities		(150,973)	(153,281)	(25,565)
Recreation & Culture		(429,388)	(418,196)	(473,195)
Transport		(332,631)	(339,947)	(210,969)
Economic Services		(257,291)	(270,760)	(180,008)
Other Property & Services		(113,621)	(139,573)	(128,409)
		<u>(1,344,618)</u>	<u>(1,373,139)</u>	<u>(1,042,202)</u>
Operating Result from Continuing Operations		<u>627,063</u>	<u>85,398</u>	<u>550,758</u>
Non-Operating Grants, Subsidies, Contributions				
Law, Order, Public Safety		929,978	-	-
Community Amenities		114,000	5,627,482	-
Recreation & Culture		(142,126)	-	2,204,184
Transport		6,227,687	-	15,956,884
Other Property & Services		1,428	-	2,925,429
		<u>7,130,966</u>	<u>5,627,482</u>	<u>21,086,497</u>

City of Greater Geraldton

Statement of Comprehensive Income (by Program) (continued)
for the year ended 30 June 2020

\$	Notes	2020 Actual	2020 Budget	2019 Actual
Profit/(Loss) on Disposal of Assets				
Governance		(708,943)	-	(58,118)
Housing		(14,000)	-	(128,502)
Recreation & Culture		(2,853)	-	(46,678)
Transport		-	8,928	-
Other Property & Services		(597,061)	(693,740)	(574,891)
	23	<u>(1,322,857)</u>	<u>(684,812)</u>	<u>(808,189)</u>
Other Income				
Fair Value Adjustments to Financial Assets at Fair Value through Profit & Loss	2(a)	5,187	-	315,308
Revaluation of Infrastructure, Property, Plant & Equip.	2(a)	(4,382,927)	-	-
		<u>(4,377,740)</u>	<u>-</u>	<u>315,308</u>
Net Result - Surplus (Deficit)		<u><u>2,057,432</u></u>	<u><u>5,028,068</u></u>	<u><u>21,144,374</u></u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	15	(20,210,775)	-	(51,832)
Total Comprehensive Income		<u><u>(18,153,343)</u></u>	<u><u>5,028,068</u></u>	<u><u>21,092,542</u></u>

City of Greater Geraldton

Statement of Financial Position

as at 30 June 2020

\$	Notes	2020 Actual	2019 Actual
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	34,862,959	36,211,489
Financial Assets	4	2,352,977	5,069,939
Trade and Other Receivables	5	7,732,314	8,910,085
Inventories	6	506,388	857,702
Contract Assets	9	20,485	-
Total Current Assets		45,475,122	51,049,215
Non-Current Assets			
Financial Assets	4	519,059	566,849
Trade and Other Receivables	5	535,044	484,303
Property, Plant and Equipment	7	205,048,762	203,605,592
Infrastructure	8	687,362,777	715,104,918
Right of Use Assets	10	197,796	-
Intangible Assets	42	104,144	104,144
Total Non-Current Assets		893,767,582	919,865,806
TOTAL ASSETS	21	939,242,705	970,915,021
LIABILITIES			
Current Liabilities			
Trade and Other Payables	11	9,856,328	19,357,080
Contract Liabilities	9	765,330	-
Lease Liability	10	49,637	-
Borrowings	12	4,798,496	5,296,164
Provisions	13	5,189,270	5,043,164
Total Current Liabilities		20,659,061	29,696,408
Non-Current Liabilities			
Lease Liability	10	143,827	-
Borrowings	12	28,280,554	33,079,050
Provisions	13	9,411,592	10,687,042
Total Non-Current Liabilities		37,835,973	43,766,092
TOTAL LIABILITIES		58,495,035	73,462,501
Net Assets		880,747,670	897,452,520
EQUITY			
Retained Surplus		350,376,346	347,843,747
Reserves - Cash/Investment Backed	14	23,008,955	22,035,630
Reserves - Asset Revaluation	15	507,362,368	527,573,143
Total Equity		880,747,670	897,452,520

City of Greater Geraldton

Statement of Changes in Equity
for the year ended 30 June 2020

\$	Notes	Retained Surplus	Reserves Cash / Investment Backed	Asset Revaluation Reserve	Total Equity
Balance as at 1 July 2018		332,513,626	16,221,376	527,624,975	876,359,977
Restated Balance		332,513,626	16,221,376	527,624,975	876,359,977
Net Result		21,144,374	-	-	21,144,374
Total OCI / Asset Revaluation	15	-	-	(51,832)	(51,832)
Reserve Transfers	14	(5,814,253)	5,814,253	-	-
Balance as at 30 June 2019		347,843,747	22,035,630	527,573,143	897,452,520
Changes in Accounting Policy	48	1,448,492	-	-	1,448,492
Restated Balance		349,292,239	22,035,630	527,573,143	898,901,012
Net Result		2,057,432	-	-	2,057,432
Total OCI / Asset Revaluation	15	-	-	(20,210,775)	(20,210,775)
Reserve Transfers	14	(973,325)	973,325	-	-
Balance as at 30 June 2020		350,376,346	23,008,955	507,362,368	880,747,670

City of Greater Geraldton

Statement of Cash Flows

for the year ended 30 June 2020

\$	Notes	2020 Actual	2020 Budget	2019 Actual
Cash Flows from Operating Activities				
Receipts:				
Rates		46,134,059	46,880,390	45,734,055
Operating Grants, Subsidies and Contributions		10,566,550	8,165,188	8,698,226
Fees and Charges		22,695,268	24,674,970	21,161,349
Interest Earnings		1,978,854	2,047,173	1,655,420
Goods and Services Tax		356,095	-	1,501
Other Revenue		4,323,717	3,084,975	2,689,437
		<u>86,054,544</u>	<u>84,852,696</u>	<u>79,939,989</u>
Payments:				
Employee Costs		(27,717,273)	(28,456,758)	(27,663,749)
Materials and Contracts		(26,738,436)	(22,378,798)	(13,800,778)
Utilities		(2,956,953)	(2,978,255)	(3,031,203)
Insurance		(728,218)	(739,321)	(720,300)
Interest		(1,370,812)	(1,406,365)	(990,729)
Other Expenditure		(5,709,898)	(2,853,575)	(2,812,182)
		<u>(65,221,589)</u>	<u>(58,813,072)</u>	<u>(49,018,943)</u>
Net Cash provided (or used in) Operating Activities	14(b)	<u>20,832,955</u>	<u>26,039,624</u>	<u>30,921,046</u>
Cash Flows from Investing Activities				
Receipts:				
Non-Operating Grants, Subsidies and Contributions	32	7,130,966	5,627,482	21,086,497
Proceeds from Sale of Assets	23	685,591	1,901,500	611,409
Proceeds from Investments	4	2,769,939	-	-
Payments:				
Payments for Land Acquisitions		-	-	(332,641)
Payments for Purchase of Property, Plant & Equipmen	22	(7,434,318)	(5,818,471)	(9,521,261)
Payments for Construction of Infrastructure	22	(18,348,668)	(21,083,150)	(49,505,628)
Unexpended Non-Operating Grants		(1,637,520)	-	(1,904,472)
Payments for Purchase of Investments		-	-	(4,903,298)
		<u>(16,834,010)</u>	<u>(19,372,639)</u>	<u>(44,469,394)</u>
Net Cash provided (or used in) Investing Activities		<u>(16,834,010)</u>	<u>(19,372,639)</u>	<u>(44,469,394)</u>
Cash Flows from Financing Activities				
Receipts:				
Proceeds from Self Supporting Loans	25(a)	-	69,939	-
Proceeds from New Loans	25(b)	-	-	18,250,000
Payments:				
Repayment of Debentures	25(a)	(5,296,164)	(5,296,122)	(3,996,807)
Repayment of Finance Leases		(51,311)	-	-
		<u>(5,347,475)</u>	<u>(5,226,183)</u>	<u>14,253,193</u>
Net Cash provided (or used in) Financing Activities		<u>(5,347,475)</u>	<u>(5,226,183)</u>	<u>14,253,193</u>
Net Increase/(Decrease) in Cash & Cash Equivalents		(1,348,530)	1,440,802	704,845
Cash at the beginning of the year	3	36,211,489	20,485,424	35,506,644
Cash & Cash Equivalents - End of the Year	16(a)	<u>34,862,959</u>	<u>21,926,226</u>	<u>36,211,489</u>

City of Greater Geraldton

Rate Setting Statement (by Nature) for the year ended 30 June 2020

\$	Notes	2020 Actual	2020 Budget	2019 Actual
Revenue				
Operating Grants, Subsidies & Contributions		9,821,707	8,165,188	8,701,906
Fees & Charges		21,085,907	24,674,970	22,474,314
Interest Earnings		1,992,198	2,047,851	1,653,321
Profit on Disposal of Assets		46,742	74,898	39,391
Other Revenue		1,714,459	1,638,150	1,276,187
		<u>34,661,013</u>	<u>36,601,057</u>	<u>34,145,119</u>
Expenses				
Employee Costs		(28,172,282)	(28,487,934)	(27,672,236)
Materials & Contracts		(18,847,740)	(22,268,848)	(19,808,029)
Utilities		(2,956,953)	(2,978,255)	(3,031,203)
Depreciation & Amortisation		(24,518,212)	(24,679,101)	(24,151,946)
Interest Expenses		(1,344,619)	(1,373,139)	(1,042,202)
Insurance		(728,218)	(739,321)	(720,300)
Loss on Disposal of Assets		(1,369,599)	(759,710)	(847,580)
Other Expenditure		(2,560,355)	(2,853,575)	(3,002,144)
		<u>(80,497,977)</u>	<u>(84,139,883)</u>	<u>(80,275,640)</u>
Net Result Excluding Rates		<u>(45,836,965)</u>	<u>(47,538,826)</u>	<u>(46,130,521)</u>
Adjustment for Cash Budget Requirements:				
Non-Cash Expenditure & Revenue				
(Profit)/Loss on Asset Disposal	23	1,322,857	684,812	808,189
Movement in Non-Current Deferred Pensioner Rates		(50,741)	-	(55,563)
Movement in Non-Current Employee Benefit Provision:		(65,766)	-	(45,022)
Depreciation & Amortisation on Assets	2(a)	24,518,212	24,679,101	24,151,946
Other Non-Cash (Revenue)/Expenditure		40,469	-	(52,691)
Net Non-Cash Expenditure & Revenue		<u>25,765,031</u>	<u>25,363,913</u>	<u>24,806,859</u>
Capital Expenditure				
Purchase Land and Buildings	22	(4,686,079)	(3,044,000)	(6,524,922)
Purchase Plant and Equipment	22	(2,153,379)	(2,220,200)	(2,442,649)
Purchase Furniture and Equipment	22	(917,500)	(524,271)	(461,864)
Purchase of Other PP&E	22	(10,000)	(30,000)	(91,826)
Infrastructure Assets	22	(18,348,668)	(21,083,150)	(49,505,628)
Repayment of Debentures	25(a)	(5,296,164)	(5,296,122)	(3,996,817)
Net Capital Expenditure		<u>(31,411,790)</u>	<u>(32,197,743)</u>	<u>(63,023,705)</u>

City of Greater Geraldton

Rate Setting Statement (by Nature) (continued)
for the year ended 30 June 2020

\$	Notes	2020 Actual	2020 Budget	2019 Actual
Capital Revenue				
Proceeds from Disposal of Assets	23	685,590	1,901,500	611,408
Proceeds from New Debentures	25(b)	-	-	18,250,000
Self-Supporting Loan Principal Income	25(a)	69,939	69,939	96,785
Non-Operating Grants, Subsidies and Contributions	32	7,130,966	5,627,482	21,086,497
Net Capital Revenue		<u>7,886,495</u>	<u>7,598,921</u>	<u>40,044,690</u>
Transfers				
Transfers to Reserves (Restricted Assets)	14	(8,683,054)	(2,809,000)	(12,771,054)
Transfers from Reserves (Restricted Assets)	14	7,709,729	3,120,000	6,956,800
Net Transfers		<u>(973,325)</u>	<u>311,000</u>	<u>(5,814,253)</u>
Surplus/(Deficit) July 1 B/Fwd	26(b)	4,516,556	3,747,755	8,760,396
Surplus/(Deficit) June 30 C/Fwd	26(b)	6,535,663	4,224,432	4,516,556
Amount Raised from Rates	26(a)	<u><u>(46,589,662)</u></u>	<u><u>(46,939,412)</u></u>	<u><u>(45,873,089)</u></u>

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Significant Accounting Policies	12
2	Revenues and Expenses	14
3	Cash and Cash Equivalents	25
4	Financial Assets	26
5	Trade and Other Receivables	27
6	Inventories	29
7	Property, Plant and Equipment	30
8	Infrastructure	32
9	Contract Balances	37
10	Leases	38
11	Trade and Other Payables	40
12	Borrowings	41
13	Provisions	42
14	Reserves - Cash/Investment Backed	43
15	Reserves - Asset Revaluation	45
16	Notes to the Statement of Cash Flows	46
17	Contingent Liabilities and Contingent Assets	47
18	Capital and Leasing Commitments	48
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	48
20	Trust Funds	49
21	Total Assets by Function and Activity	49
22	Acquisition of Assets	50
23	Disposal of Assets	51
24	Financial Ratios	52
25	Information on Borrowings	55
26	Rating Information	58
27	Specified Area Rate	60
28	Service Charges	60
29	Discounts, Incentives, Concessions and Write-offs	60
30	Interest Charges and Instalments	61
31	Fees and Charges	62
32	Grants, Subsidies and Contributions	62
33	Employee Numbers	63
34	Councillor Remuneration	63
35	Employee Costs	64
36	Major Land Transactions	64
37	Trading Undertakings and Major Trading Undertakings	65
38	Financial Risk Management	67
39	Fair Value Measurements	72
40	"Held for Sale" Non Current Assets & Disposal Groups	79
41	Investment Properties	79
42	Intangible Assets	79
43	Equity - Retained Earnings and Reserves Adjustments	79
44	Discontinued Operations	79
45	Events occurring after the Reporting Period	80
46	Transactions with Related Parties	80
47	Initial Application of Australian Accounting Standards	82
48	New Accounting Standards and Interpretations	83
	Additional Disclosures	
49	Council Information & Contact Details	87

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies

see Word File.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies

see Word File.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Operating Revenues and Expenses

\$	Notes	2020 Actual	2020 Budget	2019 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	(5,187)	-	(315,308)
Revaluation of Infrastructure, Property, Plant & Equipment		4,382,927	-	-
Auditors Remuneration				
- Audit		59,540	56,000	46,000
- Other Services		-	17,000	10,462
Bad & Doubtful Debts				
Rates	29(b)	3,189	-	334,495
General Debtors	29(b)	77,985	-	22,523
Depreciation & Amortisation				
<i>Property, Plant & Equipment</i>				
- Buildings	7(b)	2,129,206	2,110,626	1,989,318
- Furniture and Equipment		352,678	408,247	416,952
- Plant and Equipment		1,760,820	1,742,702	1,741,052
<i>Infrastructure</i>				
- Roads	8(b)	16,099,319	15,730,934	15,723,000
- Recreation		1,737,716	1,601,310	1,752,068
- Car Parks		481,590	-	434,158
- Meru Landfill		684,481	897,624	840,296
- Airport		1,207,068	2,187,658	1,238,483
- Effluent Scheme		18,354	-	16,620
<i>Right of Use Assets</i>				
- Library RFID Self loan station	10	14,788	-	-
- Printers		32,191	-	-
		<u>24,518,212</u>	<u>24,679,101</u>	<u>24,151,946</u>
Interest Expenses (Finance Costs)				
Debentures	25(a)	1,333,434	1,373,139	1,042,202
Leases		11,185	-	-
		<u>1,344,619</u>	<u>1,373,139</u>	<u>1,042,202</u>
(ii) Crediting as Revenue:				
Interest Earnings				
Investments - Reserve Funds		326,074	275,000	382,705
Investments - Other Funds		978,034	1,092,851	517,823
Other Interest Revenue	30	688,090	680,000	752,793
		<u>1,992,198</u>	<u>2,047,851</u>	<u>1,653,321</u>

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

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 2020

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 2020

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 2020

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 2020

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-18	Received ² 2019	Expended ³ 2019	Closing Balance ¹ 30-Jun-19	Received ² 2020	Expended ³ 2020	Closing Balance 30-Jun-20
\$							
(d). Conditions Over Grants, Subsidies & Contributions							
Grant/Subsidy/Contribution							
108 Marine Terrace - Rocks	350,000	-	(350,000)	-	-	-	-
Airport Projects	316,642	2,382,644	-	2,699,286	45,255	(1,978,000)	766,541
Airport Security Screening & Baggage Handling	20,900	-	-	20,900	-	-	20,900
Art Contribution from ALDI	27,273	-	-	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	6,750	-	-	6,750	-	(6,750)	-
Building Works	-	457,000	-	457,000	-	(402,000)	55,000
Carpark Works	-	663,556	-	663,556	44,996	(243,556)	464,996
Cathedral / Sanford Intersection - Federal Black Spot	-	-	-	-	451,468	-	451,468
CBD Streetscapes (Revitalisation)	473,000	1,300,645	(473,000)	1,300,645	-	(1,300,645)	-
Challenge Camps	25,000	-	(20,672)	4,328	-	(4,328)	-
Chapman & Greenough River Flood Project	65,620	-	(14,811)	50,809	-	(50,809)	-
Chapman River Corridor Capital Works	50,000	-	(50,000)	-	-	-	-
Chapman River Mountain Bike Track	102,000	-	(102,000)	-	-	-	-
Chapman River Regional Park Stage 5	5,422	-	(5,422)	-	-	-	-
Chapman Road Foreshore	1,279,059	164,465	(1,279,059)	164,465	-	(164,465)	-
CHRMAP Project	30,595	-	(30,595)	-	-	-	-
CircuitWest - Audience Development Research (QPT)	-	-	-	-	6,000	-	6,000
Community Grants Round 17	425	-	(425)	-	-	-	-
Community Grants Round 18	5,059	-	(3,059)	2,000	-	(2,000)	-
Community Grants Round 19	11,670	35,000	(5,800)	40,870	-	(36,500)	4,370
Community Grants Round 20	-	3,088	-	3,088	-	(3,088)	-

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-18	Received ² 2019	Expended ³ 2019	Closing Balance ¹ 30-Jun-19	Received ² 2020	Expended ³ 2020	Closing Balance 30-Jun-20
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
Community Grants Round 21	-	32,569	-	32,569	-	(23,698)	8,871
Community Grants Round 22	-	-	-	-	5,098	-	5,098
Cruise Destination Welcome Initiative	5,000	-	(5,000)	-	20,000	-	20,000
Derna Parade Toilet	7,914	-	(7,613)	301	-	(301)	-
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)	-	190,000	-	190,000	-	(190,000)	-
Ellendale Pool Honesty Box	13,731	-	(13,731)	-	-	-	-
Environmental Projects - Signage	50,000	-	-	50,000	-	-	50,000
Every Club	-	5,359	-	5,359	-	(5,359)	-
Fire as a Biodiversity Management Tool in the Midwest Region	8,000	-	(5,534)	2,466	-	(2,466)	-
Geraldton Intensive Youth Support Program	-	-	-	-	43,461	-	43,461
Geraldton Theatre Production	160,000	-	(17,365)	142,635	-	(93,093)	49,542
Greenough River Estuary Nature Walk Trail - Stage 2	4,985	-	(4,985)	-	-	-	-
Greenough River Estuary Nature Walk Trail - Stage 3	3,555	-	(2,329)	1,226	-	(1,226)	-
Federation Park Upgrade & Improvements	2,727	-	-	2,727	-	-	2,727
HMAS Memorial	9,204	-	-	9,204	-	-	9,204
Install Travel Information Signage	-	16,000	-	16,000	-	(16,000)	-
John Willcock Link - Main Roads	-	-	-	-	6,253	-	6,253
Land Developments	385,000	1,331,000	-	1,716,000	-	(1,424,184)	291,816
Library Regional Activity Plan	12,465	-	(12,465)	-	-	-	-
Library SirsiDynix Project	4,663	-	(3,700)	963	-	(963)	-
Liquid Waste Pond Optimisation	145,000	-	(145,000)	-	-	-	-

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-18	Received ² 2019	Expended ³ 2019	Closing Balance ¹ 30-Jun-19	Received ² 2020	Expended ³ 2020	Closing Balance 30-Jun-20
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
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	210,000	1,104,545	-	1,314,545	-	(1,169,545)	145,000
Meru Waste Transfer Station	90,000	2,289,214	(60,020)	2,319,194	-	(220,000)	2,099,194
Metocean Data Collection Sunset Beach	-	-	-	-	14,996	-	14,996
Mid West China Connect Website	43,550	-	(43,550)	-	-	-	-
Midwest Online Events Calendar & Travel Guide	-	-	-	-	6,960	-	6,960
Mullewa Building - Insurance Payment	450,000	-	-	450,000	-	-	450,000
Mullewa Sewerage Pumping Mains	100,000	-	-	100,000	-	-	100,000
Mullewa Sewer System - Brookfield Rail	49,450	-	-	49,450	-	-	49,450
NWCH Path	60,000	-	(9,068)	50,932	-	-	50,932
Olive Street POS	484,882	-	(34,779)	450,103	-	-	450,103
Park Upgrade Program	85,000	-	-	85,000	-	-	85,000
Pathway Renewals	-	344,923	-	344,923	17,000	(298,413)	63,510
Public Arts Initiatives	40,000	-	(40,000)	-	-	-	-
Public Open Space - Sunset Beach Estate	-	45,093	-	45,093	-	-	45,093
Purchase & Installation of New Body Scanning Equipment	-	-	-	-	255,000	-	255,000
QPT Regional Performing Arts - Lotterywest	-	-	-	-	26,500	-	26,500
Railway Street Safe Active Street	-	-	-	-	53,439	-	53,439
Randolf Stow Young Writers Awards	1,100	-	(1,100)	-	-	-	-
Retention Amounts (EVO, Convic and Mitchell & Brown, WACB & RDH)	73,572	-	(7,614)	65,958	-	-	65,958
Road Renewals	-	74,988	-	74,988	-	(72,340)	2,648

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Operating Revenues and Expenses (continued)

	Opening Balance ¹ 1-Jul-18	Received ² 2019	Expended ³ 2019	Closing Balance ¹ 30-Jun-19	Received ² 2020	Expended ³ 2020	Closing Balance 30-Jun-20
\$							
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
RoadWise - Strengthening Communities	4,452	-	-	4,452	-	-	4,452
School of Rock/Battle of the Bands	6,682	-	(6,682)	-	-	-	-
Seniors User-Friendly Business Program	5,336	-	(2,080)	3,256	-	-	3,256
Service Agreements	15,000	-	(15,000)	-	-	-	-
South Tomi Project	8,000	-	-	8,000	-	-	8,000
Stuart Road (No 24) Cash inlieu Contribution Revegetation	-	1,941	-	1,941	-	-	1,941
Sunset Beach	-	-	-	-	37,600	-	37,600
U-Turn Project	10,200	-	(10,200)	-	-	-	-
Verita Road Bridge	201,816	-	-	201,816	-	-	201,816
Wonthella Bowling Club - CSRFF Contribution	66,666	-	(66,666)	-	-	-	-
Total Unexpended Capital Works and Grants	5,892,817	10,442,030	(2,959,524)	13,375,322	1,034,026	(7,709,730)	6,699,618
Beresford Foreshore Coastal Protection and Enhancement ⁽⁵⁾	6,612,590	-	(1,904,472)	4,708,118	-	(1,637,520)	3,070,598
Total Unspent Grants, Subsidies & Contributions (WATC)	6,612,590	-	(1,904,472)	4,708,118	-	(1,637,520)	3,070,598

2020 accounting policy:Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Operating Revenues and Expenses (continued)

\$

(d). Conditions Over Grants, Subsidies & Contributions (continued)

2020 accounting policy:

Grant/Subsidy/Contribution (continued)

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Operating Revenues and Expenses (continued)

\$

(d). Conditions Over Grants, Subsidies & Contributions (continued)

2019 accounting policy:

Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds. Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. In 2019, Council did not have any reciprocal grants.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expenses.

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 2020

Note 3. Cash and Cash Equivalents

\$	Notes	2020 Actual	2019 Actual
Cash - Unrestricted		8,783,406	9,467,741
Cash - Restricted		26,079,553	26,743,748
Total Cash and Cash Equivalents	16(a)	<u><u>34,862,959</u></u>	<u><u>36,211,489</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Parking Land Reserve	14	551,759	51,759
Unexpended Capital Works & Restricted Grant Reserve	14	6,699,618	13,375,322
Employee Entitlements Reserve	14	3,100,000	1,600,000
Major Initiatives Reserve	14	1,781,655	31,655
Asset Renewal Reserve	14	10,803,604	6,942,576
Point Moore Reserve	14	72,318	34,318
Total Reserves		<u><u>23,008,955</u></u>	<u><u>22,035,630</u></u>
Unspent Grants	2(d)	3,070,598	4,708,118
Total Unspent Grants and Loans		<u><u>3,070,598</u></u>	<u><u>4,708,118</u></u>
Total Restricted Cash		<u><u>26,079,553</u></u>	<u><u>26,743,748</u></u>

SIGNIFICANT ACCOUNTING POLICY

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, other short term highly liquid investments. The carrying value of cash at bank and short term deposits with original maturities of less than three months approximates their fair value.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Financial Assets

\$	Notes	2020 Actual	2019 Actual
Current			
Financial assets (debt securities) at amortised cost		2,352,977	5,069,939
Total Current Financial Assets		<u><u>2,352,977</u></u>	<u><u>5,069,939</u></u>
Financial assets (debt securities) at amortised cost			
Long term deposits with original maturities greater than 3 month		2,300,000	5,000,000
Self Supporting Loans		52,977	69,939
		<u><u>2,352,977</u></u>	<u><u>5,069,939</u></u>
Non-Current			
Financial assets at fair value through profit and loss		320,495	315,308
Financial assets (debt securities) at amortised cost		198,565	251,541
Total Non-Current Financial Assets		<u><u>519,059</u></u>	<u><u>566,849</u></u>
Financial assets at fair value through profit and loss			
Local Government House Trust		320,495	315,308
		<u><u>320,495</u></u>	<u><u>315,308</u></u>
Financial assets (debt securities) at amortised cost			
Self Supporting Loans		198,565	251,541
		<u><u>198,565</u></u>	<u><u>251,541</u></u>
Movements in Financial Assets at Fair Value through Profit and Loss			
At beginning of the year		315,308	315,308
Additions		5,187	-
At end of the year		<u><u>320,495</u></u>	<u><u>315,308</u></u>

SIGNIFICANT ACCOUNTING POLICY**Other financial assets at amortised cost**

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

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

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Financial Assets (continued)

\$

Financial assets at fair value through profit and loss

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

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

Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Note 5. Trade & Other Receivables

\$	Notes	2020 Actual	2019 Actual
Current			
Rates		4,825,083	4,420,221
Sundry Debtors		926,986	2,536,347
GST Net Position		312,352	668,447
Interest		56,024	42,680
Accrued Income		749,713	607,245
Prepayments		971,320	672,416
Less: provision for uncollectability	38(b)	(109,164)	(37,271)
Total Current Trade & Other Receivables		7,732,314	8,910,085
Non-Current			
Rates Outstanding - Pensioners		535,044	484,303
Total Non-Current Trade & Other Receivables		535,044	484,303

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Trade & Other Receivables (continued)

\$

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 38.

Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Classification and subsequent measurement

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

COVID 19 Response

In its response to COVID-19, the City offered rent relief to some tenants who were badly affected by the pandemic. The rent relief was in line with the Commercial Tenancies (COVID-19 Response) Act 2020 WA. The relief was in two parts, a portion of the rentals was to be waived and another portion was to be deferred, all based on the reduction of revenue of at least 30% over the previous year.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 6. Inventories

\$	Notes	2020 Actual	2019 Actual
Current			
Fuel and Materials		400,117	395,360
Land Held for Resale - Cost			
- Cost of Acquisition (Internal Transfer)		-	332,641
Resalable Merchandise		106,271	129,701
Total Current Inventories		<u>506,388</u>	<u>857,702</u>

SIGNIFICANT ACCOUNTING POLICIES

(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.

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2020

Note 7a. Property, Plant and Equipment

\$	Notes	2020 Actual	2019 Actual
Land - Fair Value		83,726,760	83,860,918
Land - Cost (Additions at fair value)		1,925,915	1,058,428
		<u>85,652,675</u>	<u>84,919,345</u>
Buildings - Fair Value		110,625,716	105,169,071
Buildings - Cost (Additions at fair value)		2,760,164	5,466,494
Less Accumulated Depreciation		(6,082,424)	(3,995,821)
		<u>107,303,456</u>	<u>106,639,744</u>
Furniture and Equipment - Fair Value		901,834	1,122,545
Furniture and Equipment - Cost (Additions at fair value)		917,501	461,864
Less Accumulated Depreciation		(352,678)	-
		<u>1,466,656</u>	<u>1,584,409</u>
Plant and Equipment - Fair Value		13,798,628	12,081,066
Plant and Equipment - Cost (Additions at fair value)		2,153,379	2,442,649
Less Accumulated Depreciation		(6,139,641)	(4,758,568)
		<u>9,812,366</u>	<u>9,765,147</u>
Artwork - Fair Value		803,609	605,120
Artwork - Cost (Additions at fair value)		10,000	91,826
		<u>813,609</u>	<u>696,946</u>
Total Property, Plant & Equipment	7(b)	<u><u>205,048,762</u></u>	<u><u>203,605,592</u></u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2020

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

Movements in Carrying Amounts

		Land	Buildings	Furniture and Equipment	Plant and Equipment	Artwork	Total
\$	Notes	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	
Balance as at 1 July 2019		84,919,345	106,639,744	1,584,409	9,765,147	696,946	203,605,592
Additions							
- Renewal	22	-	1,577,478	214,025	1,914,836	-	3,706,339
- New	22	1,925,915	1,182,686	703,475	238,543	10,000	4,060,619
Disposals	23	(357,641)	(623,374)	(708,943)	(737,988)	-	(2,427,946)
Depreciation	2(a)	-	(2,129,206)	(352,678)	(1,760,820)	-	(4,242,704)
Depreciation on Disposal		-	42,603	-	379,747	-	422,350
Reclassifications between Asset Classes		(834,945)	613,526	26,366	12,900	106,663	(75,490)
Property, Plant & Equipment at 30 June 2020		85,652,675	107,303,456	1,466,656	9,812,366	813,609	205,048,762
Balance as at 1 July 2018		83,861,918	105,116,876	1,622,984	9,803,880	671,267	201,076,925
Additions							
- Renewal	22	-	1,835,278	224,586	2,442,649	-	4,502,513
- New	22	1,058,428	3,631,216	237,278	-	91,826	5,018,747
Disposals	23	(1,000)	(607,271)	(372,806)	(1,020,477)	(14,315)	(2,015,869)
Revaluation - (Decrements)	15	-	-	-	-	(51,832)	(51,832)
Depreciation	2(a)	-	(1,989,318)	(416,952)	(1,741,052)	-	(4,147,322)
Depreciation on Disposal		-	26,808	289,317	280,147	-	596,271
Reclassifications between Asset Classes		-	(1,373,844)	-	-	-	(1,373,844)
Property, Plant & Equipment at 30 June 2019		84,919,345	106,639,744	1,584,409	9,765,147	696,946	203,605,592

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8a. Infrastructure

\$	Notes	2020 Actual	2019 Actual
Roads - Fair Value		603,384,916	589,087,247
Roads - Cost (Additions at fair value)		12,128,441	11,759,055
Less Accumulated Depreciation		<u>(31,822,273)</u>	<u>(15,723,000)</u>
		583,691,084	585,123,301
Recreation - Fair Value		48,165,839	39,758,260
Recreation - Cost (Additions at fair value)		4,194,502	11,755,259
Less Accumulated Depreciation		<u>(3,489,785)</u>	<u>(1,752,068)</u>
		48,870,556	49,761,450
Car Parks - Fair Value		11,462,208	10,416,364
Car Parks - Cost (Additions at fair value)		324,552	151,288
Less Accumulated Depreciation		<u>(915,747)</u>	<u>(434,158)</u>
		10,871,013	10,133,495
Meru Landfill - Fair Value		17,455,166	15,012,357
Meru Landfill - Cost (Additions at fair value)		1,462,516	3,784,025
Less Accumulated Depreciation		<u>(1,524,777)</u>	<u>(840,296)</u>
		17,392,905	17,956,086
Airport - Fair Value		25,747,143	30,743,294
Airport - Cost (Additions at fair value)		238,657	22,056,001
Less Accumulated Depreciation		<u>-</u>	<u>(1,238,483)</u>
		25,985,800	51,560,812
Effluent Scheme - Fair Value		586,394	586,394
Less Accumulated Amortisation		<u>(34,974)</u>	<u>(16,620)</u>
		551,420	569,774
Total Infrastructure	8(b)	<u><u>687,362,777</u></u>	<u><u>715,104,918</u></u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2020

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 2019		585,123,301	49,761,450	10,133,495	17,956,086	51,560,812	569,774	715,104,918
Additions								
- Renewal	22	8,964,422	2,654,286	35,327	6,221	10,170	-	11,670,426
- New	22	3,164,019	1,540,216	289,225	1,456,295	228,487	-	6,678,242
Disposals	23	(2,899)	-	-	-	-	-	(2,899)
Revaluation - (Decrements)	13	-	-	-	-	(24,593,701)	-	(24,593,701)
Depreciation (Expense)	2(a)	(16,099,319)	(1,737,716)	(481,590)	(684,481)	(1,207,068)	(18,354)	(20,228,528)
Depreciation on Disposal		46	-	-	-	-	-	46
Reclassifications between Asset Classes		2,541,514	(3,347,679)	894,555	-	(12,900)	-	75,491
Other Movements		-	-	-	(1,341,216)	-	-	(1,341,216)
Infrastructure at 30 June 2020		583,691,084	48,870,556	10,871,013	17,392,904	25,985,800	551,420	687,362,777
Balance as at 1 July 2018		589,087,247	38,384,416	10,416,364	17,076,757	30,743,294	586,394	686,294,471
Additions								
- Renewal	22	10,546,125	4,071,777	60,581	32,919	13,044,640	-	27,756,042
- New	22	1,212,930	7,683,481	90,707	3,751,106	9,011,361	-	21,749,585
Depreciation (Expense)	2(a)	(15,723,000)	(1,752,068)	(434,158)	(840,296)	(1,238,483)	(16,620)	(20,004,624)
Reclassifications between Asset Classes		-	1,373,844	-	-	-	-	1,373,844
Other Movements		-	-	-	(2,064,401)	-	-	(2,064,401)
Infrastructure at 30 June 2019		585,123,301	49,761,450	10,133,495	17,956,086	51,560,812	569,774	715,104,918

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8c. Fixed Assets

\$

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial recognition and measurement between mandatory revaluation dates

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5). These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition.

The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the City. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value. Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

In accordance with the then Local Government (Financial Management) Regulation 16(a)(ii), the City was previously required to include as an asset (by 30 June 2013), vested Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance. Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land.

Land under roads prior to 1 July 2019

In Western Australia, most 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 then Local Government (Financial Management) Regulation 16(a)(i) which arbitrarily prohibited local governments from recognising such land as an asset. This regulation has now been deleted.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8c. Fixed Assets (continued)

\$

SIGNIFICANT ACCOUNTING POLICIES (continued)

In respect of land under roads acquired on or after 1 July 2008, as detailed above, the then Local Government (Financial Management) Regulation 16(a)(i) prohibited local governments from recognising such land as an asset. Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail. Consequently, any land under roads acquired on or after 1 July 2008 was not included as an asset of the City.

Land under roads from 1 July 2019

As a result of amendments to the Local Government (Financial Management) Regulations 1996, effective from 1 July 2019, vested land, including land under roads, are treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position. The City has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with Local Government (Financial Management) Regulation 17A(2)(iv) is a departure from AASB 16 which would have required the City to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 10 that details the significant accounting policies applying to leases (including right of use assets).

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	\$5,000
Furniture & Equipment	\$5,000
Computer & Electronic Equipment	\$5,000

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

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8c. Fixed Assets (continued)

\$

SIGNIFICANT ACCOUNTING POLICIES (continued)

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	5 to 13 years
Plant & Major Equipment	5 to 10 years
Minor Plant	3 to 7 years
Sealed Roads & Streets	20 to 50 years
Bridges	60 to 90 years
Car Parks Sealed	20 to 40 years
Culverts	40 to 60 years
Dams, Reservoirs & Weirs	25 to 45 years
Footpaths - Slab	65 to 85 years
Footpaths - Concrete	15 to 35 years
Foundations	25 to 45 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	8 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.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Contract Balances

\$	Notes	2020 Actual	2019 Actual
SIGNIFICANT ACCOUNTING POLICIES			
Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.			
When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.			
When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.			
(a) Contract Assets			
Contract Assets		20,485	-
Total Contract Assets		<u>20,485</u>	<u>-</u>
Classified as:			
Current contract assets		20,485	-
Total contract assets		<u>20,485</u>	<u>-</u>
Contracts with customers		20,485	-
(b) Contract Liabilities			
Funds received upfront to construct Council controlled assets		292,767	-
Deposits received in advance of services provided		472,563	-
Total Contract Liabilities		<u>765,330</u>	<u>-</u>
Classified as:			
Current contract liabilities		765,330	-
Total contract liabilities		<u>765,330</u>	<u>-</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year			
Deposits received in advance of services provided		222,384	-
Total revenue included in the contract liability		<u>222,384</u>	<u>-</u>
(c) Significant changes in contract balances			

The contract assets and liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no effect on the statement of financial position.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 10. Leases

\$

Council as a lessee

SIGNIFICANT ACCOUNTING POLICIES

Council has leases in place over Library RFID Self Loan station and Printers. Council has applied the exception to lease accounting for leases of low-value assets and short-term leases.

Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Terms and conditions of leases

Library RFID Self loan station

The lease relates to the RFID Self Loan Station at the City Library. The term of the lease is 5 years. The lease ends on the 24th of December 2020. The lease has fixed annual repayments of \$20,752. The equipment will be returned at the end of the lease.

Printers

The lease relates to printers located all over the City premises. The lease commenced on the 24th of October 2019 and the lease is for 5 years. The lease has fixed monthly repayments of \$4,174.44. At the end of the lease the City can either terminate the lease or continue with the lease.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Leases (continued)

	Library RFID Self loan station \$	Printers \$	Total \$
--	--	----------------	-------------

Right of use assets**2020**

Adoption of AASB 16 at 1 July 2019	29,575	-	29,575
Additions to right-of-use assets	-	215,200	215,200
Depreciation charge	14,788	32,191	46,979
Balance at 30 June 2020	14,787	183,009	197,796

Lease liabilities**Classified as:**

Current lease liability	49,637	-
Non-current lease liability	143,827	-
Total lease liabilities	193,464	-

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

	< 1 year \$	1 to 5 years \$	> 5 years \$	Total \$	Total per statement of financial position \$
2020					
Library RFID Self Loan Station	10,376	-	-	10,376	9,715
Printers	50,093	158,629	-	208,722	183,749
	60,470	158,629	-	219,098	193,464

	2020 Actual	2019 Actual
\$		

Amounts included in the statement of comprehensive income related to leases

The following amounts have been recognised in the statement of comprehensive income for leases where Council is the lessee.

Expenses

Depreciation of right-of-use assets	46,979
Interest expense on lease liabilities	11,185
Net expense relating to leases	58,164

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Leases (continued)

\$	2020 Actual	2019 Actual
Amounts included in the statement of cash flows related to leases		
The following amounts have been recognised in the statement of cash flows for leases where Council is the lessee.		
Cash flows from operating activities		
Payments for interest on lease liabilities	11,185	
Total cash inflows/(outflows) from operating activities	<u>11,185</u>	
Total cash inflows/(outflows) for leases	<u>11,185</u>	

Note 11. Trade and Other Payables

\$	2020 Actual	2019 Actual
Current		
Sundry Creditors	5,973,679	13,883,048
Accrued Interest on Debentures	160,200	186,392
Accrued Salaries and Wages	601,227	368,028
Unexpended Non-Operating Grants (WATC)	3,070,598	4,708,118
Income Received in Advance	50,625	211,494
Total Current Trade and Other Payables	<u>9,856,328</u>	<u>19,357,080</u>

SIGNIFICANT ACCOUNTING POLICIES

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 2020

Note 12. Borrowings

\$	Notes	2020 Actual	2019 Actual
Current			
Secured by Floating Charge - Debentures	25(a)	4,798,496	5,296,164
Total Current Borrowings		<u>4,798,496</u>	<u>5,296,164</u>
Non-Current			
Secured by Floating Charge - Debentures	25(a)	28,280,554	33,079,050
Total Non-Current Borrowings		<u>28,280,554</u>	<u>33,079,050</u>

SIGNIFICANT ACCOUNTING POLICIES

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.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Provisions

\$	2020 Actual	2019 Actual
Current		
Annual Leave	2,442,805	2,380,703
Long Service Leave	2,268,028	2,174,085
Sick Leave	426,891	439,874
Accrued RDO's	51,546	48,503
Total Current Provisions	5,189,270	5,043,164
Non-Current		
Long Service Leave	320,804	255,038
Provision for Infrastructure Meru - Rehabilitation	9,090,788	10,432,004
Total Non-Current Provisions	9,411,592	10,687,042

SIGNIFICANT ACCOUNTING POLICIES

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.

Provisions

Provisions are recognised when the City has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Reserves - Cash/Investment Backed

\$	2020 Actual	2020 Budget	2019 Actual
(a). Mullewa Reseal Reserve			
Opening Balance	-	-	1,891,285
Amount Used / Transfer from Reserve	-	-	(1,891,285)
	<u>-</u>	<u>-</u>	<u>-</u>
(b). Parking Land Reserve			
Opening Balance	51,759	36,186	536,187
Amount Set Aside / Transfer to Reserve	500,000	-	-
Amount Used / Transfer from Reserve	-	-	(484,428)
	<u>551,759</u>	<u>36,186</u>	<u>51,759</u>
(c). Unexpended Capital Works & Restricted Grant Reserve			
Opening Balance	13,375,322	7,750,917	5,892,817
Amount Set Aside / Transfer to Reserve	1,034,026	-	10,442,030
Amount Used / Transfer from Reserve	(7,709,729)	(3,120,000)	(2,959,525)
	<u>6,699,618</u>	<u>4,630,917</u>	<u>13,375,322</u>
(d). Employee Entitlements Reserve			
Opening Balance	1,600,000	1,550,000	1,100,000
Amount Set Aside / Transfer to Reserve	1,500,000	-	500,000
	<u>3,100,000</u>	<u>1,550,000</u>	<u>1,600,000</u>
(e). Major Initiatives Reserve			
Opening Balance	31,655	31,655	31,655
Amount Set Aside / Transfer to Reserve	1,750,000	1,585,000	-
	<u>1,781,655</u>	<u>1,616,655</u>	<u>31,655</u>
(f). Asset Renewal Reserve			
Opening Balance	6,942,576	2,920,164	6,769,432
Amount Set Aside / Transfer to Reserve	3,861,029	1,190,000	1,794,706
Amount Used / Transfer from Reserve	-	-	(1,621,562)
	<u>10,803,604</u>	<u>4,110,164</u>	<u>6,942,576</u>
(g). Point Moore Reserve			
Opening Balance	34,318	42,500	-
Amount Set Aside / Transfer to Reserve	38,000	34,000	34,318
	<u>72,318</u>	<u>76,500</u>	<u>34,318</u>
Total Reserves	<u><u>23,008,955</u></u>	<u><u>12,020,422</u></u>	<u><u>22,035,630</u></u>

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Reserves - Cash/Investment Backed (continued)

\$	2020 Actual	2020 Budget	2019 Actual
Summary of Reserve Transfers			
Transfers to Reserves			
Parking Land Reserve	500,000	-	-
Unexpended Capital Works & Restricted Grant Reserve	1,034,026	-	10,442,030
Employee Entitlements Reserve	1,500,000	-	500,000
Major Initiatives Reserve	1,750,000	1,585,000	-
Asset Renewal Reserve	3,861,029	1,190,000	1,794,706
Point Moore Reserve	38,000	34,000	34,318
Total Transfers to Reserves	8,683,054	2,809,000	12,771,054
Transfers from Reserves			
Mullewa Reseal Reserve	-	-	(1,891,285)
Parking Land Reserve	-	-	(484,428)
Unexpended Capital Works & Restricted Grant Reserve	(7,709,729)	(3,120,000)	(2,959,525)
Asset Renewal Reserve	-	-	(1,621,562)
Total Transfers from Reserves	(7,709,729)	(3,120,000)	(6,956,800)
Total Net Transfer to/(from) Reserves	973,325	(311,000)	5,814,253

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.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Reserves - Cash/Investment Backed (continued)

\$

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.

Point Moore Reserve

The purpose of this reserve is to build funds from the annual demolition levy applied and to be paid by the Lessee per clause 4.2 of Point Moore Beach Cottages Leases in removal of all improvements and in remediation of sites.

Note 15. Reserves - Asset Revaluation

\$	Notes	2020 Actual	2019 Actual
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
(a). Land			
Opening Balance		46,479,611	46,479,611
		46,479,611	46,479,611
(b). Buildings			
Opening Balance		49,180,474	49,180,474
		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		100,239	152,071
Revaluation Decrement	7(b)	-	(51,832)
		100,239	100,239
(e). Roads			
Opening Balance		397,344,499	397,344,499
		397,344,499	397,344,499
(f). Car Parks			
Opening Balance		10,899,811	10,899,811

10,899,811

10,899,811

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Reserves - Asset Revaluation (continued)

\$	Notes	2020 Actual	2019 Actual
(g). Meru Landfill			
Opening Balance		1,458,254	1,458,254
		<u>1,458,254</u>	<u>1,458,254</u>
(h). Airport			
Opening Balance		20,210,775	20,210,775
Revaluation Decrement	8(b)	<u>(20,210,775)</u>	-
		<u>-</u>	<u>20,210,775</u>
(i). Effluent Scheme			
Opening Balance		298,110	298,110
		<u>298,110</u>	<u>298,110</u>
Total Asset Revaluation Reserves		<u>507,362,368</u>	<u>527,573,143</u>

Note 16. Notes to the Statement of Cash flows

\$	Notes	2020 Actual	2020 Budget	2019 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>34,862,959</u>	<u>21,929,226</u>	<u>36,211,489</u>

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Notes to the Statement of Cash flows (continued)

\$	Notes	2020 Actual	2020 Budget	2019 Actual
(b). Reconciliation of Net Cash Provided By Operating Activities to Net Result				
Net Result		2,057,432	5,028,068	21,144,374
Depreciation		24,518,212	24,679,101	24,151,946
Write Down (Up) in Fair Value of Investments		(5,187)	-	(315,308)
(Profit)/Loss on Sale of Assets		1,322,857	684,812	808,189
Other Non Cash Movements		8,810,154	-	3,968,874
Decrease/(Increase) in Receivables		1,055,138	1,391,313	(56,990)
Increase/(Decrease) in Provision for Doubtful Debts		71,893	-	18,161
Decrease/(Increase) in Inventories		18,673	5,103	(37,766)
Decrease/(Increase) in Other Current Assets		(20,485)	-	-
Increase/(Decrease) in Payables & Accruals		(9,474,560)	(146,291)	4,322,517
Increase/(Decrease) in Accrued Interest Payable		(26,192)	-	51,473
Increase/(Decrease) in Other Current Liabilities		765,330	-	-
Increase/(Decrease) in Employee Leave Entitlements		221,811	25,000	38,007
Increase/(Decrease) in Other Provisions		(1,351,155)	-	(2,085,933)
Grants/Contributions for the Development of Assets		(7,130,966)	(5,627,482)	(21,086,497)
Net Cash from Operating Activities		<u>20,832,955</u>	<u>26,039,624</u>	<u>30,921,046</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		(5,538)	(15,000)	(10,095)
Total Amount of Credit Unused		<u>6,859,462</u>	<u>6,850,000</u>	<u>6,854,905</u>

Security

The Commonwealth Bank of Australia holds a mortgage over Council's rates revenue.

Loan Facilities

Loan Facilities - Current	12	4,798,496		5,296,164
Loan Facilities - Non-Current	12	28,280,554		33,079,050
Total Facilities in Use at Balance Date		<u>33,079,050</u>		<u>38,375,214</u>

Note 17. 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.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Capital and Leasing Commitments

\$	2020 Actual	2019 Actual
(a). Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	-	20,753
- later than one year but not later than five years	-	10,036
Total Operating Lease Commitments	-	30,789
(b). Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	334,441	3,549,292
- land and buildings	-	1,213,943
- plant & equipment purchases	477,194	229,790
Total Capital Expenditure Commitments	811,635	4,993,025
Payable:		
- not later than one year	811,635	4,993,025
Total Capital Expenditure Commitments	811,635	4,993,025

SIGNIFICANT ACCOUNTING POLICIES

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.

Note 19. Subsidiaries, Joint Arrangements & Associates

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 20. Trust Funds

	Balance	Amounts	Amounts	Balance
\$	1-Jul-19	Received	Paid / Transfere	30-Jun-20
Unclaimed Monies	10,703	145	-	10,848
POS Cash in Lieu	1,840,898	45,541	(948,619)	937,819
POS Cash in Lieu - Drummond Cove	87,492	2,332	-	89,824
POS Cash in Lieu - Glenfield	81,577	2,174	-	83,751
POS Cash in Lieu - Strathalbyn	241,609	6,439	-	248,048
POS Cash in Lieu - Utaarra	257,394	12,685	(245,338)	24,741
POS Cash in Lieu - Wandina	82,461	2,264	-	84,725
POS Cash in Lieu - Waggrakine Rural Residential 20A/152 Reserve 41879	99,234	2,601	-	101,835
	42,900	-	(42,900)	-
Mid West Industry Road Safety Alliance	53,187	42,328	(26,250)	69,265
	2,797,455	116,509	(1,263,107)	1,650,856

Note 21. Total Assets Classified by Function and Activity

	2020	2019
\$	Actual	Actual
Governance	13,746,363	12,948,538
General Purpose Funding	5,416,151	4,904,524
Law, Order, Public Safety	4,151,731	2,789,150
Health	874,407	901,715
Education & Welfare	4,062,840	4,111,352
Housing	789,180	965,488
Community Amenities	20,994,304	20,925,331
Recreation & Culture	110,906,616	111,575,430
Transport	639,077,179	665,506,165
Economic Services	127,793	136,487
Other Property & Services	103,512,406	105,841,836
Unallocated	35,583,735	40,309,005
	939,242,705	970,915,021

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2020

Note 22. Acquisition of Assets

\$		2020 Actual	2020 Budget
<u>By Program</u>			
Governance			
Asset acquisition		452,574	604,271
Law, Order, Public Safety			
Asset acquisition		929,978	187,200
Community Amenities			
Asset acquisition		2,140,869	170,000
Recreation & Culture			
Asset acquisition		5,317,796	6,998,550
Transport			
Asset acquisition		12,628,414	14,545,100
Economic Services			
Asset acquisition		24,479	20,000
Other Property & Services			
Asset acquisition		4,621,516	4,376,500
		<u>26,115,626</u>	<u>26,901,621</u>
<u>By Class</u>			
<i>Property, Plant & Equipment</i>			
- Land	7(b)	1,925,915	1,560,000
- Buildings		2,760,164	1,484,000
- Furniture and Equipment		917,500	524,271
- Plant and Equipment		2,153,379	2,220,200
- Artwork		10,000	30,000
<i>Infrastructure</i>			
- Roads	8(b)	12,128,441	14,251,600
- Recreation		4,194,502	6,284,550
- Car Parks		324,552	50,000
- Meru Landfill		1,462,516	170,000
- Airport		238,657	327,000
		<u>26,115,626</u>	<u>26,901,621</u>

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2020

Note 23. 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)							
Land		357,641	2,228,740	304,557	1,535,000	(53,084)	(693,740)
Buildings		580,772	-	25,443	-	(555,329)	-
Furniture and Equipment		708,943	-	-	-	(708,943)	-
Plant and Equipment		358,240	357,572	355,591	366,500	(2,649)	8,928
<i>Infrastructure</i> 8(b)							
Roads		2,853	-	-	-	(2,853)	-
Total		2,008,448	2,586,312	685,590	1,901,500	(1,322,857)	(684,812)

\$	2020	2020	2019
	Actual	Budget	Actual
Summary			
Profit on Asset Disposals	46,742	74,898	39,391
Loss on Asset Disposals	(1,369,599)	(759,710)	(847,580)
Net Profit/(Loss) on Disposal of Assets	(1,322,857)	(684,812)	(808,189)

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Financial Ratios

\$	Amounts 2020	Indicator 2020	Target	Prior Periods 2019 2018	
<i>Liquidity Ratio</i>					
1. Current Ratio ⁽¹⁾					
Current Assets less Restricted Current Assets	19,395,569	1.34 : 1	> 1.00 : 1	1.04	1.28
Current Liabilities less Liabilities Associated with Restricted Assets	14,488,463				
<i>Debt Ratio</i>					
2. Debt Service Cover Ratio ⁽²⁾					
Operating Surplus before Interest and Depreciation Exp Principal and Interest Repayments	25,172,223 6,640,783	3.79 : 1	> 2.00 : 1	5.01	4.50
<i>Coverage Ratio</i>					
3. Own Source Revenue Coverage Ratio ⁽³⁾					
Own Source Operating Revenue	71,968,832	89.41%	> 40%	89.19%	89.05%
Operating Expense	80,492,791				
<i>Financial Performance Ratio</i>					
4. Operating Surplus Ratio ⁽⁴⁾					
Operating Revenue less Operating Expense	(690,608)	-0.96%	> 1%	0.08%	-0.25%
Own Source Operating Revenue	71,968,832				
<i>Asset Management Ratios</i>					
5. Asset Consumption Ratio ⁽⁵⁾					
Depreciated Replacement Cost of Depreciable Assets	805,945,254	66.29%	> 50%	72.44%	74.12%
Current Replacement Cost of Depreciable Assets	1,215,781,135				
6. Asset Sustainability Ratio ⁽⁶⁾					
Capital Renewal and Replacement Expenditure	15,376,764	62.72%	90-110%	133.57%	89.49%
Depreciation Expense	24,518,212				
7. Asset Renewal Funding Ratio ⁽⁷⁾					
NPV of Planned Capital Renewals over 10 years	202,636,448	89.17%	75-95%	94.69%	103.20%
NPV of Required Capital Expenditure over 10 years	227,246,470				

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 2020

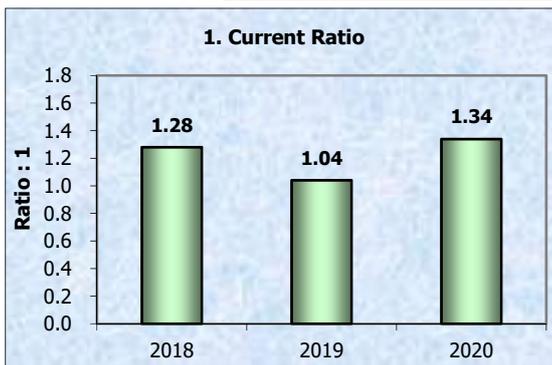
Note 24. Financial Ratios (continued)

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 2019-2020 in the amount of \$3,051,785

These Financial Assistance Grants are in accordance with AASB 1058 recognised in the Operating Revenue of the financial year 2019-2020.

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

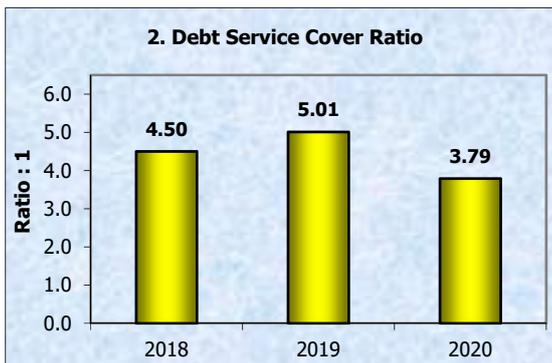
	Current Ratio	Debt Service Coverage ratio	Operating Surplus Ratio
FAGS included	1.34	3.79	-0.97%
FAGS excluded	1.13	3.33	-5.20%



Purpose of Current Ratio

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

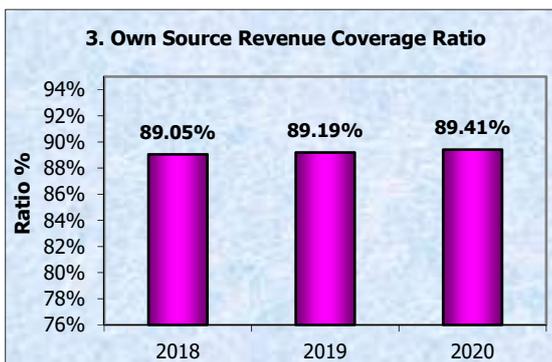
2019/20 Ratio	1.34 : 1
----------------------	-----------------



Purpose of Debt Service Cover Ratio

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

2019/20 Ratio	3.79 : 1
----------------------	-----------------



Purpose of Own Source Revenue Coverage Ratio

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

2019/20 Ratio	89.41%
----------------------	---------------

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2020

Note 24. 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>2018</td> <td>-0.25%</td> </tr> <tr> <td>2019</td> <td>0.08%</td> </tr> <tr> <td>2020</td> <td>-0.96%</td> </tr> </tbody> </table>	Year	Ratio %	2018	-0.25%	2019	0.08%	2020	-0.96%	<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>2019/20 Ratio -0.96%</p>
Year	Ratio %									
2018	-0.25%									
2019	0.08%									
2020	-0.96%									
<p>5. Asset Consumption Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>74.12%</td> </tr> <tr> <td>2019</td> <td>72.44%</td> </tr> <tr> <td>2020</td> <td>66.29%</td> </tr> </tbody> </table>	Year	Ratio %	2018	74.12%	2019	72.44%	2020	66.29%	<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>2019/20 Ratio 66.29%</p>
Year	Ratio %									
2018	74.12%									
2019	72.44%									
2020	66.29%									
<p>6. Asset Sustainability Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>89.49%</td> </tr> <tr> <td>2019</td> <td>133.57%</td> </tr> <tr> <td>2020</td> <td>62.72%</td> </tr> </tbody> </table>	Year	Ratio %	2018	89.49%	2019	133.57%	2020	62.72%	<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>2019/20 Ratio 62.72%</p>
Year	Ratio %									
2018	89.49%									
2019	133.57%									
2020	62.72%									
<p>7. Asset Renewal Funding Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>103.20%</td> </tr> <tr> <td>2019</td> <td>94.69%</td> </tr> <tr> <td>2020</td> <td>89.17%</td> </tr> </tbody> </table>	Year	Ratio %	2018	103.20%	2019	94.69%	2020	89.17%	<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>2019/20 Ratio 89.17%</p>
Year	Ratio %									
2018	103.20%									
2019	94.69%									
2020	89.17%									

City of Greater Geraldton

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25. Information on Borrowings

\$	Borrowing Institution	Interest Rate %	Principal 1-Jul-19	New Loans	Principal Repayments		Principal 30-Jun-20		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
(a). Debenture Repayments										
Governance										
- 262 Office Redevelopment	WATC	3.89%	420,962	-	106,351	106,351	314,612	314,611	13,814	14,837
Law, Order, Public Safety										
-276 Animal Pound Facility	WATC	1.99%	1,900,000	-	255,573	255,573	1,644,427	1,644,427	35,716	36,545
Community Amenities										
- 278 Meru Resource Recovery Facility	WATC	2.24%	7,000,000	-	631,940	631,940	6,368,060	6,368,060	150,973	153,281
Recreation & Culture										
- 82 Tarcoola Park Tennis Club SSL	* WATC	7.36%	941	-	941	941	-	-	10	17
- 96 Geraldton Yacht Club SSL	* WATC	3.16%	228,377	-	22,311	22,311	206,066	206,065	6,958	7,042
- 268 Foreshore Stabilisation & Protection	WATC	3.09%	763,623	-	117,717	117,717	645,906	645,906	22,120	22,694
- 264 Aquarena Upgrade	WATC	4.36%	1,107,413	-	202,800	202,800	904,613	904,613	44,285	46,097
- 271 QPT Air-Conditioning Replacement	WATC	2.92%	2,371,872	-	310,095	310,095	2,061,777	2,061,777	65,403	67,011
- 263 Recreation Ground Grandstand	WATC	4.36%	692,133	-	126,750	126,750	565,383	565,384	27,678	28,810
- 272 MUF, Youth Precinct, Beach Access Ramp	WATC	3.21%	3,391,965	-	235,821	235,821	3,156,144	3,156,144	105,660	107,005
- 259 Verita Road	WATC	4.72%	1,328,754	-	512,982	512,981	815,772	815,774	55,279	56,736
- 257 Geraldton Hockey Association	* WATC	4.81%	74,040	-	28,565	28,565	45,475	45,474	3,095	3,222
- 277 Beresford Foreshore	WATC	2.24%	1,850,000	-	167,013	167,014	1,682,987	1,682,986	39,900	40,510
- 253 Geraldton Yacht Club SSL	* WATC	6.26%	9,838	-	9,838	9,805	-	-	179	342
- 251 Geraldton Hockey Association	* WATC	6.14%	8,283	-	8,283	8,282	-	-	98	127
- 260 Aquarena Renewal Stage 1	WATC	3.89%	1,094,502	-	276,512	276,503	817,990	817,990	35,915	38,584
Transport										
- 269 Airport Projects	WATC	3.09%	1,921,784	-	296,255	296,256	1,625,529	1,625,528	55,669	57,112
- 261 Airport Paid Parking Facilities	WATC	3.89%	631,444	-	159,526	159,526	471,918	471,918	20,720	22,255
- 258 Airport Buffer Land	WATC	4.72%	383,862	-	148,195	148,195	235,667	235,667	15,970	16,390
- 252 Plant Purchases for 2009/2010	WATC	6.06%	117,101	-	117,101	117,102	-	-	2,260	3,566
- 273 Verita Road Stage 1	WATC	2.45%	888,306	-	214,032	214,033	674,274	674,272	20,005	20,461
- 270 Airport Technology Park	WATC	2.74%	517,025	-	517,026	517,026	-	-	9,797	10,649
- 275 Airport Runway Overlay	WATC	2.82%	7,500,000	-	283,693	283,693	7,216,307	7,216,307	208,210	209,514

(continued on next page)

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Information on Borrowings (continued)

\$	Borrowing Institution	Interest Rate %	Principal 1-Jul-19	New Loans	Principal Repayments		Principal 30-Jun-20		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
(a). Debenture Repayments (continued)										
Other Property & Services										
- 265 Old Works Depot	WATC	4.36%	553,707	-	101,400	101,400	452,307	452,306	22,142	23,045
- 274 Olive Street Development	WATC	3.13%	3,048,964	-	341,000	341,000	2,707,964	2,707,987	91,480	92,785
- 266 Old Railway Building	WATC	4.36%	570,318	-	104,442	104,442	465,876	465,876	22,807	23,740
- WATC Loan Guarantee Fee				-	-	-			257,291	270,762
			38,375,214	-	5,296,164	5,296,122	33,079,050	33,079,072	1,333,434	1,373,139

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 2020

Note 26(a). Rating Information (2019/20 Financial Year)

\$	Notes	Rate in \$	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue
Rate Type												
Differential General Rate												
CGG Residential		0.1485	15,542	203,722,753	30,258,736	56,639	(809)	30,314,566	30,258,737	279,164	10,000	30,547,901
CGG Non Residential		0.1229	1,210	87,783,285	10,791,551	(13,294)	(12,410)	10,765,847	10,791,550	87,597	-	10,879,147
CGG UV		0.0078	808	365,599,249	2,842,535	1,513	(903)	2,843,145	2,842,534	-	-	2,842,534
Sub-Total			17,560	657,105,287	43,892,822	44,858	(14,122)	43,923,558	43,892,821	366,761	10,000	44,269,582
Minimum Rates												
		Minimum										
CGG Residential		1,010	2,261	7,741,642	2,283,610	-	-	2,283,610	2,283,610	-	-	2,283,610
CGG Non Residential		1,010	240	1,254,540	242,400	-	-	242,400	242,400	-	-	242,400
CGG UV		1,010	258	16,994,802	260,580	-	-	260,580	260,580	-	-	260,580
Sub-Total			2,759	25,990,984	2,786,590	-	-	2,786,590	2,786,590	-	-	2,786,590
								46,710,148				47,056,172
Discounts/Concessions	29(a)							(120,486)				(116,760)
								46,589,662				46,939,412
Specified Area Rate	27							-				-
Totals								46,589,662				46,939,412

2020 accounting policy: Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy: Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(b). Surplus/(Deficit) B/Fwd and C/Fwd

\$	Notes	2020 Carried Fwd Actual	2019 Brought Fwd Actual
Current Assets			
Cash - Unrestricted	3	8,783,406	9,467,741
Cash - Restricted Reserves	3	23,008,955	22,035,630
Cash - Restricted Unspent Grants	2(d)	3,070,598	4,708,118
Investments	4	2,352,977	5,069,939
Rates - Current	5	4,825,083	4,420,221
Sundry Debtors	5	817,822	2,499,076
GST Receivable	5	312,352	668,447
Other Receivables	5	1,777,057	1,322,341
Contract Assets	9	20,485	-
- Fuel and Materials	6	400,117	395,360
- Land Held for Resale	6	-	332,641
- Other	6	106,271	129,701
		45,475,122	51,049,215
Current Liabilities			
Sundry Creditors	11	5,973,679	13,883,048
Accrued Interest on Debentures	11	160,200	186,392
Accrued Salaries and Wages	11	601,227	368,028
Other Current Trade and Other Payables	11	3,121,223	4,919,612
Contract Liabilities	9	765,330	-
Lease Liability	10	49,637	-
Current Employee Benefits Provision	13	4,710,833	4,554,788
Other Current Provisions	13	478,437	488,376
Current Loan Liability	12	4,798,496	5,296,164
		20,659,061	29,696,408
Net Current Assets		24,816,061	21,352,807
Less:			
Reserves - Restricted Cash	3	(23,008,955)	(22,035,630)
Self Supporting Loan Principal Repayments		(69,939)	(96,785)
Add Back:			
Current Loan Liability	12	4,798,496	5,296,164
Surplus/(Deficit)		6,535,663	4,516,556

(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 2020

Note 27. Specified Area Rate (2019/20 Financial Year)

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

Note 28. Service Charges (2019/20 Financial Year)

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

Note 29. Discounts, Incentives, Concessions & Write-offs (2019/20 Financial Year)

\$	Total Cost / Value	Budget Cost / Value
(a) Discounts/Concessions		
General Rates	120,486	116,760
	<u>120,486</u>	<u>116,760</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 existing operation policy.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 29. Discounts, Incentives, Concessions & Write-offs (2019/20 Financial Year)

\$	Notes	Total Cost / Value	Budget Cost / Value
(b). Write-Offs			
Rate Assessment	2(a)	3,189	-
General Debtors	2(a)	77,985	-
		<u>81,175</u>	<u>-</u>

Note 30. Interest Charges and Instalments (2019/20 Financial Year)

\$	Interest Rate %	Admin. Charge	Actual Revenue	Budgeted Revenue
Interest on Unpaid Rates	11.00%	-	494,151	480,000
Interest on Instalments Plan	5.50%	-	183,215	188,000
Pensioner Deferred Interest	0.00%	-	10,724	12,000
			<u>688,090</u>	<u>680,000</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 \$12.00 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 \$835,543 (2018-19: \$905,741).

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31. Fees & Charges

\$	2020 Actual	2020 Budget	2019 Actual
Governance	11,763	17,500	15,195
General Purpose Funding	320,267	330,000	319,949
Law, Order, Public Safety	430,315	332,360	320,899
Health	59,880	85,600	76,864
Education and Welfare	26,334	22,250	18,535
Community Amenities	12,842,140	13,447,382	12,094,547
Recreation and Culture	1,448,136	2,387,439	1,928,488
Transport	4,199,812	6,046,182	5,711,138
Economic Services	529,800	978,757	892,078
Other Property and Services	1,217,460	1,027,500	1,096,622
	<u>21,085,907</u>	<u>24,674,970</u>	<u>22,474,314</u>

2020 accounting policy: Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

2019 accounting policy: Fees and charges are recognised when council is unconditionally entitled to those funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

Note 32. Grants, Subsidies & Contributions

\$	2020 Actual	2019 Actual
Operating Grants, Subsidies and Contributions	8,373,215	8,701,906
Non-Operating Grants, Subsidies and Contributions	7,130,966	21,086,497
	<u>15,504,181</u>	<u>29,788,403</u>

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

(a). By Nature & Type

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 32. Grants, Subsidies & Contributions (continued)

\$	2020 Actual	2019 Actual
(b). By Program		
Governance	61,756	71,346
General Purpose Funding	5,988,568	6,093,896
Law, Order, Public Safety	1,214,190	193,462
Education & Welfare	296,520	271,526
Community Amenities	155,344	72,660
Recreation & Culture	669,852	2,573,063
Transport	6,937,178	16,963,145
Economic Services	128,361	188,793
Other Property & Services	52,411	3,360,512
	<u>15,504,181</u>	<u>29,788,403</u>

Included within the Operating Grants, Subsidies and Contributions total of \$8,373,215 is \$539,864 in reimbursements and recoveries.

Note 33. Employee Numbers

\$	2020 Actual	2019 Actual	2018 Actual
The number of full-time equivalent employees at balance date	274	282	283

At 30 June 2020 the City's approved organisational structure: 296 FTE (2019: 299 FTE).

Note 34. Councillor Remuneration

\$	2020 Actual	2020 Budget	2019 Actual
The following fees, expenses and allowances were paid to council members and the mayor.			
Members Meeting Fees	350,683	308,592	391,884
Mayor & Deputy Mayor Allowance	90,371	149,000	90,420
Members IT and Telephone Allowance	47,298	45,500	52,500
Travelling Expenses	10,987	15,500	12,019
Conference Expenses	16,078	-	13,374
Councillor Training	16,979	-	13,820
	<u>532,398</u>	<u>518,592</u>	<u>574,017</u>

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 35. Employee Costs

\$	Actual	Budget	Actual
Wages and Salaries	19,432,654	28,487,934	19,023,357
Employee Leave Entitlements	4,897,221	-	4,914,270
Superannuation	3,101,616	-	3,054,417
Workers' Compensation Insurance	374,406	-	269,155
Protective Clothing & Uniforms	76,021	-	74,643
Recruitment Costs	27,839	-	56,430
Training Costs (other than Salaries & Wages)	148,900	-	137,886
Other	113,627	-	142,079
	<u>28,172,282</u>	<u>28,487,934</u>	<u>27,672,236</u>

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.

\$	Salary Range	2020 Actual	2019 Actual
Details			
LG Administration Regulations 19 B	100,000 - 109,999	16	14
	110,000 - 119,999	5	4
	120,000 - 129,999	7	4
	130,000 - 139,999	3	6
	140,000 - 149,999	1	1
	150,000 - 159,999	1	1
	160,000 - 169,999	1	1
	170,000 - 179,999	-	1
	180,000 - 189,999	1	-
	190,000 - 200,999	2	1
	250,000 - 259,999	1	1

Note 36. Major Land Transactions

There were no Major Land Transactions during 2019/20.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 37. Trading and Major Trading Undertakings

\$

Airport

The Geraldton Airport is owned freehold and run as a business unit by the City of Greater Geraldton, generating an operating income of approximately \$3.97M in 2019-20 (2018-19: \$5.26M).

Operating surpluses from airport operations are utilised to maintain and improve existing airport infrastructure, and provide for development of future infrastructure. During 2019-20, capital outlays on Airport Infrastructure (including buildings) amounted to nearly \$484k (2018-19: \$22.1M), the new airport runway accounting for \$228k. Funding totalling \$2.39M was provided by Federal Government.

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 QantasLink, providing Regular Public Transport (RPT) services on the Geraldton-Perth route.

Two aircraft maintenance and service businesses are well established in a 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, tourist flights and general charter operations.

	2020 Actual	2019 Actual
Income Statement		
Operating Income	3,970,138	5,263,023
Operating Expenditure	(3,038,666)	(3,155,500)
Depreciation Expense	(1,565,510)	(1,587,978)
Operating Result	(634,038)	519,545
Capital Income	2,387,255	21,255,004
Capital Expenditure	(484,205)	(23,213,951)
Operating Result	1,903,050	(1,958,947)
Total Net Trading Undertaking	1,269,011	(1,439,402)
Current Assets		
Receivables	246,549	846,971
Total Current Assets	246,549	846,971
Non-Current Assets		
Land	12,846,813	12,826,812
Buildings	15,640,830	15,809,803
Furniture & Equipment	17,999	10,863
Airport Infrastructure	25,985,800	51,561,057
Total Non-Current Assets	54,491,442	80,208,535
Total Assets	54,737,991	81,055,506
Current Liabilities		
Creditors & Provisions	(141,510)	(4,804,728)
Borrowings	(918,325)	(1,404,695)
Total Current Liabilities	(1,059,835)	(6,209,423)
Non-Current Liabilities		
Borrowings	(9,010,444)	(9,549,420)
Total Non-Current Liabilities	(9,010,444)	(9,549,420)
Total Liabilities	(10,070,279)	(15,758,843)
Net Assets	44,667,712	65,296,663

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 37. 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 \$5.32M in 2019-20 (2018-19: \$5.37M). During 2019-20, capital outlays on Meru Infrastructure amounted to around \$1.71M (2018-19: \$3.88M) with majority of the spend going towards the construction of Cell 5 and the landfill organics diversion system.

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.

Income Statement

	2020 Actual	2019 Actual
Operating Income	5,315,787	5,372,755
Operating Expenditure	(2,910,149)	(3,229,735)
Depreciation Expense	(708,350)	(859,217)
Operating Result	1,697,287	1,283,803
Capital Income	114,000	7,000,000
Capital Expenditure	(1,714,675)	(3,880,363)
Operating Result	(1,600,675)	3,119,637
Total Net Trading Undertaking	96,613	4,403,440
Current Assets		
Receivables	338,792	139,484
Total Current Assets	338,792	139,484
Non-Current Assets		
Land	2,223,000	2,223,000
Buildings	347,411	441,076
Furniture & Equipment	226,793	-
Meru Landfill Infrastructure	17,392,904	17,815,706
Total Non-Current Assets	20,190,109	20,479,782
Total Assets	20,528,901	20,619,266
Current Liabilities		
Creditors & Provisions	(227,984)	(755,453)
Borrowings	(646,175)	(631,940)
Total Current Liabilities	(874,159)	(1,387,393)
Non-Current Liabilities		
Provisions	(9,090,788)	(10,462,004)
Borrowings	(5,342,537)	(6,368,059)
Total Non-Current Liabilities	(14,433,325)	(16,830,063)
Total Liabilities	(15,307,484)	(18,217,456)
Net Assets	5,221,417	2,401,810

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 38. Financial Risk Management

\$

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	
		2020	2019	2020	2019
Financial Assets					
Cash and Cash Equivalents	3	34,862,959	36,211,489	34,862,959	36,211,489
Receivables (Current & Non-Current)	5	8,267,358	9,394,388	8,267,358	9,394,388
		<u>43,130,317</u>	<u>45,605,878</u>	<u>43,130,317</u>	<u>45,605,878</u>
Financial Liabilities					
Payables (Current & Non-Current)	11	9,856,328	19,357,080	9,856,328	19,357,080
Borrowings (Current & Non-Current)	12	33,079,050	38,375,214	33,079,050	38,375,214
		<u>42,935,378</u>	<u>57,732,294</u>	<u>42,935,378</u>	<u>57,732,294</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 2020

Note 38. Financial Risk Management (continued)

\$

(a). Cash & Cash Equivalents and Financial Assets

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-20	30-Jun-19
Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments		
Equity	348,630	362,115
Statement of Comprehensive Income	348,630	362,115

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 2020

Note 38. 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. Included in the impairment value of \$109,164 is a provision of \$96,400 for Virgin Australia Airlines which is currently in administration.

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-20	30-Jun-19
	%	%
Percentage of Rates and Annual Charges		
Current	93.33%	93.62%
Overdue	6.67%	6.38%
Percentage of Other Receivables		
Current	68.29%	68.39%
Overdue	31.71%	31.61%

The Council does not require collateral in respect of trade and other receivables. The Council does not have trade receivables for which no loss allowance is recognised because of collateral.

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the City to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

The Council uses a probability percentage based on actual credit loss experienced over the last five years to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 38. Financial Risk Management (continued)

\$

The following table provides information about the exposure to credit risk and expected losses for trade receivables from individual customers as at 30 June 2020:

	2020	2020	2020
	Closing balance 30/06/2020	Historical probability of default	Lifetime expected credit loss
	\$	%	\$
Not Past Due	616,673	1.37%	8,448
Past Due 31-60 Days	176,453	1.37%	2,417
Past Due 61-90 Days	21,526	1.37%	295
More than 90 Days	117,001	1.37%	1,603
Total	931,653		12,764

	2019	2019	2019
	Closing balance 30/06/2020	Historical probability of default	Lifetime expected credit loss
	\$	%	\$
Not Past Due	1,699,622	1.47%	24,984
Past Due 31-60 Days	716,582	1.47%	10,534
Past Due 61-90 Days	29,906	1.47%	440
More than 90 Days	89,296	1.47%	1,313
Total	2,535,406		37,271

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	2020	2019
	\$	\$
Receivables		
Fully Performing	616,673	1,699,622
Past due:		
- 31 to 60 days overdue	176,453	716,582
- 61 to 90 days overdue	21,526	29,906
- Greater than 90 days overdue	117,001	89,296
- Impaired	(109,164)	(37,271)
Total	822,489	2,498,135

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 38. 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 (i.e.. 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
2020					
Payables	10,121,934	-	-	10,121,934	9,856,328
Borrowings	4,798,496	18,026,634	10,253,920	33,079,050	33,079,050
	14,920,430	18,026,634	10,253,920	43,200,984	42,935,378
2019					
Payables	19,357,080	-	-	19,357,080	19,357,080
Borrowings	5,296,164	17,152,731	15,926,319	38,375,214	38,375,214
	24,653,244	17,152,731	15,926,319	57,732,294	57,732,294

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-20		30-Jun-19	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank Loans - Fixed	2.95%	33,079,050	3.02%	38,375,214
		<u>33,079,050</u>		<u>38,375,214</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 2020

Note 39. Fair Value Measurements

\$

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property,
- 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).

Following a change to Local Government (Financial Management) Regulation 17A plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.

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

	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	
2020					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	31/12/19	-	-	320,495	320,495
- "Loans and Receivables"	30/06/20	-	-	2,551,541	2,551,541
Receivables	30/06/20	-	-	8,267,358	8,267,358
Total Financial Assets		-	-	11,139,394	11,139,394
Financial Liabilities					
Payables	30/06/20	-	-	9,856,328	9,856,328
Loans / Advances	30/06/20	-	-	33,079,050	33,079,050
Total Financial Liabilities		-	-	42,935,378	42,935,378
Property, Plant & Equipment					
- Land	30/06/17	-	85,652,675	-	85,652,675
- Buildings	30/06/17	-	-	107,303,456	107,303,456
- Furniture & Equipment	30/06/19	-	-	1,466,656	1,466,656
- Plant & Equipment	30/06/16	-	9,812,366	-	9,812,366
- Artwork	30/06/19	-	813,609	-	813,609
Total Property, Plant & Equipment		-	96,278,650	108,770,112	205,048,762

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 39. Fair Value Measurements (continued)

\$

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

	Date	Fair Value Measurement using:			Total
		Level 1	Level 2	Level 3	
2020	of latest	Quoted	Significant	Significant	
	Valuation	prices in	observable	unobservable	
		active mkts	inputs	inputs	
Infrastructure					
- Roads	30/06/18	-	-	583,691,084	583,691,084
- Recreation	30/06/18	-	-	48,870,556	48,870,556
- Car Parks	30/06/18	-	-	10,871,013	10,871,013
- Meru Landfill	30/06/18	-	-	17,392,904	17,392,904
- Airport	30/06/20	-	-	25,985,800	25,985,800
- Effluent Scheme	30/06/18	-	-	551,420	551,420
Total Infrastructure		-	-	687,362,776	687,362,777
2019					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/15	-	-	315,308	315,308
- "Loans and Receivables"	30/06/15	-	-	5,321,480	5,321,480
Receivables	30/06/18	-	-	9,394,388	9,394,388
Total Financial Assets		-	-	15,031,176	15,031,176
Financial Liabilities					
Payables	30/06/18	-	-	19,357,080	19,357,080
Loans / Advances	30/06/18	-	-	38,375,214	38,375,214
Total Financial Liabilities		-	-	57,732,294	57,732,294
Property, Plant & Equipment					
- Land	30/06/17	-	84,919,345	-	84,919,345
- Buildings	30/06/17	-	-	106,639,744	106,639,744
- Furniture & Equipment	30/06/16	-	-	1,584,409	1,584,409
- Plant & Equipment	30/06/16	-	9,765,147	-	9,765,147
- Artwork	14/11/14	-	696,946	-	696,946
Total Property, Plant & Equipment		-	95,381,438	108,224,153	203,605,592
Infrastructure					
- Roads	30/06/18	-	-	585,123,301	585,123,301
- Recreation	30/06/18	-	-	49,761,450	49,761,450
- Car Parks	30/06/18	-	-	10,133,495	10,133,495
- Meru Landfill	30/06/18	-	-	17,956,086	17,956,086
- Airport	30/06/18	-	-	51,560,812	51,560,812
- Effluent Scheme	30/06/18	-	-	569,774	569,774
Total Infrastructure		-	-	715,104,918	715,104,918

(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 2020

Note 39. 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 (i.e.. 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 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 2020

Note 39. Fair Value Measurements (continued)

\$

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Property, Plant & Equipment (continued)

Depending upon the nature of the specific asset the valuation approach may have included the of a singular or multiple techniques:

- 1) The Market Approach has been applied where there is a principal market which provides evidence of the Fair Value of the asset.
- 2) The Income Approach has been applied for assets where the income generating capability of asset provides the best estimate of the asset's Fair Value.
- 3) The Cost Approach is used for assets which are not commonly traded. Typically these include that public and not-for-profit sectors entities use to provide to the public for no or minimal charge.
- 4) In rare circumstances the valuation may also include a combination of approaches.

The levels of the valuation hierarchy are defined in relation to the inputs used to determine the The valuation hierarchy is determined by the lowest level of input used (except where the impact of lowest level is deemed to be insignificant). The inputs are defined as:

- A) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities 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 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 30/06/2019 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 28th May 2019. 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 5 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 2020

Note 39. Fair Value Measurements (continued)

\$

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure

AIRPORT

Griffin Valuation Advisory have completed a valuation of Infrastructure assets with the effective date of valuation 30th of June 2020.

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.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 39. 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 (2019-2020: \$9,090,788.34) 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, Street lighting, 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 2020

Note 39. 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 - 1/7/18	-	103,778,876	1,622,985	589,087,246	694,489,107
Purchases (GBV)	-	5,466,494	461,864	11,759,055	17,687,413
Disposals (WDV)	-	(607,271)	(372,806)	-	(980,077)
Depreciation & Impairment	-	(1,962,510)	(127,635)	(15,723,000)	(17,813,145)
Transfer between Asset Classes	-	(1,373,844)	-	-	(1,373,844)
Closing Balance - 30/6/19	-	105,301,745	1,584,408	585,123,301	692,009,454
Purchases (GBV)	-	2,760,164	917,500	12,128,441	15,806,105
Disposals (WDV)	-	(623,374)	(708,943)	(2,899)	(1,335,216)
Depreciation & Impairment	-	(2,086,603)	(352,678)	(16,099,273)	(18,538,554)
Transfer between Asset Classes	-	613,525	26,367	2,541,513	3,181,405
Closing Balance - 30/6/20	-	105,965,457	1,466,654	583,691,083	691,123,194

	Recreation	Car Parks	Meru Landfill	Airport	Total
Opening Balance - 1/7/18	38,384,416	10,416,364	17,663,152	30,743,295	97,207,227
Purchases (GBV)	11,755,258	151,288	3,784,025	20,840,258	36,530,829
Depreciation & Impairment	(1,752,068)	(434,158)	(856,916)	(1,238,483)	(4,281,625)
Other movement	1,373,844	-	(2,064,401)	-	(690,557)
Closing Balance - 30/6/19	49,761,450	10,133,494	18,525,860	50,345,070	128,765,874
Purchases (GBV)	4,194,502	324,552	1,462,516	238,657	6,220,227
Depreciation & Impairment	(1,737,716)	(481,590)	(684,481)	-	(2,903,787)
Other movement	(3,347,680)	894,555	(1,341,216)	(12,900)	(3,807,241)
Other movement (Revaluation)	-	-	-	(24,593,701)	(24,593,701)
Closing Balance - 30/6/20	48,870,556	10,871,011	17,962,679	25,977,126	103,681,372

(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 2020

Note 40. "Held for Sale" Non Current Assets & Disposal Groups

\$

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

Note 41. Investment Properties

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

Note 42. Intangible Assets

	2020 Carrying Amount	2019 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	104,144	104,144
Net Book Value - Opening Balance	104,144	104,144
Closing Values:		
Gross Book Value (30/6)	104,144	104,144
Total Intangible Assets - Net Book Value ¹	104,144	104,144
¹ The Net Book Value of Intangible Assets represent:		
- Laneway Easement	104,144	104,144
	104,144	104,144

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

Note 43. 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 44. 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 2020

Note 45. Events occurring after the Reporting Period

\$

Events that occur between the end of the reporting period (ending 30 June 2020) 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 2020.

(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 2020 and which are only indicative of conditions that arose after 30 June 2020.

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

Note 46. Transactions with Related Parties

(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.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 46. Transactions with Related Parties (continued)

\$	2020	2019
(c) Key Management Personnel (continued)		
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	1,552,113	1,473,262
Post-Employment Benefits	128,634	165,216
Long-Term Benefits	24,392	15,414
Total	<u>1,705,139</u>	<u>1,653,892</u>

Short Term Employee Benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

Post-Employment Benefits

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

Other Long-Term Benefits

These amounts represent long service benefits accruing during the year.

Termination Benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

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 2019-2020.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 47. Initial Application of Australian Accounting Standards

\$

New Accounting Standard

a) Revenue from Contracts with Customers

The City adopted the new rules AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

b) Income for Not-For-Profit Entities

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

c) Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the City has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the City will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the City recognised lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117 (excluding short term and low value leases). These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lease contract's implicit rate or the rate of a similar contract.

On adoption of AASB 16, the City recognised a right-of-use asset in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is deemed to be equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments. Property, plant and equipment and lease liabilities increased by \$29,575.46 on 1 July 2019 resulting in no impact on retained surplus.

On adoption of AASB 16 Leases (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the City is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 48. New Accounting Standards and Interpretations

\$

During the year ended 30 June 2020, the Council adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of NFP Entities* and *AASB 16 Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with *AASB 111 Construction Contracts*, *AASB 117 Leases*, *AASB 118 Revenue*, *AASB 1004 Contributions* and associated Accounting Interpretations.

AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

Revenue standards - AASB 15 and AASB 1058

The following options have been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which
- Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless

Changes in accounting policy on adoption of AASB 15 and AASB 1058

	Balance at 1-Jul-19 \$
<hr/>	
Opening contract balances on transition at 1 July 2019	
Contract assets	
Under AASB 15	1,670,877
Total contract assets	<u>1,670,877</u>
Contract liabilities	
Under AASB 15	(222,385)
Total contract liabilities	<u>(222,385)</u>

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 48. New Accounting Standards and Interpretations (continued)

	Carrying amount per statement of comprehensive income Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied Dr / (Cr) \$
Notes			

Comparison of affected financial statement lines between AASB 15 / 1058 and previous revenue standards

The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards.

Statement of comprehensive income for the year ended 30 June 2020

Revenue

Operating grants	8,373,215	(205,522)	8,167,693
Capital revenue	7,130,966	1,654,014	8,784,980
Net revenue	15,504,181	1,448,492	16,952,673

	Carrying amount per statement of financial position Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied Dr / (Cr) \$
Notes			

Comparison of affected financial statement lines between AASB 15 / 1058 and previous revenue standards (continued)

Statement of financial position at 30 June 2020

Contract assets	20,485	(20,485)	-
Total current assets	20,485	(20,485)	-
Contract liabilities	765,330	(765,330)	-
Total current liabilities	765,330	(765,330)	-

The adjustments above relate to the recognition of contract assets and contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004. The City has, in the past, recognised prepaid rates as a financial liability until the beginning of the rating period. Therefore there is no impact as a result of the adoption of AASB1058.

City of Greater Geraldton

Notes to the Financial Statements

for the year ended 30 June 2020

Note 48. New Accounting Standards and Interpretations (continued)

\$

Statement of cash flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statement of Cash Flows for the year ended 30 June 2020.

Lease standard - AASB 16

Council as a lessee

Under the previous lease accounting standard, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact of adopting AASB 16 at 1 July 2019

Council has recognised right-of-use assets and lease liabilities of \$29,575 at 1 July 2019 for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.49%.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 48. New Accounting Standards and Interpretations (continued)

	\$
Leases opening balance reconciliation	
Operating lease commitment at 30 June 2019 per Council financial statements	30,789
Discounted using the incremental borrowing rate at 1 July 2019	29,575
Lease liabilities recognised at 1 July 2019	29,575

New Accounting Standards and Interpretations for Application in Future Years

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the City.

On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-7 Amendments to Australian Accounting Standards - Materiality

AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report. Specific impacts of AASB 2018-7 Amendments to Australian Accounting Standards - Materiality, have not been identified.

City of Greater Geraldton

Notes to the Financial Statements for the year ended 30 June 2020

Note 49. 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

Office of the Auditor General
7th Floor, Albert Facey House
469 Wellington Street, Perth

COUNCILLORS

Steve Douglas
David Caudwell
Tarleah Thomas
Jennifer Critch
Robert Hall
Victor Tanti
Natasha Colliver
Simon Keemink
Sally Elphick
Jerry Clune
Peter Fiorenza
Kim Parker

Other Information

ABN: 55 907 677 173

INDEPENDENT AUDITOR'S REPORT

To The Auditor General for Western Australia

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 2020, 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 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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 and 8 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. Regulation 17A of the Local Government (Financial Management) Regulations 1996 (Regulations), requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 and 8 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling City of Greater Geraldton's financial reporting responsibilities under the Act. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognise some categories of land, including land under roads, as assets in the 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 Greater 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 our 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 matters which indicate significant adverse trends in the financial position or the financial management practices 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 required information and explanations were obtained by us.
- (iv) All audit procedures were satisfactorily completed.

- (v) In our opinion, the asset consumption ratio and the asset renewal 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 City of Greater Geraldton for the year ended 30 June 2020 included on the City of Greater Geraldton's website. 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

TIM PARTRIDGE
Director

28-30 Wellington Street, Bunbury, Western Australia

Dated this day of February 2021

AC094	FRAUD AND CORRUPTION PLAN AUDIT
-------	---------------------------------

AGENDA REFERENCE:	D-20-140736
AUTHOR:	T Machukera, Financial Accountant
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	19 November 2020
FILE REFERENCE:	GO/19/0020
ATTACHMENTS:	Yes – (X2)
	A. Fraud & Corruption Control Plan Audit
	B. Fraud & Corruption Control Plan

EXECUTIVE SUMMARY:

The purpose of this report is to present to the Audit Committee the Fraud and Corruption Plan Audit.

EXECUTIVE RECOMMENDATION:

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

1. RECEIVE The Fraud & Corruption Control Plan Audit

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The Audit Committee at their meeting on 02 December 2019 endorsed the following recommendation:

1. *ENDORSE the Fraud and Corruption Control Plan.*

This Fraud and Corruption Control Plan (the Plan) details the City's intended action in implementing and monitoring fraud and corruption prevention, detection and response initiatives.

The Plan calls for regular Fraud & Corruption Control Plan Audits (FCC Audits). The FCC Audit is designed to assist the City to monitor and review its misconduct resistance approach.

The purpose is to identify:

- a) work areas where elements of the City misconduct resistance approach may need refreshing or improving; and
- b) elements of the misconduct resistance approach that may need attention across the entire organisation.

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

There are no adverse community impacts.

Signed _____ Dated _____

Environment:

There are no adverse environment impacts.

Economy:

There are no adverse economic impacts.

Governance:

The Fraud and Corruption Control Plan is core to good governance and establishes an effective structure to address fraud and misconduct risks and to detect and respond to fraud and corruption in accordance with the best practice guidelines as defined in *Australian Standard AS8001-2008 Fraud and Corruption Standards*.

RELEVANT PRECEDENTS:

The Audit Committee endorsed the Fraud & Corruption Control Plan on 2nd December 2019.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Council Policy 4.22 Fraud Control, Write-Off Debts & Waive Fees and Charges requires Council to examine its exposure to fraud.

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 Fraud and Corruption Control Plan puts in place the framework for prevention and detection to mitigate potential or actual fraudulent or corrupt conduct.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative options were considered by City Officers.

Signed _____ Dated _____

COMMITTEE DECISION

MOVED Cr Colliver, SECONDED Cr Caudwell

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

- 1. RECEIVE The Fraud & Corruption Control Plan Audit**

Carried 4/0

Signed _____ Dated _____

OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
<p>Planning A developed and coordinated approach to managing fraud risks</p>	Risks identified	1. Fraud risks across the City are assessed, documented, and controls are in place.	The City's risk registers currently constrains 5 specific risks with detailed risk treatment plans relating to the management of fraud and probity issues of both contractors and employees as follows R00221 (Suspension / failure of Financial System for duration of 2 days. (Accounts Payable, Payroll, Procurement, System Monitoring etc.)) R00244 City employee breeches employment contract and conditions - (captures employee conduct issues) R00239 Fraudulent activity committed by an officer undertaking procurement. R01327 Business Suspension or Prosecution due to Major Compliance Breach R01414 Contractor conduct adversely impacts City operations or community	https://au.promapp.com/cgg/Risk/Register	Brodie
	Documented approach	2. Fraud and Corruption Control Plan is in place and reviewed at least once every two years.	The FCC plan is in place. The FCC was adopted by council in December 2019 and the next review will be in 2021.	https://www.cgg.wa.gov.au/council-meetings/committee-meetings/city-of-greater-geraldton-audit-committee/167/documents/embedded-agenda-audit-committee-2-december-2019-1).pdf	Temba
	Internal audit considers fraud risks	3. Audit committee engages with internal audit plan to ensure fraud risks are considered. 4. The Internal Audit Plan verifies the FCC Audit is conducted as part of the Regulation 17 audit review process.	The current Internal audit Plan was endorsed by the audit committee in 2017. The Plan runs form 2017-2021 and is due for review in 2021.	D-20-134785 RFQ Strategic Internal Audit Plan	Temba
		5. Integrity policies (such as Codes of Conduct and conflicts of interest) are appropriate, clearly written and available.	Council Policy 4.2 Code of Conduct for Elected Members and Committee Members Council Policy 4.9 Procurement of Goods and Services and processes Council Policy 4.17 Public Interest Disclosure Council Policy 4.22 Fraud Control, Write-off Debts & Waive Fees and Charges Operational Policy OP034 Financial Authorisations Operational Policy OP046 Staff Purchasing Operational Policy OP054 Employee Code of Conduct Code of Business Ethics See page 6 for full list City documents directing and managing City integrity matters. All internal documents are accessible via Trim and the intranet, external documents are available via the website	GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register GO/19/0008: GOVERNANCE - REGISTER - Council Policy Register https://www.cgg.wa.gov.au/documents/council	Brodie
		6. Formal delegations and segregation of duties are established for all financial, compliance or high-risk functions.	Delegation Register CEO to Employees Authorisations CEO to Employees Delegations Register Council to CEO Operational Policy OP034 Financial Authorisations	SM/1/0008: STAFF MANAGEMENT - AUTHORISATIONS - Authorisation - Issued to Officers SM/1/0005: STAFF MANAGEMENT - AUTHORISATIONS - Delegation - Issued to Officers The Council to CEO Register of Delegation 2020-21 has been updated and approved by Council. Trim Link: D-20-089433	Brodie
		7. Line managers aware of their responsibilities regarding fraud control (as defined in FCC Plan 4.4).	Manager employee contracts Operational Policy 008 Learning and Development Staff Guide to Essential Workplace Training - July 2019 ELMO Training module Risk treatment plans as detailed above.	https://cgg.elmotalent.com.au/ GO/19/0008: GOVERNANCE - REGISTER - Council Policy Register SM/17/0013: STAFF MANAGEMENT - TRAINING AND DEVELOPMENT	Brodie

Prevention Creating a fraud-resistant organisation	Policy framework	8. Council and Employees are informed of all integrity policies and obligations upon commencement; with a yearly verification they understand and will abide by the policies (as defined in FCC Plan 4.1.2).	As above	as above	Brodie
		9. Gift and travel contribution processes are managed.	The process and system for disclosure and reporting of Councillor and CEO gifts are managed under the provisions of the <i>Local Government Act 1995</i> with guidelines provided by the Department of Local Government, Sport and Cultural Industries. Notifiable gift disclosures and the provisions regarding prohibited gifts for employees are incorporated within the Employee Code of Conduct. All are processed via the City's Governance team with each instance recorded to the relevant register.	Policies as above GO/20/0003: GOVERNANCE - GIFT DISCLOSURES - Disclosures removed s.5.89A(6) GO/20/0001: GOVERNANCE - GIFT DISCLOSURES - Notifiable Gift Disclosures Prior Entities GO/19/0019: GOVERNANCE - REGISTER - Notifiable Gifts Council Members pre October 2019 GO/19/0015: GOVERNANCE - REGISTER - Notifiable Gifts Employees GO/19/0003: GOVERNANCE - REGISTER - Register of Gifts GO/19/0011: GOVERNANCE - REGISTER - Electoral Gift Register	Brodie
		10. Council interaction with employees is strictly managed by CEO and Directors.	The Council Policy 4.2 Code of Conduct for Council Members and Committee Meetings clearly directs and limits the interaction of Councillors and staff. Councillors are required to utilise the City's Councillor Helpdesk when accessing engaging with City on operational matters outside of Council meetings. This is also detailed in Councillor training and employee inductions	GO/19/0008: GOVERNANCE - REGISTER - Council Policy Register SM/17/0013: STAFF MANAGEMENT - TRAINING AND DEVELOPMENT	Brodie
		11. Fraud prevention and awareness training, newsletters and presentations are used to communicate the City's integrity standards (as defined in FCC Plan 4.1.2).	The Essential staff training guide details the City's standard ethics and fraud training models. In addition the City has also implemented in 1920 online cyber security training for all staff to better equip all staff in how to identify fraudulent online interactions Critical business processes are included within the CEO and staff newsletters	SM/17/0013: STAFF MANAGEMENT - TRAINING AND DEVELOPMENT	Brodie

ANNEXURE 1 - FRAUD & CORRUPTION CONTROL PLAN AUDIT

Page | 2

OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
		12. Annual Completion of FCC Audit.	The FCC was adopted by council in December 2019 and the first audit carried out in November 2020.	D-20-240267	Temba
		13. Specialist employees trained in audit and investigation.	Key staff have been training within the Governance team (Public Interest Disclosure Officer), Human Resources (Grievance and employee matters) Procurement (contracting) Treasury & Finance (transactions) to undertake audit and investigations	Details in employee records	Brodie (HR)
		14. Is there a process to receive, assess, investigate, prosecute, monitor and record allegations of fraud or corruption?	The City's codes of conduct, the Public interest disclosure policy (and processes) the Grievance management & Investigation Policy (and processes) and the monthly reporting to EMT on the City's management of conduct issues. The Promapp Process Notify the PSC / CCC provides guidelines on reporting	GO/19/0008: GOVERNANCE - REGISTER - Council Policy Register GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register https://au.promapp.com/cgg/Process GO/3/0008: GOVERNANCE - REPORTING - Conflict of Interest GO/3/0003: GOVERNANCE - REPORTING - Public Interest Disclosure PID See Risk treatment above - https://au.promapp.com/cgg/Risk/Register	Brodie

Internal controls are in place	15. Does the City have insurance cover that could respond to a fraud or corrupt act?	The City has 2 insurance policies that apply 1- Management Liability and 2 - Cyber	RM/2/0007: RISK MANAGEMENT - INSURANCE - Insurance Declaration	Brodie
	16. Business processes, especially those assessed as higher risk, have controls that are well documented, updated and understood by all employees.	Upon commencement all staff as per the Essential Staff training guide are inducted in all aspects of their roll Annually internal processes require employees acknowledge they are aware of internal processes When policies are reviewed and updated all staff are required to acknowledge they have read and understood the updated policy EMT and Council decisions are made available to all staff via both the intranet and the website. Critical business processes are included within the CEO and staff newsletters	SM/17/0013: STAFF MANAGEMENT - TRAINING AND DEVELOPMENT https://cgg.sharepoint.com/ https://www.cgg.wa.gov.au/documents/council/IM/9/0007: INFORMATION MANAGEMENT - PUBLICATIONS - CEO Staff Update	Brodie
	17. Verifying the identity and credentials of all new employees and employees transferring to areas of higher risk, including:	OP054 Employee Code of Conduct OP012 Attraction, Recruitment and Selection Promapp Recruitment Processes 1-15	GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register https://au.promapp.com/cgg/Process	Brodie (HR)
	i. verify necessary qualifications	As above	as above	Brodie (HR)
	ii. review of past work history and referee checks	As above	as above	Brodie (HR)
	iii. criminal background checks	As above	as above	Brodie (HR)
	iv. confirm professional memberships are valid	As above	as above	Brodie (HR)
	18. Supplier credentials are checked, particularly for high-risk or high value purchases, including:	All respondents to published Expressions of Interest and Request for Tenders have credentials verified. This is included within the compliance assessment	https://au.promapp.com/cgg/Process	Brodie
	i. Confirm ABN.	All new suppliers have their ABN confirmed before they are set up in Synergy.	D-17-35389	Temba
	ii. Confirm directors are not bankrupt or disqualified.	All respondents to published Expressions of Interest and Request for Tenders have credentials verified. For new suppliers who whom the City intends to enter into a contract with this includes a Comprehensive Business Finances Report via Ilion which verifies director status	https://au.promapp.com/cgg/Process	Brodie

ANNEXURE 1 - FRAUD & CORRUPTION CONTROL PLAN AUDIT

Page | 13

OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
		iii. Complete D&B Comprehensive Business Finances Report (risk, finances, ASIC, ABN, adverse action, ownership, experience etc.) for all tendered contracts, or for high-risk contracts with new suppliers.	All respondents to published Expressions of Interest and Request for Tenders have credentials verified. For new suppliers who whom the City intends to enter into a contract with this includes a Comprehensive Business Finances Report (risk, finances, ASIC, ABN, adverse action, ownership, experience etc.)	https://au.promapp.com/cgg/Process	Brodie
		iv. Verification of suppliers insurances & licenses relevant to contracts.	All respondents to published Expressions of Interest and Request for Tenders have credentials verified. This is included within the compliance assessment	https://au.promapp.com/cgg/Process	Brodie
		v. Appointed Public Interest Disclosure Officer with associated processes and policies for PID issues.	Resources published to website and intranet View Don't be afraid to speak up - a guide to the Public Interest Disclosure Act. View the Public Interest Disclosure Internal Procedures View the Public Interest Disclosure Procedures for the City of Greater Geraldton View the Public Interest Code of Conduct and Integrity Interest Disclosure video shown at City Governance Inductions for new staff Public Interest Disclosure Officer : M Adam	Public https://www.cgg.wa.gov.au/your-council/council/public-interest-disclosure.aspx	Brodie
		19. Implemented of Monitoring and review activities detection systems, to identify potential fraud as soon as possible.	General Ledger reconciliations are carried out every month. The aim is to make sure that any transaction which is out of place is quickly identified and investigated. The bank account is reconciled on a daily basis, this ensures that all deposits are banked on time and intact and all reconciling items are investigated immediately. The accounts payable system is capable of detecting duplication of invoices, if an attempt is made to process the same invoice twice, it is immediately flagged as a duplicate.		Temba

Detection Ready to detect fraud	Detection systems are in place	i. Analysis of suspicious transactions, for example, duplicate payments or claims;	Same as above		Temba
		ii. Identification of unusual relationships, for example, employee bank account matches a supplier bank account;	Synergy cannot perform his function. The two modules(Accounts Payable and Payroll) do not share the same contacts data base. This function can be done manually in Excel but is currently not being done. See 19 viii below.		Temba
		iii. Verification of receipt of goods prior to payment of any invoice	The invoice is initially checked by the officer responsible for the purchase. They check that the goods supplied and price charged are consistent with the purchase order issued for the goods. If the officer is satisfied, they sign the invoice as acknowledgement of goods received and the manager also signs the invoice authorising it for payment. If there are any anomalies with the invoice the issue is raised with the supplier and no further processing of the invoice is done until the issue is resolved. The purchasing officer also matches all invoices received against the respective purchase orders. Any material differences between the invoice and the purchase order is queried with the relevant officer. Accounts payable will not process any invoice that is not appropriately authorised.	https://au.promapp.com/cgg/Process/11c7b066-6b3e-4c4f-b17c-4b7a4d8c7489?force=False# - https://au.promapp.com/cgg/Process/7f4ecdec-425c-4094-abde-114bc546e8a7?force=False#	Temba
		iv. Verification of invoices against accepted contract price.	The invoice is initially checked by the officer responsible for the purchase. They check that the goods supplied and price charged are consistent with the purchase order issued for the goods. If the officer is satisfied, they sign the invoice as acknowledgement of goods received and the manager also signs the invoice authorising it for payment. If there are any anomalies with the invoice, the issue is raised with the supplier and no further processing of the invoice is done until the issue is resolved. The purchasing officer also matches, in the system, all invoices received against the respective purchase orders. Any material differences between the invoice and the purchase order is queried with the relevant officer. Accounts payable will not process any invoice that is not appropriately authorised.	https://au.promapp.com/cgg/Process/11c7b066-6b3e-4c4f-b17c-4b7a4d8c7489?force=False# - https://au.promapp.com/cgg/Process/7f4ecdec-425c-4094-abde-114bc546e8a7?force=False#	Temba
		v. Assessing the effectiveness of internal controls, for example, password sharing, employees remaining on the payroll after termination/resignation;	There is a policy in place that regulates the use of computers. Users go through an induction training when they start with the City and are made aware of their responsibilities. The payroll officer is responsible for removing terminated employees from the system. During the preparation of every pay run the officer checks that all terminated employees have been removed. After every pay run managers/supervisors sign off on all salary payments made to employees under them. At this stage the manager/supervisor will be able to pick out an employee still in the system after being terminated.	D-17-80643 : Operational Policy - OP052 - Version 3 - Acceptable Use of Office Equipment, Electronic Communication and the Internet - 8 November 2017	Temba
		vi. Identification for regular trends over a period of time, for example, supplier favouritism;	Assessed as part of the City's response to the annual Compliance Audit Return when the City undertakes a review of supplier expenditure.	https://au.promapp.com/cgg/Process	Brodie

ANNEXURE 1 - FRAUD & CORRUPTION CONTROL PLAN AUDIT

Page | 14

OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
		vii. An ability to analyses large volumes of transactions over periods of time rather than relying on sampling techniques.	Synergy is capable of extracting large volumes of transactions for analysis. This is done regularly when reconciling general ledger accounts.		Temba
		viii. Cross-reference supplier financial data with secondary employment and conflict of interest registers.	Current Synergy systems prevents effective management of this action as Supplier and Employee details are separate. Process is currently managed via the secondary employment approval process and Employee training relating to conflicts of interest as detailed above.		Brodie (HR)
		ix. Exception Reporting for unusual transactions and business processes.	The current system has limitations when it comes to exceptional reporting. Regular reconciliation of GL accounts helps in monitoring unusual transactions. Managers are also required to review their area's budget variances on a monthly basis and give explanations on variances above \$25k.		Temba
		x. Supply expenditure reviews to ensure procurement compliance with CP4.9 and tender requirements.	Annual as part of the City's response to the annual Compliance Audit Return the City undertakes a review of supplier expenditure.	https://au.promapp.com/cgg/Process	Brodie

		20. Multiple avenues are in place for staff, the public and suppliers to report concerns.	The PID process and codes of conduct, and grievance management and investigation policy provide the primary means of reporting concerns for both staff and external parties. The Minor Breach system is a reporting mechanism whereby alleged breaches of the rules of conduct regulations for council members may be reported to the Local Government Standards panel. The City also has the customer services charter and Council Policy CP 4.28 Managing unreasonable customer conduct	https://www.cgg.wa.gov.au/documents/council PID page as above internal policies as follows GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register https://au.promapp.com/cgg/Process	Brodie
		21. Reporting processes are well advertised and include anonymous options.	Yes included within the PID process detailed above	as above	Brodie
		22. Internal Audit Reports with findings and recommendations to be submitted to EMT and Audit Committee.	Internal Audit reports with findings are submitted to the Audit committee and EMT	D-19-101197 / D-19-016330	Temba
		23. Employee supervision processes	Employee supervision is documented formally via the following City systems Human resources - Performance management guides Human resources - Promapp process (42 process across employee matters) Safety management systems - Safety Management Plan Safety management systems - Roles and responsibility procedures safety management systems - Roles and responsibility procedures City policies as pervious detailed above	GO/19/0008: GOVERNANCE - REGISTER - Council Policy Register GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register https://au.promapp.com/cgg/Process https://cgg.sharepoint.com/SitePages/hr-performance-management.aspx https://cgg.sharepoint.com/SitePages/osh-home.aspx	Brodie (HR)
		i. Secondary Employment	Code of Conduct directs CEO approval required for all secondary employment. All staff are informed of this requirement upon commencement as per the City's Essential Staff Training Guide.	internal policies as follows GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register https://au.promapp.com/cgg/Process SM/17/0013: STAFF MANAGEMENT - TRAINING AND DEVELOPMENT	Brodie (HR)
		ii. Conflict of Interest Management	Conflict of interest management is included within the City's codes of conduct, procurement of goods and services policy, Code of Business Ethics and the Essential Staff Training Guide which details the City induction and refresher requirements for all City processes. The Risk treatment plans as details above also address this issue	GO/19/0008: GOVERNANCE - REGISTER - Council Policy Register GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register https://au.promapp.com/cgg/Process GO/3/0008: GOVERNANCE - REPPORTING - Conflict of Interest See Risk treatment above - https://au.promapp.com/cgg/Risk/Register	Brodie (HR)
		iii. Job rotation and leave practices to be undertaken for high-risk areas	Have implemented the requirement to manage and take leave at an Organisational level. Job rotation is not currently operational viable. The City instead manages this via synergy system controls, segregation of duties and supervision.		Brodie (HR)
		iv. Use of City Resources	The Code of Conduct, OP021 City resources and OP 009 Light Vehicle Use policies provide clear directions to staff on utilising City resources. These are included in the Essential Staff Training Guide which details the City induction and refresher requirements for all City processes.	GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register SM/17/0013: STAFF MANAGEMENT - TRAINING AND DEVELOPMENT	Brodie
		v. Access and use of City data	The Codes of Conduct and the OP006 Mobile Devices,OP036 Remote Access, OP052 Acceptable Use of Office Equipment, Electronic communications and the Internet, OP053 Document Management Protocols. These are included in the Essential Staff Training Guide which details the City induction and refresher requirements for all City processes.	GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register SM/17/0013: STAFF MANAGEMENT - TRAINING AND DEVELOPMENT	Brodie

OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
Response Ready to respond to potential fraud	All information is considered	24. Implement processes to record, analyses and escalate all incidents.	The City's codes of conduct, the Public interest disclosure policy (and processes) the Grievance management & Investigation Policy (and processes) and the monthly reporting to EMT on the City's management of conduct issues ensures incidents are escalated as required. The CEO is the complaints officer for reporting complaints of minor breach by council members to the standards panel. a Promapp process provides guidelines for the process -' Lodge a complaint of a minor breach against an elected member'	GO/19/0008: GOVERNANCE - REGISTER - Council Policy Register GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register https://au.promapp.com/cgg/Process GO/3/0008: GOVERNANCE - REPORTING - Conflict of Interest GO/3/0003: GOVERNANCE - REPORTING - Public Interest Disclosure PID See Risk treatment above - https://au.promapp.com/cgg/Risk/Register	Brodie
		25. Is there an established reporting process to PSC, CCC or DLGCS where fraud/corrupt matters have occurred.	Yes as above and specifically within the City's Notify the PSC or CCC in relation to reportable matters	as above	Brodie
		26. Processes are in place to review internal controls after incidents.	All City policies, processes and risk treatment plans undergo an either an annual or biannual review process. this includes considerations of matters arising in the prior period. In the event of significant change the review will be undertaken immediately following an incident or change. This is a requirement of the City's risk management framework, compliance management plan, and promapp governance charter	Promapp Governance Charter GO/19/0008: GOVERNANCE - REGISTER - Council Policy Register GO/19/0012: GOVERNANCE - REGISTER - Operational Policy Register https://au.promapp.com/cgg/Process See Risk treatment above - https://au.promapp.com/cgg/Risk/Register Risk management and compliance management plans	Brodie
		27. Annual reporting of FFC matter to EMT and Audit committee	This report is the first FFC report completed since the establishment of the plan. Previously fraud matters were considers via the external audit process or via exception.	This document	Brodie



City of
Greater Geraldton
a vibrant future



FRAUD & CORRUPTION CONTROL PLAN

2019



Contents

- 1. INTRODUCTION.....2**
- 2. DEFINITIONS2**
 - 2.1. Fraud.....2
 - 2.2. Corruption3
 - 2.3. Misconduct.....3
- 3. PLANNING AND RESOURCING3**
 - 3.1. Program for Planning and Review3
 - 3.2. Resources and Responsibilities3
 - 3.2.1. Chief Executive Officer3
 - 3.2.2. Directors, Managers and Line Managers4
 - 3.2.3. Employees.....4
 - 3.2.4. Executive Sponsor for Fraud and Corruption Control4
 - 3.2.5. Public Interest Disclosure officers5
 - 3.2.6. Internal Audit Investigator Role5
 - 3.2.7. Human Resources5
 - 3.2.8. Audit Committee5
 - 3.3. External Assistance5
- 4. FRAUD AND CORRUPTION PREVENTION5**
 - 4.1. Integrity Framework.....5
 - 4.1.1. Code of Conduct5
 - 4.1.2. Policies and procedures6
 - 4.1.3. Legislation7
 - 4.2. Internal Control Systems7
 - 4.3. Risk Assessment.....7
 - 4.4. Training and Awareness7
 - 4.4.1. Orientation Program Key Services Induction 8
 - 4.4.2. Essential Workplace Training 8
 - 4.4.3. Ethics and Conduct Training 8
 - 4.4.4. Policy Acknowledgement 8
 - 4.5. Employment Screening.....8
 - 4.6. Supplier and Customer Integrity9
- 5. FRAUD AND CORRUPTION DETECTION9**
 - 5.1. Fraud and Corruption Detection Program.....9
 - 5.2. Internal Audit9
 - 5.3. Role of External Auditors9
- 6. MECHANISMS FOR REPORTING10**
- 7. RESPONDING TO FRAUD AND CORRUPTION INCIDENTS.....10**
 - 7.1. Investigation and Disciplinary Procedures10
 - 7.2. Internal Control Review10
 - 7.3. Internal Reporting10
- Annexure 1 - Fraud & Corruption Control Plan Audit11**
- Annexure 2 - Risk Guidance16**

1. INTRODUCTION

The City of Greater Geraldton (the City) is committed to the highest possible standards of openness, probity and accountability in all its operations.

The City has zero tolerance to fraud, corruption or misconduct (fraud or corruption). Suspected fraud or corruption will be reported, investigated and resolved in accordance with internal policies and procedures and the Corruption, Crime and Misconduct Act 2003. All legal obligations to the principles of procedural fairness will be met.

All employees share in the collective responsibility to assess the risk of fraud and corruption in the activities undertaken in their department, identify and report suspected fraud or corruption, and behave ethically and promote a culture of integrity in the workplace.

This Fraud and Corruption Control Plan (the Plan) details the City's intended action in implementing and monitoring fraud and corruption prevention, detection and response initiatives.

The Plan has been developed in line with Australian Standard AS8001-2008 Fraud and Corruption Control and forms an integral part of the City's Risk Management Framework.

This plan applies to:

- 1) all employees whether by way of appointment, secondment, contract, temporary arrangement or volunteering, work experience, trainees and interns; and
- 2) any external party involved in providing goods and services, with or without receipt of payment, to the City, such as contractors, consultants, outsourced service providers and suppliers.

Where a fraud and corruption process has not been defined, the City will draw on the AS8001 Fraud and Corruption Control Standard and the Office of Auditor General Fraud Prevention in Local Government report for guidance.

2. DEFINITIONS

2.1. Fraud

Fraud is defined by Australian Standard AS8001-2008 as:

"Dishonest activity causing actual or potential financial loss to any person or entity including theft of money or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity"

Fraud includes any practice that involves deceit or other dishonest means by which a benefit is obtained from the government. The benefits may be obtained by:

- 1) Employees (known as 'internal' or 'workplace' fraud).
- 2) Persons external to the City, either with or without assistance from the City employees (known as 'external' or 'customer' or 'client' fraud).

Fraud can take many forms, including (but not limited to):

- 3) theft or obtaining property, financial advantage or any other benefit by deception;
- 4) providing false or misleading information, or failing to provide information where there is an obligation to do so;
- 5) causing a loss, or avoiding or creating a liability by deception;
- 6) making, using or possessing forged or falsified documents;
- 7) unlawful use of computers, vehicles, telephones and other property or services; and
- 8) manipulating expenses or salaries.

2.2. Corruption

Corruption is defined by Australian Standard AS8001-2008 as:

“Dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity”.

Corruption is any conduct that is improper, immoral or fraudulent and may include (but not limited to):

- 1) conflict of interest;
- 2) dishonestly using influence;
- 3) blackmail;
- 4) failure to disclose gifts or hospitality;
- 5) acceptance of a bribe
- 6) nepotism;
- 7) misuse of internet or email; and
- 8) the unauthorised release of confidential, private information or intellectual property.

2.3. Misconduct

Serious misconduct as defined by the Corruption, Crime and Misconduct Act 2003 is when a public officer:

- 1) acts corruptly or corruptly fails to act in the course of their duties; or
- 2) corruptly takes advantage of their position for the benefit or detriment of any person; or
- 3) commits an offence which carries a penalty of two or more year’s imprisonment.

Minor misconduct as defined by section 4(d) of the Corruption, Crime and Misconduct Act 2003 occurs if a public officer engages in conduct that:

- 4) adversely affects, or could adversely affect, directly or indirectly, the honest or impartial performance of the functions of a public authority or public officer, whether or not the public officer was acting in their public officer capacity at the time of engaging in the conduct; or
- 5) constitutes or involves the performance of his or her functions in a manner that is not honest or impartial; or
- 6) constitutes or involves a breach of trust placed in the public officer because of his or her office or employment as a public officer; or
- 7) involves the misuse of information or material that the public officer has acquired in connection with his or her functions as a public officer, whether the misuse is for the benefit of the public officer or the benefit or detriment of another person.

3. PLANNING AND RESOURCING

3.1. Program for Planning and Review

The City organisational values and culture, governance and risk management framework and controls, work together to prevent, detect and respond to potential or actual fraudulent or corrupt conduct.

This Fraud and Corruption Control Plan details the City’s approach to fraud and corruption prevention, detection and response.

3.2. Resources and Responsibilities

3.2.1. Chief Executive Officer

The CEO has responsibility for the effective and economical use of the City’s resources and for determining appropriate controls in managing fraud and corruption risks in the City. This responsibility is appropriately delegated

to the directors, managers and line managers.

Under the Corruption, Crime and Misconduct Act 2003, the CEO is required to notify the Public Sector Commission of suspected minor fraud or corruption, or the Corruption and Crime Commission (CCC) if serious fraud or corruption is suspected.

3.2.2. Directors, Managers and Line Managers

Directors, managers and line managers are responsible for ensuring that the Plan is implemented within their business units, in particular, they must be:

- 1) providing leadership, guidance and support of employees in preventing fraud and corruption and modelling ethical behaviour;
- 2) setting/enforcing disciplinary standards;
- 3) identifying high fraud and corruption risk areas;
- 4) identifying specific sources of fraud or corruption risk;
- 5) participating in fraud and corruption risk assessment reviews;
- 6) implementing remedial action to address issues identified by the fraud and corruption risk assessment reviews;
- 7) assessing the cost/benefit of introducing anti-fraud and corruption procedures;
- 8) developing/modifying practices to reduce fraud and corruption risk;
- 9) monitoring the continued operation of controls to prevent fraud and corruption;
- 10) receiving reports of suspected fraud or corruption from employees and taking appropriate steps to address concerns reported;
- 11) reporting suspected fraud and corruption promptly and maintaining confidentiality; and
- 12) ensuring the protection of complainants who report fraudulent or corrupt activities.

3.2.3. Employees

All employees have a responsibility to contribute to preventing fraud and corruption by acting ethically; complying with controls, policies and procedures, and reporting suspected incidences of fraudulent or corrupt behaviour through the internal reporting framework (encouraged in the first instance).

The City will provide support and protection to any employee who reports incidences of fraud and corruption.

To be able to actively and positively contribute to fraud and corruption prevention, all employees should:

- 1) embrace an ethical work-place culture;
- 2) recognise the value and importance of personally contributing to fraud and corruption prevention;
- 3) develop an understanding of good work practices, systems and controls;
- 4) keep abreast of best practices for preventing fraud and corruption;
- 5) become aware of the different types of fraud and corruption that can occur in the workplace and how to detect them; and
- 6) report suspected incidences of fraudulent or corrupt conduct in accordance with policies and procedures.

3.2.4. Executive Sponsor for Fraud and Corruption Control

In recognising that fraud and corruption are significant business risks, the Director Corporate & Commercial Services is the City's designated Executive Sponsor for the Plan.

The role of the Executive Sponsor is to champion fraud and corruption control within the City and to oversee the development and implementation of the Plans effective integration into the City's strategic and corporate planning and governance and operational systems.

3.2.5. Public Interest Disclosure officers

Public Interest Disclosure (PID) officers will investigate information disclosed, or cause that information to be investigated, and take action following the completion of the investigation in accordance with the relevant provisions of the Public Interest Disclosure Act 2003 (PID Act).

3.2.6. Internal Audit Investigator Role

Internal Audit employees are formally qualified in Government Investigation and Government Fraud Control and play a key role in investigating suspected fraud and corruption.

3.2.7. Human Resources

Human Resources plays a major role in both the management of the grievance and the discipline process. Its responsibilities also include the development of fraud and corruption awareness and education programs.

3.2.8. Audit Committee

The Audit Committee is responsible for ensuring regular Fraud & Corruption Control Plan Audit (FCC Audit) are undertaken.

The FCC Audit is designed to assist the City to monitor and review its misconduct resistance approach.

The purpose is to identify:

- 1) work areas where elements of the City misconduct resistance approach may need refreshing or improving; and
- 2) elements of the misconduct resistance approach that may need attention across the entire agency.

3.3. External Assistance

The Public Sector Commission and Corruption and Crime Commission work in collaboration with government agencies to educate, prevent, assess and investigate fraud and corruption in the public sector.

The OAG as the agency accountable for the audit oversight of the entire sector and provides recommendations to improve local government management practices.

The Western Australia Local Government Association provides support to local governments with a range of governance and probity advice services. WALGA provides comprehensive training support to both Councillors and local government employees.

Local Government Insurance Scheme (WA) provides insurance, risk and governance services to local governments.

4. FRAUD AND CORRUPTION PREVENTION

4.1. Integrity Framework

4.1.1. Code of Conduct

The Local Government Act 1995 section 5.103(1) directs that “every local government is to prepare or adopt a code of conduct to be observed by employees.” As such the City has implemented the Operational Policy 0054 Employee Code of Conduct which governs the required standard of behaviour for all City employees.

In addition, the council policy 4.2 code of conduct for Council members and committee members has also been implemented which takes account of their specific roles and requirements. This policy aligns with the Local Government Act and the Local Government (Rules of Conduct) Regulations 2007 section 3, which provide further specific obligations for councilors and committee members.

4.1.2. Policies and procedures

The City has a range of policies and procedures in place that governs and support the City's day-to-day operations and decision making. Fraud and corruption prevention and detection controls are embedded in various policies including (but not limited to):

- | | |
|---|---|
| 1) Council Policy 4.1 Council Member Continuing Professional Development & Travel | 23) Operational Policy OP038 Disposal of ICT Equipment to Staff |
| 2) Council Policy 4.2 Code of Conduct for Elected Members and Committee Members | 24) Operational Policy OP039 Plant and Equipment Use |
| 3) Council Policy 4.7 Risk Management policy and processes | 25) Operational Policy OP042 Working from Home |
| 4) Council Policy 4.9 Procurement of Goods and Services and processes | 26) Operational Policy OP044 Negotiated Contract Remuneration |
| 5) Council Policy 4.13 Record Keeping | 27) Operational Policy OP045 CCTV Surveillance System |
| 6) Council Policy 4.14 Payments to Employees in addition to Contract or Award | 28) Operational Policy OP046 Staff Purchasing |
| 7) Council Policy 4.17 Public Interest Disclosure | 29) Operational Policy OP047 Grievance Management and Investigation |
| 8) Council Policy 4.21 Related Party Disclosures | 30) Operational Policy OP049 Use of Global Positioning Systems (Use of GPS) |
| 9) Council Policy 4.22 Fraud Control, Write-off Debts & Waive Fees and Charges | 31) Operational Policy OP051 Make Payments from Municipal Fund or Trust Fund |
| 10) Operational Policy OP002 Disciplinary Policy | 32) Operational Policy OP052 Acceptable Use of Office Equipment, Electronic Communications and the Internet |
| 11) Operational Policy OP006 Mobile Devices | 33) Operational Policy OP053 Document Management Protocols |
| 12) Operational Policy OP007 Orientation Program | 34) Operational Policy OP054 Employee Code of Conduct |
| 13) Operational Policy OP008 Learning and Development | 35) Operational Policy OP056 Volunteer Policy |
| 14) Operational Policy OP009 Light Vehicle Use | 36) Delegation Register CEO to Employees |
| 15) Operational Policy OP011 Employee Travel and Accommodation | 37) Authorisations CEO to Employees |
| 16) Operational Policy OP012 Attraction Recruitment and Selection | 38) Delegations Register Council to CEO |
| 17) Operational Policy OP021 City Resources | 39) Financial Management Manual |
| 18) Operational Policy OP023 Petty Cash | 40) Confidentiality and Release of Official Information policy |
| 19) Operational Policy OP024 Freedom of Information | 41) Acceptable Use of ICT |
| 20) Operational Policy OP033 Social Media and Online Communications | 42) Code of Business Ethics |
| 21) Operational Policy OP034 Financial Authorisations | 43) Contractor Safety Handbook |
| 22) Operational Policy OP037 Corporate Credit | |

The City policies are available via the City's record management system Trim. The supporting processes and templates relating to the above documents are available via promapp.

4.1.3. Legislation

Relevant legislation includes (but not limited to)

- | | |
|--|---|
| 1) <i>Local Government Act 1995</i> | <i>Regulations 1996</i> |
| 2) <i>Local Government (Financial Management) Regulations 1996</i> | 6) <i>Public Sector Management Act 1994</i> |
| 3) <i>Local Government (Rules of Conduct) Regulations 2007</i> | 7) <i>Corruption, Crime and Misconduct Act 2003</i> |
| 4) <i>Local Government (Administration) Regulations 1996</i> | 8) <i>Criminal Code Act Compilation Act 1913</i> |
| 5) <i>Local Government (Functions and General)</i> | 9) <i>Public Interest Disclosure Act 2003</i> |
| | 10) <i>State Records Act 2000</i> |
| | 11) <i>Freedom of Information Act</i> |

4.2. Internal Control Systems

All business processes, especially those identified as having a higher risk of fraud and corruption (as defined under section 2 in this document), are subject to a rigorous system of internal controls that are documented, reviewed and updated regularly, and understood by relevant employees.

Strong internal controls are important in protecting against fraud and corruption. In many cases where fraud and corruption are detected, it is possible to identify a fundamental control weakness or failure that either allowed the incident to occur or failed to detect it quickly after it occurred.

Line managers are responsible for ensuring appropriate work systems, including internal controls, are established and maintained. Line managers are to request regular audit reviews which include compliance testing.

4.3. Risk Assessment

Each department area must systematically identify, assess and review fraud and corruption risks in line with the City's Risk Management Policy and Framework.

The most important outcome of the fraud and corruption risk assessment process is the development of a treatment plan that specifically addresses the risks identified. These measures should be monitored for effectiveness over time. The following are identified risks fraud and corruption risks that the City has identified and which teams are to use as a starting point for their risk assessment.

- 1) Fraudulent/corrupt behaviour by an employee involved in procurement.
- 2) Fraudulent/corrupt behaviour by an employee involved in issuing of approvals/ licenses/authorisations.
- 3) Fraudulent behaviour by an employee involved in financial transactions (including payroll).
- 4) Employee claims/receive benefits to which they are not entitled (includes leave, misuse of credit cards etc.).
- 5) Contractor/provider paid for goods/services not received.

Refer to Annexure 2 for further guidance on fraud risks issues.

4.4. Training and Awareness

Mandatory training through the City's induction program and the Accountable and Ethical Decision-Making program (in ELMO) provides every employee with a general awareness of fraud and corruption and how to respond if this type of activity is detected or suspected.

The following training forms part of the City broader essential training for City employees, and details in part of whole elements of the City's fraud and corruption management controls.

4.4.1. Orientation Program Key Services Induction

- | | |
|---|---|
| <ol style="list-style-type: none"> 1) Stage 1 - Pre-employment Induction (online) 2) Stage 2 - Local Induction (face to face) 3) Stage 3 - Key Services Induction - Human Resources (face to face) 4) Stage 3 - Key Services Induction - ICT Services (face to face) 5) Stage 3 - Key Services Induction - | <p>Introduction to Local Government (face to face)</p> <ol style="list-style-type: none"> 6) Stage 3 - Key Services Induction - Treasury & Finance (face to face) 7) Stage 3 - Key Services Induction - Occupational Safety & Health (face to face) 8) Stage 3 - Key Services Induction - TRIM Training (face to face) |
|---|---|

4.4.2. Essential Workplace Training

- | | |
|--|--|
| <ol style="list-style-type: none"> 1) Accountable & Ethical Decision Making (online) 2) CGG Security Awareness Training – Module 1 – Email Security (online) 3) CGG Security Awareness Training - Module 2 - Email Phishing (online) 4) CGG Security Awareness Training - Module 3 | <p>- Mobile Device (online)</p> <ol style="list-style-type: none"> 5) CGG Security Awareness Training - Module 4 - Security Beyond email (online) 6) Part 1 - Introduction to Procurement (face to face) 7) Part 3 - Tender Management (face to face) |
|--|--|

4.4.3. Ethics and Conduct Training

- | | |
|--|--|
| <ol style="list-style-type: none"> 1) Conflict of Interest (online) 2) Employee Code of Conduct (online) 3) Fraud and Corruption Awareness (online) 4) Freedom of Information (WA) (online) 5) Local Government Gift Declarations webinar | <p>(online)</p> <ol style="list-style-type: none"> 6) Public Interest Disclosures (WA) (online) 7) WALGA Decision Making in Practice - Delegations webinar (online) 8) Business Ethics (online) |
|--|--|

4.4.4. Policy Acknowledgement

- | | |
|---|---|
| <ol style="list-style-type: none"> 1) Policy OP046 - Staff Purchasing (online) 2) Policy OP052 - Acceptable Use of Office Equipment, Electronic Communications and the Internet (online) 3) Policy OP033 - Social Media and Online Communications (online) 4) Policy OP041 - Occupational Safety and Health (online) 5) Policy OP006 - Mobile Devices (online) 6) Policy CP4.9 - Procurement of Goods and Services (online) 7) Code of Business Ethics 2018 (online) | <ol style="list-style-type: none"> 8) Policy OP009 - Light Vehicle Use (online) 9) Policy OP051 - Make Payments from the Municipal Fund or Trust Fund (online) 10) Policy OP011 - Employee Travel and Accommodation (online) 11) Policy OP054 - Employee Code of Conduct - Version 4 (online) 12) Policy OP047 - Grievance Management & Investigation (online) 13) Policy OP004 - Equal Employment Opportunity (online) 14) Policy OP043 - Fitness for Work (online) |
|---|---|

Further specialist training is provided to critical City employees that may have specific functions.

4.5. Employment Screening

A National Police Clearance is conducted for senior, management and finance advertised positions, as part of the recruitment process. Some identified positions also require certified evidence of permanent residency in Australia, evidence of qualifications, medical clearance and or psychological testing.

Additionally, all City employees with an actual, perceived or potential conflict of interest must, in conjunction with their line manager, develop an action plan for the management of the conflict of interest.

4.6. Supplier and Customer Integrity

While fraud and corruption is often instigated by persons internal to an organisation, it is important to consider that the City may be susceptible to externally instigated fraud or corruption. The risk of fraud and corruption is reduced when the City knows who it is dealing with in all significant commercial transactions, so the credentials, financial health and integrity of new suppliers or customers is investigated as far as practical.

When procuring goods and/or services, employees are required to seek competitive quotes from potential suppliers. In addition to ensuring that the submitted offers meet the required specifications and represent value for money, the evaluation process is to include an assessment of the supplier and their disclosure requirements. This includes the identity of the supplier and verification of the company's ABN or ACN.

The rigour of these checks and assessments are to be commensurate with the value and/or risk presented by the procurement. When ordering from a WALGA preferred supplier panels, suppliers on the panel have already completed a stringent assessment process undertaken by WALGA.

Concerns regarding a supplier's identity or its representation are to be raised with Procurement & Risk.

5. FRAUD AND CORRUPTION DETECTION

5.1. Fraud and Corruption Detection Program

The City relies on a variety of strategies to minimise the opportunity for fraud and corruption or its non-detection, including (but not limited to):

- 1) Vigilance and awareness of all employees
- 2) Internal control systems
- 3) Operational risk management processes
- 4) Procedures for reporting fraud and corruption
- 5) Internal and external audit activities

5.2. Internal Audit

Internal Audit's audit activities play an important role in identifying weaknesses in the fraud and corruption control environment.

Where it applies to fraud and corruption control, the Professional Practices Framework of the Institute of Internal Auditors is also taken into consideration for individual audit engagements.

5.3. Role of External Auditors

Australian auditing standards provide for auditing procedures so that the audit will be more likely to detect a material misstatement in financial statements due to fraud or corruption (or error).

The City's Financial Management Manual is an internal control standard that is used by auditors for monitoring compliance with procedures.

6. MECHANISMS FOR REPORTING

Employees of the City are required to report suspected fraud and corruption, including possible breaches or suspected breaches of the Code of Conduct and Discipline policy, or the Public Sector Code of Ethics.

Employees may report any suspected fraud and corruption internally via:

- 1) Line manager;
- 2) Human Resources;
- 3) PID Officers; or
- 4) Directors/CEO.

If the matter is serious and depending on the nature of the suspected fraud or corruption, the City is required to report to an appropriate external agency such as the CCC or the Police.

RESPONDING TO FRAUD AND CORRUPTION INCIDENTS

6.1. Investigation and Disciplinary Procedures

All reports of suspected fraud or corruption will be investigated and dealt with in line with the City's Disciplinary Policy and Procedures.

Appropriate action will be taken, which may include disciplinary action or referral to an external agency such as the PSC, CCC or the WA Police.

Confidentiality will be maintained throughout any investigative process.

6.2. Internal Control Review

In each instance where fraud or corruption is detected, the Executive Sponsor for Fraud and Corruption Control will require line management to reassess the adequacy of internal control systems, particularly those directly relating to the fraud or corruption incident, and recommend improvements if required.

6.3. Internal Reporting

The City will record and report to appropriate oversight bodies all incidences of fraud and corruption.

ANNEXURE 1 - FRAUD & CORRUPTION CONTROL PLAN AUDIT



OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
Planning A developed and coordinated approach to managing fraud risks	Risks identified	1. Fraud risks across the City are assessed, documented, and controls are in place.			
	Documented approach	2. Fraud and Corruption Control Plan is in place and reviewed at least once every two years.			
	Internal audit considers fraud risks	3. Audit committee engages with internal audit plan to ensure fraud risks are considered.			
		4. The Internal Audit Plan verifies the FCC Audit is conducted as part of the Regulation 17 audit review process.			
Prevention Creating a fraud-resistant organisation	Policy framework	5. Integrity policies (such as Codes of Conduct and conflicts of interest) are appropriate, clearly written and available.			
		6. Formal delegations and segregation of duties are established for all financial, compliance or high-risk functions.			
		7. Line managers aware of their responsibilities regarding fraud control (as defined in FCC Plan 4.4).			
		8. Council and Employees are informed of all integrity policies and obligations upon commencement; with a yearly verification they understand and will abide by the policies (as defined in FCC Plan 4.1.2).			
		9. Gift and travel contribution processes are managed.			
		10. Council interaction with employees is strictly managed by CEO and Directors.			
		11. Fraud prevention and awareness training, newsletters and presentations are used to communicate the City's integrity standards (as defined in FCC Plan 4.1.2).			

OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
		12. Annual Completion of FCC Audit.			
	Internal controls are in place	13. Specialist employees trained in audit and investigation.			
		14. Is there a process to receive, assess, investigate, prosecute, monitor and record allegations of fraud or corruption?			
		15. Does the City have insurance cover that could respond to a fraud or corrupt act?			
		16. Business processes, especially those assessed as higher risk, have controls that are well documented, updated and understood by all employees.			
		17. Verifying the identity and credentials of all new employees and employees transferring to areas of higher risk, including:			
		i. verify necessary qualifications			
		ii. review of past work history and referee checks			
		iii. criminal background checks			
		iv. confirm professional memberships are valid			
		18. Supplier credentials are checked, particularly for high-risk or high value purchases, including:			
		i. Confirm ABN.			
		ii. Confirm directors are not bankrupt or disqualified.			

OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
		iii. Complete D&B Comprehensive Business Finances Report (risk, finances, ASIC, ABN, adverse action, ownership, experience etc.) for all tendered contracts, or for high-risk contracts with new suppliers.			
		iv. Verification of suppliers insurances & licenses relevant to contracts.			
		v. Appointed Public Interest Disclosure Officer with associated processes and policies for PID issues.			
Detection Ready to detect fraud	Detection systems are in place	19. Implemented of Monitoring and review activities detection systems, to identify potential fraud as soon as possible.			
		i. Analysis of suspicious transactions, for example, duplicate payments or claims;			
		ii. Identification of unusual relationships, for example, employee bank account matches a supplier bank account;			
		iii. Verification of receipt of goods prior to payment of any invoice			
		iv. Verification of invoices against accepted contract price.			
		v. Assessing the effectiveness of internal controls, for example, password sharing, employees remaining on the payroll after termination/resignation;			
		vi. Identification for regular trends over a period of time, for example, supplier favouritism;			

OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
		vii. An ability to analyse large volumes of transactions over periods of time rather than relying on sampling techniques.			
		viii. Cross-reference supplier financial data with secondary employment and conflict of interest registers.			
		ix. Exception Reporting for unusual transactions and business processes.			
		x. Supply expenditure reviews to ensure procurement compliance with CP4.9 and tender requirements.			
		20. Multiple avenues are in place for staff, the public and suppliers to report concerns.			
		21. Reporting processes are well advertised and include anonymous options.			
		22. Internal Audit Reports with findings and recommendations to be submitted to EMT and Audit Committee.			
		23. Employee supervision processes			
		i. Secondary Employment			
		ii. Conflict of Interest Management			
		iii. Job rotation and leave practices to be undertaken for high-risk areas			
		iv. Use of City Resources			
		v. Access and use of City data			

ANNEXURE 1 - FRAUD & CORRUPTION CONTROL PLAN AUDIT



OBJECTIVE	PRINCIPLE	FRAUD & CORRUPTION CONTROL ELEMENT	CITY FINDINGS	EVIDENCE (record, links etc.)	OFFICER RESPONDING
Response Ready to respond to potential fraud	All information is considered	24. Implement processes to record, analyses and escalate all incidents.			
		25. Is there an established reporting process to PSC, CCC or DLGCS where fraud/corrupt matters have occurred.			
		26. Processes are in place to review internal controls after incidents.			
		27. Annual reporting of FFC matter to EMT and Audit committee.			

Types of City services susceptible to fraud risk

TYPE OF FRAUD	EXAMPLES OF RELATED RISKS
<p>Rate revenue fraud — Fraudulent manipulation of rates to receive a self-benefit.</p>	<ul style="list-style-type: none"> • Incorrectly claiming discounts (such as pensioner discounts) to benefit employees, friends, family and colleagues. • Making changes to rates details to benefit employees, friends, family and colleagues.
<p>Development applications and rezoning — Frauds relating to development applications and rezoning of land for commercial and residential purposes.</p>	<ul style="list-style-type: none"> • Misuse of commercially sensitive information; • Providing kickbacks to Councillors or City staff for favourable decisions; • Undeclared conflicts of interest involving Councillors and/or City staff.
<p>Service delivery fraud — Frauds relating to the use of City-provided services to which the citizen would not normally be entitled.</p>	<ul style="list-style-type: none"> • Selling a resident's parking permit to a non-resident; • Oversupplying goods or services to benefit third parties; • Undersupplying to 'skim' goods or services (or time that would normally be devoted to the service).
<p>Compensation fraud — Frauds relating to falsely claiming City responsibility for incidents and accidents and attempting to falsely claim compensation.</p>	<ul style="list-style-type: none"> • Falsely claiming pedestrian accidents on footpaths or Council premises; • Falsely claiming road quality-related accidents; • Falsely claiming stormwater or drainage-related accidents.
<p>Grants fraud — Frauds relating to grant funds not being used for the intended service delivery objective.</p>	<ul style="list-style-type: none"> • Overpaying of grants, duplicating payments of grants or having grants claimed multiple times; • Redirecting grant funds to personal accounts; • Poor record-keeping for grants, resulting in misstatement.

Particular functions and activities undertaken can be inherently risky. For example, procurement fraud is a significant risk in the local government context because of the high volume of services City's procure from businesses in their local communities and the possibility that City employees can be linked through either personal or professional relationship to those businesses.

Types of City functions susceptible to fraud risk

TYPE OF FRAUD	EXAMPLES OF RELATED RISKS
Procurement fraud — Frauds relating to the process of acquisition of goods, services and project delivery from third parties.	<ul style="list-style-type: none"> • Unauthorised use of corporate credit or fuel cards; • Paying claims for goods or services that were not delivered; • Receiving of kickbacks or being involved in bribery, corruption or coercion related to
Travel and allowances fraud — Frauds relating to falsely claiming reimbursement of costs or allowances for which there is no entitlement.	<ul style="list-style-type: none"> • Making claims for journeys not made or overstating the distance; • Reimbursing expenses not related to City business
Payroll and salary fraud — Frauds relating to claiming pay that doesn't match work performed or conditions of employment.	<ul style="list-style-type: none"> • Creating 'ghost' employees to receive additional pay; • Falsely claiming overtime payments
Employment fraud — Fraud relating to applicants falsely claiming qualifications and skills above their ability.	<ul style="list-style-type: none"> • Misrepresenting skills, capabilities or qualifications to obtain employment; • Forgery of reference documentation.
Asset fraud — Using Council assets for other than official purposes or gaining other personal benefits.	<ul style="list-style-type: none"> • Manipulation of asset value or fraudulent asset divestment process for personal gain; • Stealing assets; • Using Council assets without authorisation.
Exploiting council information — Using confidential or commercially sensitive information for personal gain.	<ul style="list-style-type: none"> • Falsifying official records; • Providing confidential and sensitive information to others for personal gain; • Using confidential and sensitive information for personal benefit.

Early warning signs for staff and/or workplaces at risk of fraud

EARLY WARNING SIGNS: PEOPLE	EARLY WARNING SIGNS: AREAS OR ACTIVITIES
Unwillingness to share duties; refusal to take leave.	Financial information reported is inconsistent with key performance indicators.
Refusal to implement internal controls.	Abnormally high and increasing costs in a specific cost centre function.
The replacement of existing suppliers upon appointment to a position or unusually close association with a vendor or customer.	Dubious record keeping.
A lifestyle above apparent financial means; the provision of gifts to other staff members.	High overheads.
Failure to keep records and provide receipts.	Bank reconciliations not up to date.
Chronic shortage of cash or seeking salary advances.	Inadequate segregation of duties.
Past legal problems (including minor previous thefts).	Reconciliations not performed on a regular basis.
Addiction problems (substance or gambling).	Small cash discrepancies over a period of time.

AC095	STRATEGIC INTERNAL AUDIT PLAN
-------	-------------------------------

AGENDA REFERENCE:	D-20-140623
AUTHOR:	N Jane, Acting Chief Financial Officer
EXECUTIVE:	P Radalj, Director Corporate & Commercial Services
DATE OF REPORT:	19 October 2020
FILE REFERENCE:	FM/3/0025
ATTACHMENTS:	Yes (x 3)
	A. Strategic Internal Audit Plan 2017 - 2021
	B. RFQ Strategic Internal Audit Plan
	C. Financial Management System Review Part 2 – December 2018

EXECUTIVE SUMMARY:

The purpose of this report is to outline the development and delivery of a new Strategic Internal Audit Plan for 2021 – 2025 and obtain endorsement of the proposed scope. The key purpose of the plan is to ensure the implementation and establishment of adequate control systems, appropriate risk management and governance procedures to meet the City's objectives and statutory requirements.

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 development and delivery of the Strategic Internal Audit Plan 2021-2025.
2. ENDORSE the scope for the plan to include:
 - a. Financial Management Systems Review (as required by Financial Management Regulation 5).
 - b. Review of systems and procedures (as required by Audit Regulation 17).
 - c. Follow up on previous internal, external and performance audit recommendations.
 - d. Fraud & Corruption Control Plan Audit.
 - e. Procurement and Contract management.
 - f. Lease and agreement management.
 - g. Disposal of assets.
 - h. Information Technology – Cyber Risks and controls.
 - i. Management of Compliance Obligations.
 - j. Asset Management

PROPONENT:

The proponent is the City of Greater Geraldton.

Signed _____ Dated _____

BACKGROUND:

In 2017, a Strategic Internal Audit Plan 2017-2021 was endorsed to meet the statutory requirement to conduct regular reviews:

Local Government (Financial Management) Regulation 5 requires the CEO to undertake a Financial Management Systems Review (FMSR) not less than once in every three financial years. The scope of the review incorporates an assessment of the appropriateness and effectiveness of Council's financial management systems and procedures.

The last review was completed in two parts, part 1 in February 2018 and part 2 in December 2018. Therefore the next review is due to be completed early in 2021.

Local Government (Audit) Regulation 17 requires the CEO to review the appropriateness and effectiveness of systems and procedures in relation to risk management, internal control and legislative compliance, not less than once in every three financial years. This review was last completed in 2018

It is recommended that a RFQ be undertaken using the WALGA Preferred Supplier Arrangement to have a new Strategic Internal Audit Plan developed and delivered.

WALGA has established a Preferred Supplier Arrangement for Audit and Compliance Services. Categories of supply include:

1. Compliance Audit Services – services that relate to business process and governance;
2. Financial Audit Services (Internal) – evaluate the financial reports and financial reporting processes to ensure accuracy and completeness;
3. IT Audit Services – assurance services including review of strategy, risks, controls, processes and disaster recovery
4. Operational Audit Services – business process activity including compliance with standards
5. Risk and Advisory Services – risk management procedures, business process improvements;
6. Forensic Audit Services – may include fraud investigations, fraud prevention, and security risk assessments
7. Fuel Tax Audit Services – review of claims history and preparation of claims.

The proposed scope of the plan is to include:

- Financial Management Systems Review (as required by Financial Management Regulation 5)
- Review of systems and procedures (as required by Audit Regulation 17)
- Follow up on previous internal, external and performance audit recommendations
- Fraud & Corruption Control Plan audit
- Procurement and Contract management

Signed _____ Dated _____

- Lease and agreement management
- Disposal of assets
- Information Technology – Cyber Risks and controls
- Management of Compliance Obligations
- Asset Management

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 audit committee plays a key role in assisting to fulfil governance and oversight responsibilities in relation to financial reporting and internal audit functions. Implementing a Strategic Internal Audit Plan will assist in the implementation and establishment of adequate control systems, appropriate risk management and governance procedures.

RELEVANT PRECEDENTS:

The Strategic Internal Audit Plan 2017–2021 was endorsed by the Audit Committee:

AC051 – Strategic Internal Audit Plan – 21 February 2017

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government (Audit) regulations 1996, section 16:

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;

*(c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —*

(i) report to the council the results of that review; and

(ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —

Signed _____ Dated _____

- (i) regulation 17(1); and
- (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (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); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

Local Government (Audit) regulations 1996, section 17:

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

Local Government (Financial Management) regulations 1996, section 5:

- (1) Efficient systems and procedures are to be established by the CEO of a local government —
 - (a) for the proper collection of all money owing to the local government; and
 - (b) for the safe custody and security of all money collected or held by the local government; and
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
 - (d) to ensure proper accounting for municipal or trust —
 - (i) revenue received or receivable; and
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities; and

Signed _____ Dated _____

- (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
- (f) *for the maintenance of payroll, stock control and costing records; and*
- (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) *The CEO is to —*
- (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
- (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

FINANCIAL AND RESOURCE IMPLICATIONS:

Provision in the budget is made to undertake these required reviews.

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

Failure to implement a Strategic Internal Audit Plan will heighten the risk of becoming non-compliant with the legislative requirements of Audit Regulation 17 and Financial Management Regulation 5.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative options were considered.

COMMITTEE DECISION

MOVED Cr Thomas, **SECONDED** Cr Colliver

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

- 1. ENDORSE the development and delivery of the Strategic Internal Audit Plan 2021-2025.**
- 2. ENDORSE the scope for the plan to include:**
 - a. Financial Management Systems Review (as required by Financial Management Regulation 5).**

Signed _____ Dated _____

- b. Review of systems and procedures (as required by Audit Regulation 17).**
- c. Follow up on previous internal, external and performance audit recommendations.**
- d. Fraud & Corruption Control Plan Audit.**
- e. Procurement and Contract management.**
- f. Lease and agreement management.**
- g. Disposal of assets.**
- h. Information Technology – Cyber Risks and controls.**
- i. Management of Compliance Obligations.**
- j. Asset Management**

Carried 4/0

Signed _____ Dated _____



STRATEGIC INTERNAL AUDIT PLAN



For the five years ending
30 June 2021



Table of Contents

1. Executive Summary	3
1.1. Preparing the Strategic Audit Plan	3
1.2. Audit Plan Period	3
1.3. The Role of Internal Audit	3
1.4. Internal Audit Services.....	3
1.5. Audit Planning Approach.....	3
2. Key Issues.....	4
2.1. Meeting legislative requirements.....	4
2.2. Implementation of appropriate risk management.....	4
2.3. Establishment of adequate control systems	4
2.4. Implementation of appropriate governance processes and procedures.....	4
3. Internal Audit Methodology	5
3.1. Specific Objectives.....	5
3.2. Partnership Approach.....	5
4. Internal Audit Risk Assessment	6
4.1. Approach to Risk Assessment.....	6
4.2. Guidance as to Risk Classification.....	6
5. Internal Audit Strategic Audit Plan	7
6. Measurement of Internal Audit Effectiveness	18
6.1. Effective Measures	18
7. Internal Audit Reporting.....	18
7.1. The Audit and Risk Management Committee	18
7.2. Reporting of Audit Results.....	18
8. Fee Quotation.....	20

1. Executive Summary

1.1. Preparing the Strategic Audit Plan

At the request of the Chief Executive Officer (“CEO”) of the City of Greater Geraldton, AMD Chartered Accountants (AMD) has developed a five year Strategic Internal Audit Plan (the Plan) for the City of Greater Geraldton.

1.2. Audit Plan Period

The Plan covers the five years ending 30 June 2021.

1.3. The Role of Internal Audit

The Institute of Internal Auditors Code of Ethics states:

“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.”

Therefore AMD’s role is to operate as an independent appraisal function to City of Greater Geraldton for the review of operations and effectiveness of systems and controls, as a service to the City of Greater Geraldton CEO, Audit and Risk Management Committee and Council.

1.4. Internal Audit Services

The Institute of Internal Auditors Professional Practices Framework identifies three broad categories in respect to Internal Audit as follows:

) Risk Management

“The internal audit activity should assist the organisation by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.”

) Controls

“The internal audit activity should assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.”

) Governance

“The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- ❖ *Promoting appropriate ethics and values within the organization.*
- ❖ *Ensuring effective organisational performance management and accountability.*
- ❖ *Effectively communicating risk and control information to appropriate areas of the organisation.*
- ❖ *Effectively coordinating the activities of and communicating information among the Council, external and internal auditors and management.”*

1.5. Audit Planning Approach

To be effective, internal audit needs to contribute to the achievement of City of Greater Geraldton’s objectives and statutory requirements, understanding its critical success factors and the key risks and barriers to achieving these.

To develop this Plan, the following activities were conducted:

-) Review of City of Greater Geraldton's Annual Report for 2016 and previous audited financial statements;
-) Review of risk management policies and procedures and other relevant policies as available on Council's website and obtained during recent audits and reviews;
-) The focus of the above reviews is to determine the short and medium term objectives and risks relevant to each area of operations; and
-) The results of the review were collated and a list of potential audit areas developed and ranked in order of risk to City of Greater Geraldton.

This draft plan will be discussed with City of Greater Geraldton management and endorsed by the CEO and / or Audit Committee, prior to adoption and implementation.

2. Key Issues

It is essential that a modern Internal Audit function addresses the critical risk and key issues facing the organisation. From our knowledge of City of Greater Geraldton we have identified the following issues that are critical to the ongoing success of City of Greater Geraldton.

2.1. Meeting legislative requirements

City of Greater Geraldton has to comply with a large number of statutory requirements including but not limited to the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996. These compliance activities can at times be intensive and sometimes detract key staff from focusing on core activities.

2.2. Implementation of appropriate risk management

The systematic and effective management of risk is critical to the successful achievement of strategic goals. City of Greater Geraldton's challenge is to develop an appropriate risk management framework that embeds risk management into the key decision making processes so that risk is properly considered during the deliberations leading up to a decision. In this manner, risk management becomes part of the management process rather than an after thought addressed much later.

2.3. Establishment of adequate control systems

City of Greater Geraldton's control environment and system in place are critical to the successful achievement of strategic goals. City of Greater Geraldton's challenge is to design, implement and monitor appropriate internal controls in order to ensure the following:

-) Reliable financial and operational information is available at all times;
-) Internal controls are effective and efficient;
-) Controls are in place to safeguard assets; and
-) Controls are in place to ensure compliance with laws, regulations and contracts.

2.4. Implementation of appropriate governance processes and procedures

The systematic and effective implementation of an appropriate Corporate Governance framework is critical to the successful achievement of strategic goals. City of Greater Geraldton's challenge is to develop an appropriate Corporate Governance framework that considers organisational ethics, values, performance management and accountability.

Internal Audit Role

3. Internal Audit Methodology

3.1. Specific Objectives

Specific objectives of Internal Audit are:

-) To form a partnership approach to assist the Audit Committee and the CEO to achieve objectives and discharge their responsibilities;
-) To provide assurance as to the reliability of accounting and financial management information;
-) To provide assurance as to the protection of assets and resources;
-) To provide assurance as to compliance with legislative and funding requirements, policies and procedures; and
-) To provide independent advice to improve City of Greater Geraldton's operational effectiveness, efficiency and economy.

To meet the above objectives, Internal Audit should:

-) Provide appropriate skills to enable the conduct of high quality audits;
-) Provide an appropriate balance of management, financial, operational and information technology skills amongst Internal Audit staff; and
-) Optimise the use of information technology and other tools to enable audits to be performed in the most efficient and effective manner.

All Internal Audits will be performed in accordance with the professional standards of the Institute of Internal Auditors of Australia.

3.2. Partnership Approach

To achieve the Internal Audit objectives audits would normally be structured into key service groups in order to provide a comprehensive but cohesive audit service. In this way the overall audit service is consultative, risk-based and objective-driven to provide a partnership approach and a quality service to management.

Audit Approach to Risk Assessment

4. Internal Audit Risk Assessment

4.1. Approach to Risk Assessment

In developing this Plan, AMD has adopted a risk assessment approach based on auditor judgement rather than using computerised planning tools. In conjunction with management, auditable activities were defined in terms of the business risks, critical success factors and specific risk-based criteria. The criteria used to rank each area are as follows:

Criteria	Reason for inclusion
Materiality/size	High priority was given to areas which involved larger dollar amounts
Strategic Importance for City of Greater Geraldton	Effort directed towards activities that are significant to the achievement of corporate objectives
Control Environment	Consideration was given to the status of the current control environment
Inherent Risk	The level of risk associated with the nature of the underlying assets or the operations conducted by the activity
Regulatory Compliance	It is compulsory to comply with relevant legislation and regulations due to the nature of the industry.

4.2. Guidance as to Risk Classification

Our guidance to risk classification when performing the City of Greater Geraldton’s internal audit review is based on the following:

Risk is the probability that an event or action may adversely effect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

-) Consequence is the severity of the impact that would result if the event were to occur.
-) Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.

Our risk rating for each audit issue was based on the following table:

Likelihood	Consequence		
	Insignificant	Significant	Highly Significant
Low	L	M	M
Medium	L	M	H
High	L	H	H

Internal Audit Strategic Audit Plan

5. Internal Audit Strategic Audit Plan

1 July 2016 to 30 June 2021

Based on knowledge of operations, the internal audit cycle, as set out as follows, will be adopted for City of Greater Geraldton. The proposed allocation of audit days is designed to focus audit resources according to business, assessment of the auditable risk, audit objectives and planned audit coverage.

Based on management’s request, we have proposed internal audit modules to be assessed for 2017, 2018, 2019, 2020 and 2021.

Auditable Areas	Proposed				
	2017	2018	2019	2020	2021
Previous recommendations follow up – internal audit	✓	✓	✓	✓	✓
Previous recommendations follow up – external audit	✓	✓	✓	✓	✓
Information Technology	✓				
Audit Regulation 17 Review (*)		✓		✓	
Vehicle Fleet Management			✓		
Project Tender and Contract Management			✓		
Financial Management Regulation Review (*)		✓		✓	
Asset Management					✓
Planning	✓	✓	✓	✓	✓
Review and Reporting	✓	✓	✓	✓	✓

(*) – Previously completed February 2016.

We confirm the timing of the Audit Regulation 17 Review as required by section 17 of the Local Government (Audit) Regulations 1996 and the Financial Management System Review as required by section 5(2) of the Local Government (Financial Management) Regulations 1996 comply with the timing as specified within each relevant Regulation section.

Based on the previous completion date, the Financial Management System Review is due 2020 however the review will be assessed over two sessions (2018 and 2020) with particular attention to accounts payable, accounts receivable, human resources and payroll procedures.

We will review the audit modules to be assessed in each year of the rolling Strategic Internal Audit Plan, and amend the above as required based on discussions with management and / or the CEO.

**CITY OF GREATER GERALDTON
INTERNAL AUDIT**

Detailed procedures in order to assess the above internal audit modules are outlined below:

INTERNAL AUDIT MODULES	
Board Area	Including but not limited to review of the following areas:
Information Technology	<ul style="list-style-type: none">) Review of the Strategic IT environment, including Strategic IT Plans and supporting network diagrams;) Assessment of the planning processes relating to the IT environment;) Assessment of the effectiveness and efficiency of the operation of the IT environment;) Assessment of the organising and monitoring of IT processes;) Ensure appropriateness of internal control policies and procedures and ensure these are adhered to in respect to IT systems, including access controls, backup procedures and recovery procedures;) Review system support and ensure appropriate back-up personnel trained and available;) Review system security ensuring access is restricted and based on level of personnel;) Review of access identification and risk management processes in respect to IT planning;) Review of virus detection procedures; and) Review procedures and plans for determining the needs for changes / improvements to existing IT systems and processes in place to implement such changes.
Audit Regulation 17 Review Local Government (Audit) Regulations 1996	<ul style="list-style-type: none">) The scope of the review is based on Regulation 17 of the Local Government (Audit) Regulations 1996 which requires: <ul style="list-style-type: none"> o <i>The CEO to review the appropriateness and effectiveness of a Local Government’s systems and procedures in relation to –</i> <ul style="list-style-type: none"> a. <i>Risk management;</i> b. <i>Internal Controls; and</i> c. <i>Legislative Compliance.</i> o <i>The review may relate to any or all of the matters referred to in sub-regulation 1(a), (b) and (c), but each of those matters is to be the subject of a review at least once every two years;</i> o <i>The CEO is to report to the audit committee the results of that review.</i>

The review is based on (i) "Audit in Local Government" Operational Guidelines, (ii) Section 7 of the Western Australian Local Government Accounting Manual, and (iii) Australian / New Zealand Risk Management Principles and Guidelines AS/NZS ISO 31000:2009.

Risk Management

As part of our review in respect to risk management, we will perform the following procedures:

-) Reviewing whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered;
-) Reviewing whether the Local Government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
-) Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:
 - o Potential non-compliance with legislation, regulations and standards and local government's policies;
 - o Important accounting judgements or estimates that prove to be wrong;
 - o Litigation and claims;
 - o Misconduct, fraud and theft; and
 - o Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
-) Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
-) Assessing the adequacy of Local Government processes to manage insurable risks and ensure the adequacy of insurance cover, and is applicable, the level of self insurance;
-) Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;
-) Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
-) Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;

-) Assessing Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government’s control environment; and
-) Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented communicated, monitored and these is regular reporting and ongoing management of fraud and misconduct risks.

Internal Controls

As part of our review in respect to internal controls, we will perform the following procedures:

-) Review of segregation of roles and functions, processing and authorisation controls;
-) Review of documented policies and procedures;
-) Assessing approval of documents, letters and financial records;
-) Assessing management internal reviews undertaken in respect to comparison of internal data with external sources of information;
-) Assessing security controls in respect to physical access to assets and records;
-) Assessing security controls in respect to computer applications and information systems (general and application IT controls);
-) Assessing access limits placed on data files and systems;
-) Assessing whether the maintained and review of financial control accounts and trial balances is regular and appropriate;
-) Assessing key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
-) Assessing key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
-) Assessing controls in respect to purchasing and payment of accounts;
-) Assessing reporting, review and approval of financial payment and reconciliations; and
-) Assessing physical cash and inventory count records when compared to accounting records

Legislative Compliance

As part of our review in respect to legislative compliance, we will perform the following procedures:

-) Assessing internal monitoring of compliance with legislation and regulations;
-) Assess the local government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
-) Assess communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the local government's compliance and recommendations for changes as required;
-) Reviewing the local government's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
-) Reviewing key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
-) Reviewing management's compliance with statutory documents including budgets, annual reports, asset management, long term plans etc.
-) Reviewing management disclosures in financial reports of the effect of significant compliance issues (if any);
-) Ensuring the internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee; and
-) Review of the Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest.

As part of our review, we will compare City of Greater Geraldton current systems and procedures to Local Government best practice as outlined within the Local Government Guidelines issued by the Department of Local Government and Communities, in particular Local Government Operational Guideline number 09 – Audit in Local Governments and the Local Government Accounting Manual (section 7).

Vehicle Fleet Management

-) Assessment of fleet management including:
 - o Safety;
 - o Vehicle efficiencies;
 - o Fleet efficiency management plan; and
 - o Vehicle procurement options;
-) Assessment of vehicle / fleet lifecycle process and procedures including:
 - o Vehicle selection;
 - o Equipment options and accessories;
 - o Registration and identification of vehicles; and
 - o Insurance;
-) Review of vehicle / fleet operations including:
 - o Vehicle maintenance policies and procedures;
 - o Environmental driving and fuel economy;
 - o Breakdowns;
 - o Vehicle trailers;
 - o Fuel consumption and analysis;
 - o Driver responsibilities and penalties;
 - o Motor vehicle crashes and reporting;
 - o Care and security of vehicles;
 - o Vehicle identification and markings;
 - o Use of private vehicles for City business; and
 - o Alternative vehicles and transport;
-) Review procedures for acquisition and disposal of vehicles including:
 - o Acquisition and disposal criteria and timing of changeover;
 - o Preparing vehicles for disposal; and
 - o Replacement policy;
-) Compare fleet management policies with current best practice;
-) Review cost efficiency of fleet management policies; and
-) Review compliance with stated policy.

<p>Project Tender and Contract Management</p>	<ul style="list-style-type: none">) Review of two recent projects from inception to contractor selection, including: <ul style="list-style-type: none"> o Project identification, assessment of need, project planning and risk analysis; o Council approval; o Allocation of management responsibility; o Compliance with legislation; o Permits and approvals; o Tendering process and compliance with Council internal policy; o Contractor selection, including conflict of interest identification processes; o Project risk management and monitoring procedures; o Project and contract documentation, including contracts variations; o Budget and financial approval; o Completion and hand over procedures; o Post project finalisation review; and) Assessment of tender and request for quote processes and procedures including compliance with the Act / Regulations;) Assessment of two tenders recently sought ensuring compliance with legislative requirements and internal policies, including: <ul style="list-style-type: none"> o Compliance with legislation; o Tendering process and compliance with Council internal policy; o Contractor selection, including conflict of interest identification processes; o Project risk management and monitoring procedures; o Project and contract documentation; o Budget and financial approval; o Completion and hand over procedures; o Post project finalisation review; and) Review tender register and ensure adequately maintained;) Assess “conditions of Tendering”, “General Conditions of Contract” and any other applicable templates;) Review of four ongoing and / or recently completed contracts ensuring: <ul style="list-style-type: none"> o Service identification, assessment of need and risk analysis; o Council approval;
---	---

	<ul style="list-style-type: none"> ○ Allocation of management responsibility and direction of work; ○ Compliance with legislation; ○ Procurements process and compliance with Council internal policy; ○ Contractor selection, including conflict of interest identification processes; ○ Contract risk management and monitoring procedures; ○ Contract documentation including contracts variations; ○ Budget and financial approval; ○ Completion and hand over procedures; ○ Ongoing contractor performance assessment and monitoring; ○ Post contract review; and <p>) Assessment of risk Management Procedures relating to tender and contract management.</p>
<p>Financial Management System Review Local Government (Financial Management) Regulation 1996</p>	<p>) The scope of our review will be in accordance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996, the scope of our review would incorporate an assessment of the appropriateness and effectiveness of Council’s financial management systems and procedures, ensuring:</p> <ul style="list-style-type: none"> ○ The proper collection of all money owing to the Local Government; ○ The safe custody and security of all money collected or held by Local Government; ○ The proper maintenance and security of the financial records of the Local Government (whether maintained in written form or by electronic or other means or process); ○ Proper accounting for municipal or trust; ○ Revenue received or receivable; ○ Expenses paid or payable; and ○ Assets and liabilities. ○ Proper authorisation for the incurring of liabilities and the making of payments; ○ Maintenance of payroll, stock control and costing records; and ○ Preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

Examples of the procedures we will undertake in order to assess the appropriateness and effectiveness of Council's Financial Management Systems are (but not limited) to the following:

-) Document financial systems detailing controls, procedures and reconciliations in relation to all sources of income;
-) Site visits to all cash collection points (other than the City of Greater Geraldton administration building) to review the controls and procedures over the collection, receipting, recording and banking of cash collected offsite. From inquiries of management, we have ascertained the following sites are to be reviewed (if available):
 - o Meru Landfill;
 - o Aquarena;
 - o Mullewa Administration Offices;
 - o Mullewa Swimming Pool;
 - o Family Day Care Centre;
 - o Library;
 - o Airport;
 - o Visitor Centre;
 - o Queens Park Theatre;
 - o Animal Pound;
 - o Art Gallery; and
 - o Parking metres.
-) Test collection, receipting, invoicing and posting procedures over cash receipts on a sample basis;
-) Review credit control procedures in respect to sundry debtors and rates debtors;
-) Review the security of cash and banking procedures to ensure the appropriate controls and procedures are in place;
-) Site visit to the depot on Gordon Garrett Drive and Stock Street in Mullewa to review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks);
-) Review of payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure these controls were operating effectively;
-) Review of controls and procedures over the authorisation of purchase orders and making of payments, with a sample of payments tested;
-) Review of credit card processes and procedures, and testing transactions on a sample basis;

	<ul style="list-style-type: none">) Review the procedures for preparation of monthly accounts and general ledger account reconciliations;) Review the procedures for preparation of the annual Financial Statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process;) Review the budget review to ensure compliance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 and assessment of budgetary expenditure controls in place;) Detailed review of information technology systems to assess physical security, access security, data backups, contingency plans, compliance and systems development;) Detailed analysis and testing to review the allocation of overheads and administration costs;) Review of registers maintained (including key register, tender register etc) and review of Council minutes;) Review policies and procedures in respect to insurance, recording claims and insuring newly acquired assets; and) Review processes in respect to BAS, FBT Return and other statutory returns preparation.
<p>Asset Management, including: Capital Expenditure Asset Control Depreciation Schedules Preventative Maintenance Programs</p>	<ul style="list-style-type: none">) Review of asset management responsibilities and related duties;) Assessment of physical asset security, including theft deterrents;) Review of asset capitalisation policies and procedures;) Assessment of policies and procedures relating to attractive items and obsolete assets;) Review of asset stocktake frequency and procedures;) Review of asset disposal processes including disposal identification, approval, methods of disposal, advertising, sale of assets less than \$5,000, reporting and asset write off procedures;) Review of procedures relating to gifted assets received and gifting assets to community organisations;) Review of asset loan and hire procedures;) Assessment of the maintenance of fixed asset register, including recording of additions, disposals, depreciation and regular reconciliation to general ledger;) Review of depreciation rates including useful life assessments;) Review of capital expenditure in line with budget or Council approval sought;) Review of tender and request for quote processes and procedures in respect to asset acquisition including compliance with the Act / Regs;) Review of asset valuations;) Ensure compliance with stated asset management plans and policies;

- | | |
|--|---|
| | <ul style="list-style-type: none">) Review policy documentation in light of generally accepted practice, with particular attention to:<ul style="list-style-type: none">o Repair or replace policies;o Returns on investment;o Reporting procedures;o KPI's; ando Practicability of integrating proposed policies and procedures with other areas of policy/management; and) Assessment of the asset maintenance programs, including completion and recording. |
|--|---|

DRAFT

6. Measurement of Internal Audit Effectiveness

6.1. Effective Measures

In order to ensure that Internal Audit is effective, a mechanism for measuring this effectiveness is required. The proposed measurement of Internal Audit's effectiveness will comprise of:

-) Comparison of actual audit areas completed for the year against those planned, together with explanations for audits not performed;
-) Comparison of actual time on audits with set budgets on a quarterly basis and explanation of major variances;
-) The degree of acceptance of audit recommendations. The target is 90% of recommendations to be implemented within 12 months of the recommendation being made;
-) Productivity of audit staff, measured by proportion of time spent on audit tasks compared to administrative tasks. The overall target is 80% of available working days for the function;
-) The value of cost savings achieved as a result of audit recommendations. Cost savings will be quantified, wherever possible, but in many cases this can be very difficult due to changes in circumstances or the intangible nature of the benefit, for example, a reduction in risk of error or fraud due to improved controls; and
-) Feedback from the Audit Committee on the effectiveness of the function.

7. Internal Audit Reporting

7.1. The Audit and Risk Management Committee

The Audit Committee is responsible for ensuring the activities of Internal Audit satisfy City of Greater Geraldton's expectations to maintain an effective, independent internal audit function.

The Audit Committee is also responsible for:

-) Endorsing and monitoring internal audit plans;
-) Ensuring the satisfactory clearance of internal audit reports;
-) Ensuring Internal Audit has an appropriate level of skills; and
-) Facilitating a satisfactory working relationship between Internal Audit and management.

7.2. Reporting of Audit Results

Internal Audit must maintain operational independence at all times. However, whilst recognising this Internal Audit should adopt a partnership approach with management to ensure that audit findings are accurate and recommendations are practical/commercial.

Internal Audit operationally reports to the Council. A structured reporting mechanism and format has been established. All audit reports group audit findings into three risk weightings being as follows:

High Risk Issues which would cause considerable concern and have a material impact on City of Greater Geraldton's performance. Depending on their nature, major findings will be reported to Management and the Council as soon as practicable.

Medium Risk Issues which impact upon the performance of City of Greater Geraldton and while "not individually significant", are of concern and should be actioned as a matter of priority.

Low Risk Issues which must be dealt with but are not of primary concern.

An internal audit report will be issued. The report should be commercially oriented and balanced providing positive comments, if appropriate, together with matters requiring management's attention.

This report is structured as follows:

Part A

Is a clear focused business oriented report for senior management, and members of the Audit and Risk Management Committee, comprising of a summary of findings, incorporating our overall opinion and conclusions with management comment.

Part B

Contains the findings, action plan showing the individual recommendations, agreed action and management responsibilities.

The process for reporting audit results applies the following procedures:

-) Maintain an ongoing liaison with management during the execution of the audit;
-) Discuss the draft report with management to obtain acceptance and commitment and incorporate management's response; and
-) Issue the final report to the Audit Committee.

Our report will also include:

-) A report on the status of previous audit findings;
-) A report on the progress of internal audit against the strategic and annual audit plans; and
-) Variations from Strategic Internal Audit Plan.

8. Fee Quotation

Our fees are costed primarily based on time required on site, and also include Audit Director time which we feel is necessary to undertake this type of internal audit engagement effectively.

Our fees also include an allowance for us to complete the annual review of the Rolling Strategic Internal Audit Plan, our internal audit work and preparation of the Internal Audit Report in our office on completion of the audit fieldwork.

Based on the stated requirements and the services previously described, our fee quotation for each internal audit area set out within City of Greater Geraldton’s Strategic Internal Audit Plan are as follows:

Auditable Areas	Year	Quoted Fee (excluding GST)	Quoted Fee (including GST)
Information Technology	2017	\$7,500	\$8,250
Audit Regulation 17 Review	2018	\$9,450	\$10,395
Financial Management Regulation Review (session 1)	2018	\$3,600	\$3,960
Vehicle Fleet Management	2019	\$7,500	\$8,250
Project Tender and Contract Management	2019	\$8,500	\$9,350
Financial Management Regulation Review (session 2)	2020	\$8,300	\$9,130
Audit Regulation 17 Review	2020	\$10,200	\$11,220
Asset Management	2021	\$9,800	\$10,780

Please note that the fees quoted above are exclusive of travel and accommodation disbursements which will be charged at actual cost (no mark up).

REQUEST FOR WRITTEN QUOTATION

Strategic Internal Audit Plan

A written response is sought for the following service.

SCOPE OF WORKS

1. Develop a Strategic Internal Audit Plan for the City of Greater Geraldton for the five years ending 30 June 2025
2. Undertake Internal Audit Plan actions as agreed

SPECIFICATIONS

There are six separate tasks associated with this request.

1. Develop a Strategic Internal Audit Plan
2. Undertake review as required by legislation – Audit Regulation 17
3. Undertake review as required by legislation – Financial Management Regulation 5
4. Undertake Fraud & Corruption Audit
5. Undertake actions identified in the Internal Audit Plan
6. Undertake actions as directed by the Principal.

The City reserves the right to implement any combination or all of the proposed auditable action areas at its discretion.

1. Develop a Strategic Internal Audit Plan

An Internal Audit Plan is to be developed for the period five years ending 30 June 2025. The purpose of the plan is to:

- Assist the organisation by identifying and evaluating significant exposures to risk and contribution to the improvement of risk management and control systems;
- Assist the organisation to maintain effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement;
- Assess and make appropriate recommendations for improving the governance process.

The plan is to include the following information:

1. Key issues facing the City including:
 - a. Meeting legislative requirements
 - b. Implementation of appropriate risk management
 - c. Establishment of adequate control systems
 - d. Implementation of appropriate governance processes and procedures
2. Internal Audit Methodology including specific objectives and approach
3. Internal Audit Risk Assessment
4. Proposed Internal Audit timetable for audit focus areas (summary table for each year of the plan).
5. For each audit focus area, full detail outlining the procedures for the audit focus areas including:
 - a. Financial Management Systems Review (as required by *Local Government (Financial Management) Regulation 5*)
 - b. Review of systems and procedures (as required by *Local Government (Audit) Regulation 17*)
 - c. Follow up on previous internal audit recommendations
 - d. Follow up on previous external audit recommendations
 - e. Follow up on performance audit recommendations
 - f. Fraud & Corruption Control Plan Audit
 - g. Procurement and Contract Management
 - h. Disposal of assets processes
 - i. Information Technology – Cyber Risk and controls
 - j. Management of Compliance Obligations.
 - k. Asset Management
6. Measurement of Internal Audit Effectiveness
7. Internal Audit Reporting

Deliverables will include:

Strategic Internal Audit Plan for the five years ending 30 June 2025.

2. Implement the Strategic Internal Audit Plan – Undertake Reviews as Required by Local Government (Audit) Regulation 17

Undertake the audits as outlined in the timetable within the Strategic Internal Audit Plan.

The internal audit is to be performed in accordance with the professional standards of the Institute of Internal Auditors of Australia.

The internal audit should:

- Be an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations;
- Help the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of the review is to be based on the requirements of *Local Government (Audit) Regulation 17*, and incorporate an assessment of the appropriateness and effectiveness of Council's systems and procedures in relation to:

- Risk management;
- Internal control;
- Legislative compliance.

The frequency of the review will be in accordance with *Local Government (Audit) Regulation 17*, being not less than once in every 3 financial years.

Provision of a report to the City with the result of the review is required.

3. Implement the Strategic Internal Audit Plan – Undertake Reviews as Required by Local Government (Financial Management) Regulation 5

Undertake the audits as outlined in the timetable within the Strategic Internal Audit Plan.

The internal audit is to be performed in accordance with the professional standards of the Institute of Internal Auditors of Australia.

The internal audit should:

- Be an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations;
- Help the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of the review will be in accordance with *Local Government (Financial Management) Regulation 5* and incorporate an assessment of the appropriateness and effectiveness of Council's financial management systems and procedures, ensuring:

- The proper collection of all money owing to the local government;
- The safe custody and security of all money collected or held by the local government;
- The proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
- Ensure proper accounting for municipal or trust including revenue received or receivable, expenses paid or payable, assets and liabilities);
- Proper authorisation for the incurring of liabilities and the making of payments;
- Maintenance of payroll, stock control and costing records;
- Preparation of budgets, budget reviews, accounts and reports required by the Act or regulations.

The frequency of the review will be in accordance with *Local Government (Financial Management) Regulation 5*, being not less than once in every 3 financial years.

Provision of a report to the City with the result of the review is required.

4. Implement the Strategic Internal Audit Plan – Undertake Fraud & Corruption Control Plan Audit

Undertake the audits as outlined in the timetable within the Strategic Internal Audit Plan.

The internal audit is to be performed in accordance with the professional standards of the Institute of Internal Auditors of Australia.

The internal audit should:

- Be an independent, objective assurance and consulting activity designed to add value and improve the organisations operations;
- Help the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Scope of this requirement is as outlined in Annexure 1 of the City of Greater Geraldton Fraud & Corruption Control Plan 2019.

5. Implement the Strategic Internal Audit Plan – Other Actions

Undertake other audits as outlined in the timetable within the Strategic Internal Audit Plan, including:

- a. Follow up on previous internal audit recommendations
- b. Follow up on previous external audit recommendations
- c. Follow up on performance audit recommendations
- d. Procurement and Contract Management
- e. Disposal of assets processes
- f. Information Technology – Cyber Risk and controls
- g. Management of Compliance Obligations.
- h. Asset Management

The City reserves the right to implement all or some of the proposed auditable action areas at its discretion.

The internal audit is to be performed in accordance with the professional standards of the Institute of Internal Auditors of Australia.

The internal audit should:

- Be an independent, objective assurance and consulting activity designed to add value and improve the organisations operations;
- Help the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Deliverables will include:

Internal audit reports each year that:

- Provide a clear business oriented report for senior management and the Audit and Risk Management Committee, comprising of a summary of findings, the auditor's overall opinion and conclusions with management comment;
- Contains the findings, individual recommendations and agreed actions and management responsibilities
- Assess and group audit findings into three risk weightings as follows:
 - High Risk – issues which would cause considerable concern and have a material impact on the City's performance. Depending on their nature, major findings will be reported to Management and the Council as soon as practicable.
 - Medium Risk – issues which impact upon the performance of the City and while "not individually significant", are of concern and should be actioned as a matter of priority.
 - Low Risk – issues which must be dealt with but are not of primary concern.
- Is accurate, concise, neat, logical and unambiguous.

6. Other Actions as directed by the Principal

Undertake other audits as directed by the Principal.

Other items may be identified during the term of the contract aligned to internal audit requirements.

ATTACHMENTS & REFERENCES

City of Greater Geraldton Fraud & Corruption Control Plan 2019

QUERIES & LODGEMENT

Any queries associated with this RFQ must be submitted via eQuotes (Vendorpanel) queries module. If respondents identify anything within the return schedules that is of concern it would be appreciated if this

could be addressed by issuing a clarification request as soon as possible to allow the Principal to review and respond prior to the close of the request.

All responses must be submitted via eQuotes (Vendorpanel) by the appointed deadline.

AWARD

The award of the RFQ shall be based on value for money incorporating compliance with RFQ specifications, qualitative criteria scores and price.

CONDITIONS OF CONTRACT

Goods and/or services sourced via this RFQ document (including all attachments), shall be subject to the WALGA PSA Member Conditions of Contract. A Short Form Member Contract shall be executed with the successful Respondent.

CODE OF BUSINESS ETHICS

The Contactor shall familiarise themselves with and comply with all provisions of the City's Code of Business Ethics.

[City of Greater Geraldton Code of Business Ethics](#)

FORM OF QUOTE

Respondents are to complete and return the following declaration.

I/We (Registered Entity Name): _____
(BLOCK LETTERS)

Of: _____
(REGISTERED STREET ADDRESS)

ABN _____ ACN (if any) _____

Telephone No: _____ Facsimile No: _____

E-mail: _____

In response to this RFQ VP?????? Strategic Internal Audit Plan

I/We agree that I am/We are bound by, and will comply with this Request and its associated schedules, attachments, all in accordance with the Conditions of response contained in this Request signed and completed.

The submitted price is valid up to forty-five (45) calendar days from the date of the RFQ closing, unless extended on mutual agreement between the City and the Respondent in writing.

I/We agree that there will be no cost payable by the City towards the preparation or submission of this response irrespective of its outcome.

The respondent consideration is as provided under the schedule of rates of prices in the prescribed format and submitted with this RFQ.

Dated this _____ day of _____ 20_____

Signature of authorised signatory of Respondent: _____

Name of authorised signatory (BLOCK LETTERS): _____

CRITERIA

Before responding to the following qualitative criteria, Respondents must note the following:

- a) all information relevant to your answers are to be contained within your response to each criterion;
- b) Respondents are to assume that the Evaluation Panel has no previous knowledge of your organisation, its activities or experience;
- c) Respondents are to provide full details for any claims, statements or examples used to address the qualitative criteria; and

Respondents are to address each issue outlined within a qualitative criterion.

Qualitative Criteria	Weighting
<p><u>A) Relevant Experience</u></p> <p>Describe your experience in completing /supplying similar Requirements. Respondents must, as a minimum, address the following information in an attachment and label it “Relevant Experience”:</p> <ol style="list-style-type: none"> (a) Provide details of similar work services for Local Governments; (b) Provide scope of the Respondent’s involvement including details of outcomes; (c) Provide details of issues that arose during the project and how these were managed; (d) Demonstrate competency and proven track record of achieving outcomes; (e) Demonstrate sound judgement and discretion; and (f) Provide referee contact details from at least two Local Governments where services provided in the last five years. 	<p>Weighting</p> <p>12.5%</p> <p>“Relevant Experience”</p> <p>Tick if attached</p> <p><input type="checkbox"/></p>
<p><u>B) Key Personnel Skills and Experience</u></p> <p>Respondents should provide the following information in an attachment and label it “Key Personnel Skills and Experience”:</p> <ol style="list-style-type: none"> (a) Their role in the performance of the Contract. (b) Curriculum vitae of key staff inclusive of membership to any professional or business association, qualifications etc. (c) Qualifications, with particular emphasis on experience of personnel in delivering a similar service; and (d) Any additional information. 	<p>Weighting</p> <p>12.5%</p> <p>“<u>Key Personnel Skills and Experience</u>”</p> <p>Tick if attached</p> <p><input type="checkbox"/></p>
<p><u>C) Respondent’s Resources</u></p> <p>Respondents should demonstrate their ability to deliver the requirements by providing the following information in an attachment and label it “Respondent’s Resources”:</p> <ol style="list-style-type: none"> a) <i>Current commitment schedule.</i> 	<p>Weighting</p> <p>12.5%</p> <p>“<u>Tenderer’s Resources</u>”</p>

Qualitative Criteria	Weighting
b) <i>Identify any additional resources that may be required to complete the requirements within the timeframe.</i>	” Tick if attached <input type="checkbox"/>
<p><u>D) Demonstrated Understanding</u></p> <p>Respondents should detail the process they intend to use to achieve the Requirements of the Request. Areas that you may wish to cover include:</p> <p>(a) A project schedule/timeline; (b) The process for the delivery of the goods/services; and (c) A demonstrated understanding of the scope of work</p> <p>Supply details and provide an outline of your proposed methodology in an attachment labelled “Demonstrated Understanding”.</p>	Weighting 12.5% “<u>Demonstrated Understanding</u>” Tick if attached <input type="checkbox"/>
<u>E) Price</u>	Weighting 50% “Price Schedule” Tick if attached <input type="checkbox"/>

PRICE SCHEDULE

Respondents are to complete the following price schedule.

The City reserves the right to implement all or some of the proposed auditable action areas at its discretion.

No	Service Description	Quote Unit	Price Quoted (\$ ex GST)	GST (\$)	Price Quoted (\$ inc GST)	Estimated Usage
1	Develop Strategic Internal Audit Plan	Per Plan				1
2	Undertake FMSR as required by FM Regulation 5	Per Instance				2
3	Undertake Audit Regulation 17 Review	Per Instance				2
4	Undertake Fraud & Corruption Control Plan Audit	Per Instance				5
5	Procurement & Contract Management Review	Per Instance				1
6	Disposal of Assets Processes Review	Per Instance				1
7	Information Technology – Cyber Risk and Controls	Per Instance				1

8	Management of Compliance Obligations Review	Per Instance				1
9	Asset Management	Per Instance				1
10	Follow up on audit recommendations	Per Year				5
11	Other Internal Audit Functions as required at City of Greater Geraldton Offices	Per day				5
12	Other Internal Audit Functions as required at Consultant's Office	Per day				?
13	Other Internal Audit Functions as required at Consultant's Office	Per hour				?
14	Travel	Per Visit per person				5
15	Accommodation	Per day per person				5



City of Greater Geraldton Financial Management System Review (Part 2) December 2018





T +61 (8) 9780 7555
F +61 (8) 9721 8982

AMD Audit & Assurance Pty Ltd
ACN 145 719 259 t/a AMD

E amd@amdonline.com.au
www.amdonline.com.au

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

4 February 2019

Mr Ross McKim
Chief Executive Officer
City of Greater Geraldton
PO Box 101
GERALDTON WA 6531

Dear Ross

2018 FINANCIAL MANAGEMENT SYSTEMS REVIEW (PART 2)

We are pleased to present the findings and recommendations resulting from our City of Greater Geraldton (the "City") Local Government (Financial Management) Regulation 1996, Financial Management System Review. In accordance with the City's Strategic Internal Audit Plan, the Financial Management System Review has been split into two Parts, whereby Part 1 was completed in February 2018 and Part 2 brought forward to December 2018 (previously planned for 2020).

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

We would like to thank Renee and the City's site representatives for their co-operation and assistance whilst conducting our review.

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

Yours sincerely
AMD Chartered Accountants

A handwritten signature in black ink, appearing to read 'Tim Partridge', with a long horizontal flourish extending to the left.

TIM PARTRIDGE FCA
Director

Table of Contents

1. Executive Summary	4
1.1. Background and Objectives	4
1.2. Summary of Findings	5
2. Collection of Money	6
2.1. Scope and approach	6
2.2. Detailed findings and recommendations	6
3. Custody and security of money	7
3.1. Scope and approach	7
3.2. Detailed findings and recommendations	7
3.2.1. Security of Cash Transfers	7
3.2.2. End of Day Receipting Procedures	8
4. Maintenance and security of the financial records.....	10
4.1. Scope and approach	10
4.2. Detailed findings and recommendations	10
4.2.1. IT Strategic Plan	10
4.2.2. IT Security Log.....	10
4.2.3. Privacy and Intellectual Property Security	11
4.2.4. IT Project Reviews.....	11
5. Maintenance of payroll, stock control and costing.....	12
5.1. Scope and approach	12
5.2. Detailed findings and recommendations	12
5.2.1. Fuel Usage Analysis by Vehicle	12
5.2.2. Stock takes.....	13
6. Guidance on Risk Assessment	14

Inherent limitations

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

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

Third party reliance

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

1. Executive Summary

1.1. Background and Objectives

In accordance with the City's Strategic Internal Audit Plan, the Financial Management System Review has been split into two Parts, whereby Part 1 was completed in February 2018 and Part 2 was brought forward to December 2018 (previously planned for 2020).

The primary objective of our Financial Management System Review (FMSR) (Part 2) was to assess the adequacy and effectiveness of systems and controls in place within the City's locations focusing on security measures around the City's assets including cash and inventory; in accordance with the 2016 to 2021 five year Strategic Internal Audit Plan (the "review").

The following City locations were visited and assessed for the purposes of FMSR (Part 2):

- Airport;
- Art Gallery;
- Queens Park Theatre;
- Visitor Centre;
- Aquarena;
- Parking meters;
- Library;
- Animal Management Facility;
- Ellendale Camping Pool;
- Mullewa District Office;
- Mullewa Swimming Pool;
- Mullewa Caravan Park;
- QEII;
- Meru Waste Facility;
- Airport Depot; and
- Mullewa Depot.

Prior to our on-site visit we were advised that no cash (or very limited) and/or inventory was collected or retained at the Geraldton Multi-purpose Centre and Community Nursery. As a result, site visits have not been completed for these locations.

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer (CEO). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the Local Government Act 1995 and Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Our findings included within this report are based on the site work completed by us on the 9th of December to 14th of December 2018. Findings are based on information provided and available to us during this site visit.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas within Part 2 are detailed in the following sections of the report:

- Section 2 – Collection of money;
- Section 3 - Custody and security of money;
- Section 4 - Maintenance and security of the financial records; and
- Section 5 - Maintenance of payroll, stock control and costing records.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 5, we are pleased to report that in context of the City’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

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

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

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	1	5	2

For details on the review rating criteria, please refer to Section 6.

Ref	Issue	Risk Rating
2. Collection of money		
We have no findings to raise in respect to the collection of money by the Local Government.		
3. Custody and security of money		
Security of Cash Transfers		
3.2.1	Sun City Security is no longer assisting with cash transfers resulting in the City’s staff transferring cash to either the Civic Centre or the bank.	High
End of Day Receipting Procedures		
3.2.2	Acknowledging significant improvements since our prior review, however there are still procedures relating to the End of Day Receipting Procedures at various sites that require further attention.	Moderate
4. Maintenance and security of financial records		
IT Strategic Plan		
4.2.1	Currently there is no finalised IT Strategic Plan in place.	Moderate
IT Security Log		
4.2.2	IT security logs are not currently reviewed by the IT department.	Moderate
Privacy and Intellectual Property Security		
4.2.3	Although the City has resolved the issue around personal file sharing accounts, there is no documented policy and limited control over the use of USB and/or hard drives to share information amongst employees and third parties.	Moderate
IT Project Reviews		
4.2.4	Currently no post implementation review for major IT projects completed.	Low
5. Maintenance of payroll, stock control and costing records		
Fuel Usage Analysis by Vehicle		
5.2.1	Currently no analysis of fuel usage by asset is conducted.	Moderate
Stock takes		
5.2.2	Stock is only counted once a year at 30 June with exception of the airport depot where stock is counted monthly.	Low

2. Collection of Money

2.1. Scope and approach

For all locations operated by the City including Airport, Art Gallery, Queens Park Theatre, Visitor Centre, Aquarena, Parking meters, Library, Animal Management Facility, Ellendale Camping Pool, Mullewa District Office, Mullewa Swimming Pool, Mullewa Caravan Park, QEII, Meru Waste Facility and other internal charges as documented with the Schedule of Fees and Charges, we:

- Document financial systems detailing controls, procedures and reconciliations in relation to all sources of income; and
- Test collection, receipting, invoicing and posting procedures over cash receipts on a sample basis.

2.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the collection of money by the Local Government are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the collection of money by the Local Government.

3. Custody and security of money

3.1. Scope and approach

- Site visits to cash collection points to review the controls and procedures over the collection, receipting, recording and banking of cash collected; and
- Review the security of cash and banking procedures to ensure the appropriate controls and procedures are in place.

3.2. Detailed findings and recommendations

3.2.1. Security of Cash Transfers

Finding Rating: High

Our inquiries made during our site visits identified that Sun City Security is no longer assisting with the security of the cash transfers for the City. City staff either individually or in a pair are transporting cash from one City location to another or from a City location to the bank, either on foot or via a City vehicle, in lieu of the security company. For example:

- Civic Centre, Library, Aquarena and Visitors Centre – a Ranger will collect the banking from these four locations on allocated days of the week to transfer to the bank. Currently the Ranger responsible for this task is on long service leave and a Security Guard from MCS Security has stepped into the role. Similar to the Ranger the Security Guard is completing the cash transfers by himself and travels in a City vehicle.
- Parking Meters – two nominated Rangers will collect the cash tins from the parking metres weekly on Tuesday and Thursday and will transport the cash tins to the bank in a locked Ranger vehicle.
- Queens Park Theatre (QPT) – the Front of House Leader and Box Office and Front of House walks with cash proceeds to the bank.
- Art Gallery – staff currently transports the banking through the City’s internal mail. However, if the Gallery Officer feels uncomfortable about the amount either they or the Art Gallery Coordinator will walk the banking to the Customer Services Office for receipting.
- Airport – the Airport Coordinator drives on a fortnight basis the money vault bag (after collecting the cash tins from the parking meters) to the Finance team at the City.
- Meru Waste Facility – similar to the Airport, the Manager from Toxfree drives the banking three days a week to the Civic Centre.

Implications / Risks

- Risk of theft of the City’s cash.
- Risk of physical harm to one of the City’s employees and/or representatives.

Recommendation

We recommend the City re-assess the current security cash transfer procedures in place and consider whether a Cert III Security Officer accompanies the City employee on those cash transfers that are assessed as high risk of potential harm to the individual involved. In addition, consideration be given on whether cash transfers should be transported via a security vehicle.

For those instances where the City does not deem the cash transfer to be of high risk, at least one other person should be involved i.e. travels in the car or at the very least someone should walk with the individual to their car and someone should meet the individual when they arrive at Civic Centre.

Management Comment

The City is currently reviewing our security cash transfer procedures in relation to all our cash collection facilities and/or points. An interim arrangement has now been put in place while the review is being undertaken where an external Security Company is undertaking cash collections instead of City staff from the Civic Centre, Library, Aquarena, QEII and Visitor Centre. All other facilities and cash collection point procedures have in the interim remained unchanged until the review is completed. The review encompasses other security services the City engages and the possible cost efficient opportunities to bundle these services.

Responsible Officer: Phil Melling

Completion Date: 30 June 2019

3.2.2. End of Day Receipting Procedures

Finding Rating: Moderate

Although there has been significant improvement in the End of Day Receipting Procedures followed by the City's locations subsequent to our previous review, our inquiries made identified the following exceptions pertaining to the End of Day Receipts Reconciliations and Daily Taking Sheets requiring further attention:

- QPT – currently the Bar Takings – Cash Reconciliation is only initialled by Box Office staff and Front of House staff when an amendment is required. In addition, although we were advised that the QPT Finance Officer is independently reviewing the Bar Takings – Cash Reconciliation there is no evidence of this independent review occurring. Similarly with the Box Office Daily Advance form there is no physical sign-off by the preparer, nor is there a formal physical sign-off from the independent reviewer (with exception of some ticks and “ok” written on the form).
- Aquarena – although the Aquarena Finance Officer is signing off the Breakdown Analysis of Tills as the preparer, there appears to be no evidence that an independent review has been completed. In addition, the Daily Takings Breakdown Report is not currently signed off by the preparer nor is there evidence that an independent review has been completed.
- Mullewa District Office – currently the End of Day Reconciliation is not signed off by the preparer nor is the reconciliation subject to independent review.
- QEII – there is currently no formal documented reconciliation rather a cash break-up sheet is completed. This cash break-up sheet is not signed off by the preparer nor is it subject to independent review.
- Art Gallery – a casual staff member will count cash weekly on a Saturday and will populate the Art Gallery Payment Reconciliation form, this form is not signed off by the preparer. We were advised that the Art Gallery Payment Reconciliation is independently reviewed by the Gallery Officer on the following Monday, however there is no physical evidence of this review.
- Library – rather than signing off on the End of Day Receipts Reconciliation the preparer and independent reviewer is currently signing off on a log book. In addition, the Library Banking Summary is not currently signed off by the preparer nor is the Library Banking Summary subject to an independent review.
- Visitor Centre – the End of Day Receipts Reconciliation is currently initialled by the preparer and independent reviewer. In relation to the Daily Banking Sheet this is not currently signed off by the preparer nor is the Library Banking Summary subject to an independent review.
- Meru Waste Facility – currently the End of Day Receipting documentation for example the EFTPOS takings run sheet and Cash takings run sheet is not signed off by the preparer.

Implications / Risks

Risk that error of fraud may not be detected on a timely basis.

Recommendation

We recommend that a consistent approach be followed by the City's locations whereby:

- The End of Day Cash Receipt Reconciliation (or the equivalent) and Daily Taking Sheet (or the equivalent) be signed-off by the individual preparing the reconciliation. This sign-off would include the preparers' name, role/position at the City, signature and date of sign-off on the actual document; and
- The End of Day Cash Receipt Reconciliation (or the equivalent) and Daily Taking Sheet (or the equivalent) be reviewed by someone independent to the receipting function, and signed off as evidence of independent review. This sign-off would include the reviewers' name, role/position at the City, signature and date of sign-off on the actual document.

Management Comment

The City will implement a more standardised approach to end of day reconciliations at all sites as recommended above. The reconciliation document will include for the preparer and reviewer their name, role/position, signature and date.

Responsible Officer: Renee Doughty

Completion Date: June 2019

4. Maintenance and security of the financial records

4.1. Scope and approach

- Review of information technology systems to assess physical security, access security, data back-ups, contingency plans, compliance and systems development.

4.2. Detailed findings and recommendations

4.2.1. IT Strategic Plan

Finding Rating: Moderate

As previously raised in AMD's Information Technology Internal Audit Report, dated 11 April 2017 and the subsequent Regulation 17 Review, dated 2 March 2018, and as confirmed with the ICT Manager, the City does not currently have a finalised IT Strategic Plan in place.

Implications / Risks

Risk of strategic objectives pertaining to the Council's current IT and communication requirements not being met.

Recommendation

We recommend the draft IT Strategic Plan is finalised.

Management Comment

IT Strategic Plan is currently being drafted.

Responsible Officer: Dennis Duff

Completion Date: June 2019

4.2.2. IT Security Log

Finding Rating: Moderate

As previously raised in AMD's Information Technology Internal Audit Report, dated 11 April 2017 and the subsequent Regulation 17 Review, dated 2 March 2018, and as confirmed with the ICT Manager security logs are kept, however logs are not subject to review on a regular basis.

Implications / Risks

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

Recommendation

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

Management Comment

The solution to this forms part of an overarching network monitoring solution currently in the requirements gathering stage.

Responsible Officer: Dennis Duff

Completion Date: October 2019

4.2.3. Privacy and Intellectual Property Security

Finding Rating: Moderate

Our inquiries of the ICT Manager indicate that although the City has implemented controls in relation to the use of personal file sharing accounts such as OneDrive and DropBox, there have been no controls implemented pertaining to the use of removable hard drives / USB devices.

Implications / Risks

Risk of unauthorized access to confidential information.

Recommendation

We recommend formal documented policy is prepared and communicated to employees regarding restrictions on the use of removable hard drives / USB devices. If the City decides that employees are allowed to use hard drives / USB devices, we recommend that such devices be approved by the employees' manager and the device should be encrypted or password protected.

Management Comment

Operational Policy related to use of office equipment to be updated to reference use of removable hard drives / USB devices.

Responsible Officer: Dennis Duff

Completion Date: June 2019

4.2.4. IT Project Reviews

Finding Rating: Low

As previously raised in AMD's Information Technology Internal Audit Report, dated 11 April 2017, the subsequent Regulation 17 Review, dated 2 March 2018, and as confirmed with the ICT Manager there is currently no formal post implementation review of major IT projects completed.

Implications / Risks

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

Recommendation

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

Management Comment

The City is proposing to conduct a review of the City's procurement functions across its full operations. For the purpose of this review the City's use of procurement is to mean the full process from cradle to grave e.g. includes but is not limited to purchasing, stock control, requests for quotation, requests for tender (or associated variations), evaluation and award, contract development, contract management, asset disposal and post project evaluation etc.

Responsible Officer: Paul Radalj

Completion Date: June 2019

5. Maintenance of payroll, stock control and costing

5.1. Scope and approach

For all the City locations visited, review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks).

5.2. Detailed findings and recommendations

5.2.1. Fuel Usage Analysis by Vehicle

Finding Rating: Moderate

As previously raised in AMD's Fleet Management Internal Audit Report, dated 11 December 2017, and as confirmed with the Fleet Services Manager, fuel usage analysis by individual motor vehicle/plant item on a per vehicle/plant item basis (i.e. consumption per 100kms or plant hour vs book consumption) is not currently prepared on a periodic and/or rotational basis and subject to independent review.

In addition, our visit to the Mullewa Depot identified that the cage door protecting the diesel bowser is not locked during the day.

Implications/Risks

Risk of misallocation or misappropriation of fuel to motor vehicle/plant item may not be identified.

Recommendation

We recommend consideration to be given to analysing fuel consumption per vehicle/plant item on a periodic basis where currently not prepared, and that the analysis be subject to independent review.

In addition, we recommend that the Mullewa Depot locks the cage door in front of the diesel bowser whilst not in use.

Management Comment

The City has developed a new report which will be able to show month on month comparisons by both individual and grouped plant items (detailed and summary). The report will also enable analysis of fuel usage quantity and cost compared to plant hours.

Procedure now in place to lock cage door when unattended.

Responsible Officer: Paul Radalj

Completion Date: February 2019

5.2.2. Stock takes

Finding Rating: Low

Although there has been significant improvement in stock takes practices since our previous review, our inquiries made during our site visits identified the following exceptions pertaining to stock takes practices requiring further attention:

- Airport Depot – stock takes are completed on a monthly basis and a robust process is followed, however the stock sheets used to complete the counts includes the current quantity on hand as reflected in Synergy.
- Mullewa Depot – small inventory items such as oils, lubricants and materials are held at the depot, however these items are only counted once during the annual year-end stock take.
- QPT – with exception of the year end stock count completed by the QPT Finance Officer, no other formal stock takes are performed throughout the year.
- Art Gallery – a stock listing is maintained, however staff were unable to provide a total stock value whilst on site. Stock takes are completed from time to time (last completed October 2018). The stock listing will be printed and checked off by casual staff and the variances provided to Gallery Officer who will investigate. There is no formal sign-off of the stock counts completed.
- Library – the last stock take of the books available for sale was performed approximately six months ago. Stock count sheets are utilised, however one person will count by themselves. There is no independent spot checks of the counts conducted.
- Visitor Centre – although the stock count procedures in place are robust, the Visitor Centre will only complete an annual stock take at year end.

Implications / Risks

Risk of stock being misstated throughout the year.

Recommendation

We recommend stock by location be counted and reconciled on a predetermined basis which is documented.

In addition, we recommend for those locations not following this practice, 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.

Management Comment

The City will implement a stock take process and reconciliation template for the Art Gallery. The City considers its frequency of stock takes at all locations to be adequate and risk rating to be low because of:

- The value of the stock being immaterial
- The low stock turnover rate
- The low value of the majority of stock items
- Would require staff time and loss of business due to close of the location during stock take

Responsible Officer: Renee Doughty

Completion Date: June 2019

6. Guidance on Risk Assessment

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

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

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

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

Measure of Likelihood of Risk

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

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

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

Measure of Consequence of Risk

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

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

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

Risk Analysis Matrix – Level of Risk

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

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

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

Finding / Risk Acceptance Rating

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

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

AC096	APPLICATION OF THE COUNCIL POLICY 4.28 MANAGING UNREASONABLE CUSTOMER CONDUCT
-------	---

AGENDA REFERENCE:	D-20-133273
AUTHOR:	N Hope, Manager Organisational Development
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	3 November 2020
FILE REFERENCE:	GO/19/0008
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The purpose of this report is to update the Audit Committee on the application of the Council Policy 4.28 Managing Unreasonable Customer Conduct, listing the number of customers to whom the policy has applied.

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 information provided below in relation to Council Policy 4.28 Managing Unreasonable Customer Conduct.
2. REQUIRE the CEO to report back annually to the Audit Committee at the first meeting held after the close of the relevant financial year.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The City of Greater Geraldton in November 2019, approved a new Council Policy 4.28 Managing Unreasonable Customer Conduct. This policy was designed to have a comprehensive set of strategies to manage the risks to the City's resource management, staff health and productivity posed by a growing prevalence of unreasonable conduct by a small number of high-demand customers.

The policy objectives are to provide the overarching principles and guidance as the basis for a fair, equitable and transparent mechanism for dealing with unreasonable conduct by customers that will achieve an effective balance between:

- Meeting the genuine needs of customers fairly and equitably;
- Providing a safe working environment for staff, volunteers and elected members;
- Providing a safe experience for customers of the City; and
- Ensuring that City resources are used efficiently, effectively and equitably, to manage the City's responsibilities to discharge its statutory functions and represent the interests of all persons in the District.

Signed _____ Dated _____

Council Policy 4.28 Managing Unreasonable Customer Conduct, reporting requirements list that annually, at the first Audit Committee meeting held after the close of the relevant financial year, the Chief Executive Officer (CEO) will report to the committee.

In the 2019/2020 financial year, the City of Greater Geraldton reports the following:

<i>The number of customers to whom this policy has been applied:</i>	<i>0</i>
<i>The nature of the unreasonable conduct:</i>	<i>n/a</i>
<i>The action taken or limits imposed:</i>	<i>n/a</i>
<i>The number of reviews undertaken and their outcomes:</i>	<i>n/a</i>

Although the City occasionally still experiences unreasonable conduct by customers, the City has not had to implement this policy due to police attendance (where serious enough) and the enforcement of orders placed on individuals by the courts, which prohibit their attendance at the Council office.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

This policy is aimed at unreasonable conduct that falls well outside of community norms and is expected to affect only a very few persons, who will receive prior warning of the consequences of the conduct or behaviour.

Environment:

There are no adverse environment impacts.

Economy:

This policy addresses growing issues that left may result in unnecessary costs to the productivity and operational efficiency of the City, as well as costs associated with stress-related impacts on employee's health and productivity as well as the requirement to provide a safe workplace.

Governance:

The Local Government Act requires that Councils establish good governance principles through the introduction of policies and guidelines.

RELEVANT PRECEDENTS:

Council review or amend Council Policies as and when required.

COMMUNITY/COUNCILLOR CONSULTATION:

On development of the Council Policy 4.28 Managing Unreasonable Customer Conduct, Councillors were consulted via briefing note on 23 July 2019.

LEGISLATIVE/POLICY IMPLICATIONS: Pursuant to section 2.7 of the Local Government Act 1995 the role of Council includes determination of Council Policies:

Signed _____ Dated _____

2.7. Role of council

- (1) *The council —*
- (a) *governs the local government's affairs; and*
 - (b) *is responsible for the performance of the local government's functions.*
- (2) *Without limiting subsection (1), the council is to —*
- (a) *oversee the allocation of the local government's finances and resources; and*
 - (b) *determine the local government's policies.*

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
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

Ensuring that the Council Policy Register is current and comprehensive supports the role of Council in the good government of the City of Greater Geraldton. Council Policy 4.28 and its associated processes is wholly associated with mitigating the risk to City employees and the users or attendees at City facilities.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative options were considered by City Officers.

COMMITTEE DECISION**MOVED Cr Caudwell, SECONDED Cr Colliver**

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

- 1. NOTE the information provided below in relation to Council Policy 4.28 Managing Unreasonable Customer Conduct.**
- 2. REQUIRE the CEO to report back annually to the Audit Committee at the first meeting held after the close of the relevant financial year.**

Carried 4/0

Signed _____ Dated _____

AC097	PROCUREMENT UPDATE
-------	--------------------

AGENDA REFERENCE:	D-20-139016
AUTHOR:	B Pearce, Manager Corporate Compliance and Safety
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	17 November 2020
FILE REFERENCE:	RM/6/0012
ATTACHMENTS:	Yes(x1) Confidential CAR 2019 Update Procurement Details 2019

EXECUTIVE SUMMARY:

The purpose of this report is to update the Audit Committee on the status of the City of Greater Geraldton's procurement activities

EXECUTIVE RECOMMENDATION:

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

1. RECEIVE the update regarding the status of the City of Greater Geraldton's procurement activities.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

As detailed in AC092 Compliance Audit Return 2019 (CAR), the City identified a number of procurement supply arrangements which had exceeded the tender threshold during the 2019 period. The following report details the City's actions taken to address procurement compliance issues.

Please note the COVID 19 State of Emergency occurred for the larger part of 2020. The City's procurement arrangements account for this disruption.

Procurement Process Review

In response to the compliance issues identified in the CAR and general procurement processes prior to COVID 19, a Procurement Workshop was conducted with key stakeholders. The purpose of this workshop was to consider the tender development, assessment and award process and what could be done to address process bottlenecks or issues.

The workshop concluded with the development of the City's procurement process review action plan. This action plan in summary detailed

- How procurement templates could be improved.
- How procurement processes could be improved.
- Identified potential improvements to the procurement policies.

Signed _____ Dated _____

- That only specialist trained staff would be enabled to issue requests for quotations. And that general staff were to seek support from the City's procurement support services team for procurement activities.
- How standard corporate supply contracts would be processed through the City's procurement support services team.
- That the City would establish an annual procurement plan for corporate supply contracts.
- Identification of the synergy system gaps requiring active management. This information shall be used to inform the ERP Project Manager the critical control elements necessary for inclusion in the Enterprise Resource Program.

The action plan coupled with the COVID 19 essential services process detailed below has enabled the City to establish controls which shall identify potential non-compliance or procurement issues before they occur. In addition the higher tender level of \$250,000 has reduces the likelihood of in tender non-compliances, particularly with the coordinated procurement support services model that has been implemented.

Essential Services Supply Arrangements

In the last week of March in response to the COVID 19 State of Emergency, the City implemented the following processes to ensure continued access to suppliers of essential services.

- All current standing orders were audited and extended until December 2020.
- Any annual supply contracts with a 12-month extension due to be executed between March and December 2020, had the extension confirmed in advance.
- Any supply arrangements not in place would have a short term 12-month contract established.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

Council Policy 4.9 procurement of goods and services now includes how the City supports locally sourced goods and services, with a firm commitment to social corporate responsibility in all procurement activities.

Environment:

Council Policy 4.9 procurement of goods and services now includes expanded requirements for ensuring that social and environmental factors are considered as part of procurement activities.

Economy:

The confirmation of the City's essential supply arrangements has expanded in the annual corporate supply contracts procurement plan, which directs how City specific supply contracts shall be established.

Signed _____ Dated _____

These supply contracts will either directly support local businesses, or for specialist supply arrangements indirectly support the local economy via sub-contracting and service arrangements.

Governance:

The *Local Government Act 1995* requires that Councils establish good governance principles through the introduction of policies and guidelines.

The updated Council Policy 4.9 procurement of goods and services establishes the Council's standards for ensuring the effective and ethical management of City procurement activities.

RELEVANT PRECEDENTS:

Matters referenced in this report where detailed in the following Audit Committee and Council meetings.

- AC092 Compliance Audit Return - 2019
- CEO065 Covid-19 - Procurement Decisions and Proposed Future Actions
- CCS522 Procurement Policy Suite

COMMUNITY/COUNCILLOR CONSULTATION:

No community consultation was undertaken in relation to this item. As noted above the City consulted with Council in relation to COVID 19 procurement and the update to the City's procurement policies.

LEGISLATIVE/POLICY IMPLICATIONS:

As noted above the *Local Government (Functions & General) Regulations 1996* directs the management of local government procurement activities.

FINANCIAL AND RESOURCE IMPLICATIONS:

A by-product of the City confirming essential services contracts was gaining a clear picture of all City procurement. This found that there were duplications across branches with teams undertaking siloed procurement of the same or like goods and services.

For example, multiple standing orders for the same consumables by different branches with the same supplier. This has the effect of;

- substantially increasing the City's administration and labour costs for the same goods and services;
- potential for differing supply rates between branches;
- having inconsistent processes; and
- having differing contract arrangements.

It is for this reason that the City via the procurement action plan has implemented a coordinated procurement support services model. This has all corporate supply contracts, standing orders, formal request for quotes and the City annual supply contracts coordinated through a specialist procurement

Signed _____ Dated _____

team. This has significantly reduced the City's administration costs through efficiency gains and ensures better value for money and procurement compliance is achieved.

INTEGRATED PLANNING LINKS:

Title: Economy	3.1 Growth
Strategy 3.1.1	Promoting Greater Geraldton and its potential business opportunities to facilitate targeted economic development.
Strategy 3.1.2	Fostering a community where local business is supported.
Title: Governance	4.2 Planning and Policy
Strategy 4.2.1	Supporting local procurement.
Strategy 4.4.3	Delivering and ensuring business systems and services support cost effective Council operations and service delivery.
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:

A primary consideration in the establishment of City contracts is engaging with local suppliers. This commitment to support local business has been expanded upon within the recent updating of CP4.9 procurement of goods and services policy.

RISK MANAGEMENT

The actions of the City to ensure continued access to suppliers of essential services during COVID 19 was a risk response strategy. This was vital to support the City's business continuity management plans.

In addition, the procurement process review action plan is a critical risk and compliance response strategy. The plan is designed to address City process and compliance issues and supports both improved procurement practices and probity and compliance risk.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

As part of the procurement action plan development with internal stakeholders a range of options for procurement delivery were considered, as follows:

- Maintain status quo with expanded auditing
- Consideration of the coordinated procurement support services model
- Consideration of upskilling or imbedding specialist procurement staff across the City operations.

Signed _____ Dated _____

Ultimately the coordinated procurement support services model was determined as being the most effective model of ensuring procurement probity and compliance was achieved.

COMMITTEE DECISION

MOVED Cr Caudwell, SECONDED Cr Thomas

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

- 1. RECEIVE the update regarding the status of the City of Greater Geraldton's procurement activities.**

Carried 4/0

Signed _____ Dated _____

AC098	BUSINESS CONTINUITY MANAGEMENT
-------	--------------------------------

AGENDA REFERENCE:	D-20-139017
AUTHOR:	B Pearce, Manager Corporate Compliance and Safety
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	18 November 2020
FILE REFERENCE:	RM/6/0012
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The purpose of this report is to update the Audit Committee on the status of the City of Greater Geraldton's Business Continuity 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. RECEIVE the update on the City of Greater Geraldton's Business Continuity Management Plan

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

In accordance with prior Audit Committee items, this report details the status of the City's business continuity management (BCM) program. With the advent of the COVID 19 state of emergency during 2020 the City was required to implement a BCM response.

This was report to Council in *CEO065 COVID 19 – Procurement decisions and proposed future actions*. The City effectively managed the disruption caused by the state government directions to close City facilities and reduce services. However the COVID 19 disruption highlighted that the City's established BCM plans were not designed to respond to a protracted disruption.

Traditional BCM plans have successful detailed the response to a single catastrophic incident such as a fire or flood. The staggered and protract nature of COVID 19 across months required the City to redefine its response to the BCM disruption. This saw the City successful implement a range of strategies to ensure the continuity of City services via different methods such as.

- online services and tele-meetings
- prioritisation of projects and programs
- confirmation of essential service across operations
- working from home arrangements

Signed _____ Dated _____

Following a reduced return to business as usual in July - August of 2020. A lessons learnt process was undertaken across City operations. This processes highlighted the need to.

- Update the City's approach to BCM
- Develop a specific detailed Pandemic Recovery Plan (PRP). A draft plan has been developed based on both statutory (State of Emergency) and operational requirements, and is currently under review for final endorsement by EMT. The plan includes both whole of organisation actions and individual actions for each facility.

The City during September – October completed a review of BCM. This review considered both the current BCM plan and what industry and government guidance had been issued in light of COVID 19. Of the resources reviewed the City determined that the Community Service Industry Alliance (CSIA) Planning for Business Continuity in Times of Disaster resource pack was best suited to the City's BCM program. The CSIA resources provides a clear and easy to follow BCM resource which has been tested during COVID 19. The City is currently updating its BCM plans for all operations based on the CSIA methodology.

The PRP was in development at the same time as the BCM review process. The PRP directs how the City will respond to a pandemic (such as COVID 19) with specific consideration of how people's welfare can be maintained during a potential pandemic event. The PRP enables the City to implement a comprehensive management response to a disruption caused by a pandemic. This includes

- The initial response and recovery using the BCM plans.
- The staged levels of services that are required to manage people's welfare.
- Consideration of levels of severity and when state government involvement is required.
- What local resources and support is available.

The updated BCM plans in conjunction with the PRP will be completed by February 2020, and will be tested in the first quarter of 2021.

The City has prioritised the review and preparedness of the PRP and BCM plans. Upon completion and testing of these plans the City shall commence a full operational and strategic risk management review process. The results of this review including an organisational risk maturity assessment which will be provided to the Audit Committee at its next scheduled meeting.

Signed _____ Dated _____

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

The City's implementation of the PRP and BCM plans ensures the City is able to continue to provide services to the community in the event of a possible disruption event.

Environment:

There are no adverse environment impacts.

Economy:

COVID 19 has had a major impact on Australia's economy, which has impacted the City's operations. The City's BCM and PRP have been developed to enable the City to effectively mitigate the potential economic impacts of this disruption.

Governance:

Business Continuity Management is a core component of good governance and is integral to the City's Risk Management Framework.

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
- AC069 Business Continuity Management Program
- AC077 Business Continuity Management Program
- AC083 Business Continuity management
- CEO065 COVID-19 Procurement Decisions and Proposed Future Actions

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, Sports and Cultural Industries Integrated Planning Guideline
- City of Greater Geraldton Risk Management Framework
- Council Policy CP4.7 Risk Management
- Council Policy CP4.25 Business Continuity Management

FINANCIAL AND RESOURCE IMPLICATIONS:

The City's BCM and PRP have been developed to enable the City to effectively mitigate the potential impacts of disruption. These plans have been designed within the current scope of City resources.

Signed _____ Dated _____

INTEGRATED PLANNING LINKS:

Title: Community	1.4 Emergency Management
Strategy 1.4.2	Undertaking a coordinated approach with relevant agencies to minimise the impact of disaster events
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:

COVID 19 has had a significant impact on all sectors of the community. The BCM and PRP have been developed to enable the City to support the community and region in responding to disruptions such as COVID 19.

RISK MANAGEMENT

The BCM and PRP programs are critical risk mitigation strategies to manage disruption of City operations. Their successful implementation enabled the City to deal with the impacts of events such as the COVID 19 disruption.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

As detailed above the City reviewed a range of methodologies relating to BCM before confirming the updated approach to BCM.

COMMITTEE DECISION

MOVED Cr Colliver, SECONDED Cr Thomas

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

- 1. RECEIVE the update on the City of Greater Geraldton's Business Continuity Management Plan**

Carried 4/0

Signed _____ Dated _____

AC099	AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL
-------	--

AGENDA REFERENCE:	D-20-133270
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	23 November 2020
FILE REFERENCE:	GO/11/0020
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 2019 to 30 June 2020 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 2019 to 30 June 2020.
2. SUBMIT the summary of Audit Committee activities for the period 1 July 2019 to 30 June 2020 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 2019 to 30 June 2020 for the purposes of providing the above mentioned report to Council:

Signed _____ Dated _____

Audit Committee Meeting – 2 December 2019

Report Number	Title	Decision
AC081	Audit Report 2018/2019	<ol style="list-style-type: none"> 1. Adopt the Audit Report for the financial period ending 30 June 2019 2. Note that for the annual financial report for the year ended 30 June 2019 the Auditor has provided an unqualified audit opinion
AC082	Review of Audit Committee Charter	Endorse the Audit Committee Charter
AC083	Business Continuity Management	<ol style="list-style-type: none"> 1. Note the status of the City of Greater Geraldton Business Continuity Management Plan 2. Require the CEO to report back to the Audit Committee the ongoing status of the program
AC084	Risk Management Profile	<ol style="list-style-type: none"> 1. Note the status of the City of Greater Geraldton risk management profile 2. Require the CEO to report back to the Audit Committee the ongoing status of the City's risk profile.
AC085	Audit Committee Annual Report to Council	<ol style="list-style-type: none"> 1. Endorse the summary of Audit Committee activities for the period 1 July 2018 to 30 June 2019 2. Submit the summary of Audit Committee activities for the period 1 July 2018 to 30 June 2019 to Council as the Audit Committee annual report of activities
AC086	Disaster Recovery Exercise ICT	Note the progress of the ICT business continuity and disaster recovery (ICT BCDR)
AC087	Fraud and Corruption Control Plan	Endorse the Fraud and Corruption Control Plan
AC088	Management Actions on Internal Audits	Receive the Progress Report on the current status of management actions related to Internal Audits
AC089	Compliance Management Plan	Note the completion and implementation of the Compliance Management Plan and processes

Signed _____ Dated _____

Audit Committee Meeting – 3 March 2020

Report Number	Title	Decision
AC090	ICT Business Continuity and Disaster Recovery	Note the successful testing of the ICT business continuity and disaster recovery (ICT BCDR) plan
AC091	Work Health and Safety Bill Update	<ol style="list-style-type: none"> 1. Acknowledge receipt of the Work Health & Safety Bill report; 2. Endorse that the updated City of Greater Geraldton Safety Management System be included into CGG “rolling” internal audit program; and 3. Endorse that the Safety Management System audit report findings when completed be provided to the Audit Committee.
AC092	Compliance Audit Return	<ol style="list-style-type: none"> 1. Review the results of the Compliance Audit Return 2019. 2. Report to Council the results of the Audit Committee review of the Compliance Audit Return 2019, at the Ordinary Meeting of Council on 24 March 2020. 3. Report to the Audit Committee at their next meeting on the instances of tendering non-compliance related to changes to recurrent supply arrangements, collective procurement values and actions taken to address this matter

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

The annual report to the council on Audit Committee activities provides transparency to the Community in the undertakings of the committee.

Environment:

There are no adverse environment impact.

Economy:

There are no adverse economic impacts.

Governance:

It is a governance requirement under the provisions of the Audit Committee Charter to report to the Audit Committee and Council

Signed _____ Dated _____

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 December 2019, Item Number AC085, and the council on 17 December 2019, CCS459.

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.

COMMITTEE DECISION

MOVED Cr Caudwell, SECONDED Cr Colliver

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

- 1. ENDORSE the summary of Audit Committee activities for the period 1 July 2019 to 30 June 2020.**
- 2. SUBMIT the summary of Audit Committee activities for the period 1 July 2019 to 30 June 2020 to Council as the Audit Committee annual report of activities.**

Carried 4/0

Signed _____ Dated _____

AC100	MANAGEMENT ACTIONS ON INTERNAL AUDIT
-------	--------------------------------------

AGENDA REFERENCE:	D-20-140742
AUTHOR:	T Machukera, Financial Accountant
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	19 November 2020
FILE REFERENCE:	FM/3/0003
ATTACHMENTS:	Yes(X3)
	A. Management Actions on Internal Audit – Updated Schedule
	B. Financial Management System Review Part 1
	C. Financial Management System Review Part 2

EXECUTIVE SUMMARY:

The purpose of this report is to provide an updated report on Internal Audit management actions.

EXECUTIVE RECOMMENDATION:

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

1. RECEIVE the Progress Report on the current status of management actions related to Internal Audits.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The Audit Committee at their meeting on 12 March 2019 endorsed the following recommendation:

1. *ADOPT the Financial Management Systems Review (Part 2)*
2. *ENDORSE actions taken or proposed to be taken by staff to resolve any items identified in the report*
3. *ADD any active action to the existing schedule to be reviewed at the next Audit Committee meeting.*
4. *REQUIRE the CEO to provide a report back to Council by 30 June 2019 on Cash Transfer Management Processes.*

At the Audit Committee on 02 December 2019 an updated schedule was provided including new actions from the Financial Management System Review (Part 2).

Council Item (CCS420 – 10 May 2019) provided an updated report on the City's cash management transfer process as per above noted recommendation.

Signed _____ Dated _____

The attached report provides the Committee with a further update on management actions that remained active and/or were still to be completed per previous report 02 December 2019. No new actions have been added to the schedule.

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:

Review of the appropriateness and effectiveness of a local government's systems and procedures is a regulatory requirement under the provisions of the Local Government (Audit) Regulations 1996 r17

RELEVANT PRECEDENTS:

AC088 – Management Actions on Internal Audits - 02 December 2019

AC078 – Management Actions on Internal Audits – 12 March 2019

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government (Audit) regulations 1996, section 17:

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Local Government (Financial Management) regulations 1996, section 5:

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
 - (a) *for the proper collection of all money owing to the local government; and*
 - (b) *for the safe custody and security of all money collected or held by the local government; and*

Signed _____ Dated _____

- (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
- (d) *to ensure proper accounting for municipal or trust —*
- (i) *revenue received or receivable; and*
 - (ii) *expenses paid or payable; and*
 - (iii) *assets and liabilities;*
- and*
- (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
- (f) *for the maintenance of payroll, stock control and costing records; and*
- (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) *The CEO is to —*
- (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
 - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
 - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

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 Internal Audit program is implemented by the City to regularly review and assess the adequacy and effectiveness of systems and controls and legislative compliance. The outputs of the program assists the City by identifying and evaluating the level of risk exposures and the actions to be taken in improving control processes and systems.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives have been considered.

Signed _____ Dated _____

COMMITTEE DECISION

MOVED Cr Thomas, SECONDED Cr Colliver

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

- 1. RECEIVE the Progress Report on the current status of management actions related to Internal Audits.**

Carried 4/0

Signed _____ Dated _____

Audit Actions

AC100 -A

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer	Status	Next Review
Existing Actions						
2.2.1	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 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.	<p>The City has implemented a detailed business continuity management framework which includes a council policy, supporting procedures, and full BCM response plans e.g. main event response plan and the supporting 13 subplans for all critical functions.</p> <p>Annually the City will review all BCM plans and supporting functions list to ensure there currency. Annually these plans will be tested; both small scale desktop exercises to ensure all parties understand their roles and responsibilities; and large scale live testing were ICT systems, building accessing, or critical staff or resources is restricted to test the efficacy of the BCM plans.</p> <p>Latest ICT BC/DR test completed in February 2020.</p> <p>The City tested all plans (EMT BCM/crisis plan, ICT plan and the branch BCM sub plans) in the last half of 2019.</p> <p>As per the BCM item, a full BCM exercise shall be completed in the first quarter of 2021, following</p>	Dennis Duff / Brodie	Ongoing	March 2021

Audit Actions

AC100 -A

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer	Status	Next Review
Existing Actions						
			confirmation of the BCM and Pandemic plan review.			
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.	Network Monitoring System on hold. Establishing a Cyber Incident Response Framework in the first instance which will in turn better inform the monitoring solution requirements Other security projects taking priority but this is still high on the to do list. Expect to be a 2021 project.	Dennis Duff	In Progress	August 2021
	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).	Response provided Internal Audit ICT (11 April 2017) - '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	Completed and endorsed April 2020	Dennis Duff	Completed	N/A

Audit Actions

AC100 -A

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer	Status	Next Review
Existing Actions						
		<p>the IaaS contract. ICT capacity planning is now a monitoring/management process, with capacity changes provided for under the IaaS contract. Having completed the cloud migration in 2016 the City is now working with IT Vision and a group of Councils to create a common core applications platform. Note that the city acquires packaged software, and does not undertake any in-house software development. As and when that work progresses, enabling framing of a new applications/data strategy, requiring resource commitment from Council, it will be put to Council for deliberation'.</p>				
3.2.4	<p>IT Project Reviews.</p> <p>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.</p>	<p>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.</p>	<p>The City prioritised first a set of processes for selection and procurement of ICT related goods and services. Processes for project delivery, including formal post project reviews are in progress.</p>	Paul Radalj / Dennis Duff	In progress	September 2021

Audit Actions

AC100 -A

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer	Status	Next Review
Existing Actions						
4.2.3	<p>We recommend formal documented policy is prepared and communicated to employees regarding restrictions on the use of removable hard drives / USB devices. If the City decides that employees are allowed to use hard drives / USB devices, we recommend that such devices be approved by the employees' manager and the device should be encrypted or password protected.</p>	<p>Operational Policy related to use of office equipment to be updated to reference use of removable hard drives / USB devices.</p>	<p>USB storage devices have been blocked site wide since September 2020 – with a few exceptions for key staff/use cases. Operational Policy has been updated to reflect expectations.</p>	Dennis Duff	Completed	N/A
5.2.2	<p>We recommend stock by location be counted and reconciled on a predetermined basis which is documented.</p> <p>In addition, we recommend for those locations not following this practice, stock count sheets should be signed by the individual performing the count and should be subject to independent review and sign off.</p>	<p>The City will implement a stock take process and reconciliation template for the Art Gallery. The City considers its frequency of stock takes at all locations to be adequate and risk rating to be low because of:</p> <ul style="list-style-type: none"> - The value of the stock being immaterial - The low stock turnover rate - The low value of the majority of stock items 	<p>The Art Gallery stock has been combined with the Visitors Centre stock and it is now all being managed in Reckon Accounting system.</p> <p>The frequency of stocktakes is adequate and no changes are proposed.</p>	Renee Doughty / Temba Machukera	Completed	N/A

Audit Actions

AC100 -A

Reference	Findings & Recommendation	Initial Management Comment & Action	Further Actions to Date	Responsible Officer	Status	Next Review
Existing Actions						
	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.	<ul style="list-style-type: none"> - Would require staff time and loss of business due to close of the location during stock take 				



Financial Management System Review (Part 1) February 2018



2 March 2018

Mr Ross McKim
Chief Executive Officer
City of Greater Geraldton
PO Box 101
GERALDTON WA 6531

Dear Ross

2018 FINANCIAL MANAGEMENT SYSTEMS REVIEW (PART 1)

We are pleased to present the findings and recommendations resulting from our City of Greater Geraldton (the "City") Local Government (Financial Management) Regulation 1996, Financial Management System Review. In accordance with the City's Strategic Internal Audit Plan, the Financial Management System Review has been split into two Parts, with Part 1 completed in 2018 and Part 2 to be completed in 2020.

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

We would like to thank Renee, Auke and the finance department for their co-operation and assistance whilst conducting our review.

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

Yours sincerely
AMD Chartered Accountants



TIM PARTRIDGE FCA
Director

Table of Contents

1. Executive Summary	4
1.1. Background and Objectives	4
1.2. Summary of Findings	4
2. Custody and security of money	6
2.1. Scope and approach	6
2.2. Detailed findings and recommendations	6
3. Maintenance and security of the financial records	7
3.1. Scope and approach	7
3.2. Detailed findings and recommendations	7
3.2.1. Key register not currently up to date	7
4. Accounting for municipal or trust transactions	8
4.1. Scope and approach	8
4.2. Detailed findings and recommendations	8
4.2.1. Insurance claim schedule	8
5. Authorisation for incurring liabilities and making payments	9
5.1. Scope and approach	9
5.2. Detailed findings and recommendations	9
5.2.1. After the fact purchase orders	9
6. Maintenance of payroll, stock control and costing	10
6.1. Scope and approach	10
6.2. Detailed findings and recommendations	10
6.2.1. Conflicts of interest	10
6.2.2. Stocktakes	11
6.2.3. Administration and overhead allocation methodology	12
7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations ...	13
7.1. Scope and approach	13
7.2. Detailed findings and recommendations	13
8. Guidance on Risk Assessment	14

Inherent limitations

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

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

Third party reliance

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

1. Executive Summary

1.1. Background and Objectives

In accordance with the City’s Strategic Internal Audit Plan, the Financial Management System Review has been split into two Parts, with Part 1 completed in 2018 and Part 2 to be completed in 2020.

The primary objective of our Financial Management System Review (FMSR) (Part 1) was to assess the adequacy and effectiveness of systems and controls in place within the City focusing on accounts payable, accounts receivable, human resources and payroll procedures; in accordance with the 2016 to 2021 five year Strategic Internal Audit Plan (the “review”).

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer (CEO). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the Local Government Act 1995 and Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Our findings included within this report are based on the site work completed by us on the 5th of February to 9th of February 2018. Findings are based on information provided and available to us during this site visit.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas within Part 1 are detailed in the following sections of the report:

- Section 2 - Custody and security of money;
- Section 3 - Maintenance and security of the financial records;
- Section 4 - Accounting for municipal or trust transactions;
- Section 5 - Authorisation for incurring liabilities and making payments;
- Section 6 - Maintenance of payroll, stock control and costing records; and
- Section 7 - Preparation of budgets, budget reviews, accounts and reports required by the Act or the regulations.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 7, we are pleased to report that in context of the City’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

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

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

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	0	2	4

For details on the review rating criteria, please refer to Section 8.

Ref	Issue	Risk Rating
2. Custody and security of money		
We have no findings to raise in respect to the custody and security of money held by the Local Government.		
3. Maintenance and security of financial records		
3.2.1	Key register not currently up to date At the time of our onsite visit the key register was incomplete and not up to date.	Moderate
4. Accounting for municipal of trust transactions		
Insurance claim schedule		
4.2.1	The Insurance claim schedule maintained is incomplete and lacks detail such as lodgement date and settlement date.	Low
5. Authorisation for incurring liabilities and making payments		
After the fact purchase orders		
5.2.1	We noted four instances where purchase orders were raised subsequent to receiving the supplier invoice.	Low
6. Maintenance of payroll, stock control and costing records		
Conflicts of interest		
6.2.1	Confidentiality declaration not currently completed by interview panel members.	Moderate
Stocktakes		
6.2.2	Currently stock is only counted once a year at 30 June with exception of the airport depot where stock is counted monthly.	Low
Administration and overhead allocation methodology		
6.2.3	Currently the methodology applied by the City with respect to the Administration and Overhead costs allocation is not formally documented.	Low
7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations		
We have no findings to raise in respect to the preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.		

2. Custody and security of money

2.1. Scope and approach

- For the Council office only reviewed the controls and procedures over the collection, receipting, recording and banking of cash collected; and
- Review the security of cash and banking procedures to ensure the appropriate controls and procedures are in place.

2.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the custody and security of money held by the Local Government are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the custody and security of money held by the Local Government.

3. Maintenance and security of the financial records

3.1. Scope and approach

- Review of registers maintained (including key register, tender register etc.) and review of Council minutes.

3.2. Detailed findings and recommendations

3.2.1. Key register not currently up to date

Finding Rating: Moderate

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.

Implications / Risks

Risk of unauthorised access to the City property.

Recommendation

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.

Management Comment

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.

Responsible Officer: Laura MacLeod

Completion Date: 26th February 2018

4. Accounting for municipal or trust transactions

4.1. Scope and approach

- Review the procedures for preparation of monthly accounts and general ledger account reconciliations;
- Review policies and procedures in respect to insurance, recording claims and insuring newly acquired assets; and
- Review processes in respect to BAS, FBT Return and other statutory returns preparation.

4.2. Detailed findings and recommendations

4.2.1. Insurance claim schedule

Finding Rating: Low

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.

Implications / Risks

Untimely recovery of costs associated with insurance events.

Recommendation

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.

Management Comment

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.

Responsible Officer: Brodie Pearce

Completion Date: March 2018

5. Authorisation for incurring liabilities and making payments

5.1. Scope and approach

- Review of controls and procedures over the authorisation of purchase orders and making of payments, with a sample of payments tested; and
- Review of credit card processes and procedures, and testing transactions on a sample basis.

5.2. Detailed findings and recommendations

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 (details can be provided on request).

Implications / Risks

Risk of non-compliance with the City's policies / procedures.

Recommendation

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.

Management Comment

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 take appropriate action; and
- 3) Invoices without PO numbers are returned to suppliers

Responsible Officer: Auke Van Der Weij

Completion Date: 26th February 2018

6. Maintenance of payroll, stock control and costing

6.1. Scope and approach

- Review of payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure these controls were operating effectively.
- Detailed analysis and testing to review the allocation of overheads and administration costs.

6.2. Detailed findings and recommendations

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.

Implications / Risks

Lack of evidence in respect of conflicts of interest being considered.

Recommendation

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.

Management Comment

Currently the HR recruitment process is documenting where there is or could be a perceived issue, not when there isn't one.

Under the City's related policy and procedures panel members must declare any potential conflict of interest as soon as possible and, if necessary, withdraw from the panel.

Responsible Officer: Natalie Hope

Completion Date: 26th February 2018

6.2.2. Stocktakes

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.

Implications / Risks

Risk of stock being misstated throughout the year.

Recommendation

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.

Management Comment

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 take
- 3) The value of the stock being immaterial
- 4) The low stock turnover rate
- 5) The low value of the majority of stock items

Based 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.

Responsible Officer: Auke Van Der Weij

Completion Date: 26th February 2018

6.2.3. Administration and overhead allocation methodology

Finding Rating: Low

Our inquiries indicated that the administration and overhead allocation methodology utilised by the City is currently not formally documented.

Implications / Risks

Risk of administration and overhead expenses incorrectly being applied to the City departments.

Recommendation

We recommend formal documentation of the methodology applied by the City to calculate and allocate the administration and overhead expenses to the respective departments.

Management Comment

Agree – Complete Promapp action to document methodology and process.

Responsible Officer: Renee Doughty

Completion Date: April 2018

7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations

7.1. Scope and approach

- Review the procedures for preparation of the annual Financial Statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process; and
- Review the budget review to ensure compliance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 and assessment of budgetary expenditure controls in place.

Note: The mid-year budget review had not been completed as the time of this review.

7.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the preparation of budgets, budget reviews, accounts and reports required by the act or the regulations are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.

8. Guidance on Risk Assessment

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

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

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

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

Measure of Likelihood of Risk

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

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

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

Measure of Consequence of Risk

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

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

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

Risk Analysis Matrix – Level of Risk

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

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

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

Finding / Risk Acceptance Rating

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

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



City of Greater Geraldton Financial Management System Review (Part 2) December 2018





T +61 (8) 9780 7555
F +61 (8) 9721 8982

AMD Audit & Assurance Pty Ltd
ACN 145 719 259 t/a AMD

E amd@amdonline.com.au
www.amdonline.com.au

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

4 February 2019

Mr Ross McKim
Chief Executive Officer
City of Greater Geraldton
PO Box 101
GERALDTON WA 6531

Dear Ross

2018 FINANCIAL MANAGEMENT SYSTEMS REVIEW (PART 2)

We are pleased to present the findings and recommendations resulting from our City of Greater Geraldton (the "City") Local Government (Financial Management) Regulation 1996, Financial Management System Review. In accordance with the City's Strategic Internal Audit Plan, the Financial Management System Review has been split into two Parts, whereby Part 1 was completed in February 2018 and Part 2 brought forward to December 2018 (previously planned for 2020).

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

We would like to thank Renee and the City's site representatives for their co-operation and assistance whilst conducting our review.

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

Yours sincerely
AMD Chartered Accountants

A handwritten signature in black ink, appearing to read 'Tim Partridge', with a long horizontal flourish extending to the left.

TIM PARTRIDGE FCA
Director

Table of Contents

1. Executive Summary	4
1.1. Background and Objectives	4
1.2. Summary of Findings	5
2. Collection of Money	6
2.1. Scope and approach	6
2.2. Detailed findings and recommendations	6
3. Custody and security of money	7
3.1. Scope and approach	7
3.2. Detailed findings and recommendations	7
3.2.1. Security of Cash Transfers	7
3.2.2. End of Day Receipting Procedures	8
4. Maintenance and security of the financial records.....	10
4.1. Scope and approach	10
4.2. Detailed findings and recommendations	10
4.2.1. IT Strategic Plan	10
4.2.2. IT Security Log.....	10
4.2.3. Privacy and Intellectual Property Security	11
4.2.4. IT Project Reviews.....	11
5. Maintenance of payroll, stock control and costing.....	12
5.1. Scope and approach	12
5.2. Detailed findings and recommendations	12
5.2.1. Fuel Usage Analysis by Vehicle	12
5.2.2. Stock takes.....	13
6. Guidance on Risk Assessment	14

Inherent limitations

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

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

Third party reliance

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

1. Executive Summary

1.1. Background and Objectives

In accordance with the City's Strategic Internal Audit Plan, the Financial Management System Review has been split into two Parts, whereby Part 1 was completed in February 2018 and Part 2 was brought forward to December 2018 (previously planned for 2020).

The primary objective of our Financial Management System Review (FMSR) (Part 2) was to assess the adequacy and effectiveness of systems and controls in place within the City's locations focusing on security measures around the City's assets including cash and inventory; in accordance with the 2016 to 2021 five year Strategic Internal Audit Plan (the "review").

The following City locations were visited and assessed for the purposes of FMSR (Part 2):

- Airport;
- Art Gallery;
- Queens Park Theatre;
- Visitor Centre;
- Aquarena;
- Parking meters;
- Library;
- Animal Management Facility;
- Ellendale Camping Pool;
- Mullewa District Office;
- Mullewa Swimming Pool;
- Mullewa Caravan Park;
- QEII;
- Meru Waste Facility;
- Airport Depot; and
- Mullewa Depot.

Prior to our on-site visit we were advised that no cash (or very limited) and/or inventory was collected or retained at the Geraldton Multi-purpose Centre and Community Nursery. As a result, site visits have not been completed for these locations.

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer (CEO). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the Local Government Act 1995 and Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Our findings included within this report are based on the site work completed by us on the 9th of December to 14th of December 2018. Findings are based on information provided and available to us during this site visit.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas within Part 2 are detailed in the following sections of the report:

- Section 2 – Collection of money;
- Section 3 - Custody and security of money;
- Section 4 - Maintenance and security of the financial records; and
- Section 5 - Maintenance of payroll, stock control and costing records.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 5, we are pleased to report that in context of the City’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

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

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

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	1	5	2

For details on the review rating criteria, please refer to Section 6.

Ref	Issue	Risk Rating
2. Collection of money		
We have no findings to raise in respect to the collection of money by the Local Government.		
3. Custody and security of money		
Security of Cash Transfers		
3.2.1	Sun City Security is no longer assisting with cash transfers resulting in the City’s staff transferring cash to either the Civic Centre or the bank.	High
End of Day Receipting Procedures		
3.2.2	Acknowledging significant improvements since our prior review, however there are still procedures relating to the End of Day Receipting Procedures at various sites that require further attention.	Moderate
4. Maintenance and security of financial records		
IT Strategic Plan		
4.2.1	Currently there is no finalised IT Strategic Plan in place.	Moderate
IT Security Log		
4.2.2	IT security logs are not currently reviewed by the IT department.	Moderate
Privacy and Intellectual Property Security		
4.2.3	Although the City has resolved the issue around personal file sharing accounts, there is no documented policy and limited control over the use of USB and/or hard drives to share information amongst employees and third parties.	Moderate
IT Project Reviews		
4.2.4	Currently no post implementation review for major IT projects completed.	Low
5. Maintenance of payroll, stock control and costing records		
Fuel Usage Analysis by Vehicle		
5.2.1	Currently no analysis of fuel usage by asset is conducted.	Moderate
Stock takes		
5.2.2	Stock is only counted once a year at 30 June with exception of the airport depot where stock is counted monthly.	Low

2. Collection of Money

2.1. Scope and approach

For all locations operated by the City including Airport, Art Gallery, Queens Park Theatre, Visitor Centre, Aquarena, Parking meters, Library, Animal Management Facility, Ellendale Camping Pool, Mullewa District Office, Mullewa Swimming Pool, Mullewa Caravan Park, QEII, Meru Waste Facility and other internal charges as documented with the Schedule of Fees and Charges, we:

- Document financial systems detailing controls, procedures and reconciliations in relation to all sources of income; and
- Test collection, receipting, invoicing and posting procedures over cash receipts on a sample basis.

2.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the collection of money by the Local Government are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the collection of money by the Local Government.

3. Custody and security of money

3.1. Scope and approach

- Site visits to cash collection points to review the controls and procedures over the collection, receipting, recording and banking of cash collected; and
- Review the security of cash and banking procedures to ensure the appropriate controls and procedures are in place.

3.2. Detailed findings and recommendations

3.2.1. Security of Cash Transfers

Finding Rating: High

Our inquiries made during our site visits identified that Sun City Security is no longer assisting with the security of the cash transfers for the City. City staff either individually or in a pair are transporting cash from one City location to another or from a City location to the bank, either on foot or via a City vehicle, in lieu of the security company. For example:

- Civic Centre, Library, Aquarena and Visitors Centre – a Ranger will collect the banking from these four locations on allocated days of the week to transfer to the bank. Currently the Ranger responsible for this task is on long service leave and a Security Guard from MCS Security has stepped into the role. Similar to the Ranger the Security Guard is completing the cash transfers by himself and travels in a City vehicle.
- Parking Meters – two nominated Rangers will collect the cash tins from the parking metres weekly on Tuesday and Thursday and will transport the cash tins to the bank in a locked Ranger vehicle.
- Queens Park Theatre (QPT) – the Front of House Leader and Box Office and Front of House walks with cash proceeds to the bank.
- Art Gallery – staff currently transports the banking through the City’s internal mail. However, if the Gallery Officer feels uncomfortable about the amount either they or the Art Gallery Coordinator will walk the banking to the Customer Services Office for receipting.
- Airport – the Airport Coordinator drives on a fortnight basis the money vault bag (after collecting the cash tins from the parking meters) to the Finance team at the City.
- Meru Waste Facility – similar to the Airport, the Manager from Toxfree drives the banking three days a week to the Civic Centre.

Implications / Risks

- Risk of theft of the City’s cash.
- Risk of physical harm to one of the City’s employees and/or representatives.

Recommendation

We recommend the City re-assess the current security cash transfer procedures in place and consider whether a Cert III Security Officer accompanies the City employee on those cash transfers that are assessed as high risk of potential harm to the individual involved. In addition, consideration be given on whether cash transfers should be transported via a security vehicle.

For those instances where the City does not deem the cash transfer to be of high risk, at least one other person should be involved i.e. travels in the car or at the very least someone should walk with the individual to their car and someone should meet the individual when they arrive at Civic Centre.

Management Comment

The City is currently reviewing our security cash transfer procedures in relation to all our cash collection facilities and/or points. An interim arrangement has now been put in place while the review is being undertaken where an external Security Company is undertaking cash collections instead of City staff from the Civic Centre, Library, Aquarena, QEII and Visitor Centre. All other facilities and cash collection point procedures have in the interim remained unchanged until the review is completed. The review encompasses other security services the City engages and the possible cost efficient opportunities to bundle these services.

Responsible Officer: Phil Melling

Completion Date: 30 June 2019

3.2.2. End of Day Receipting Procedures

Finding Rating: Moderate

Although there has been significant improvement in the End of Day Receipting Procedures followed by the City's locations subsequent to our previous review, our inquiries made identified the following exceptions pertaining to the End of Day Receipts Reconciliations and Daily Taking Sheets requiring further attention:

- QPT – currently the Bar Takings – Cash Reconciliation is only initialled by Box Office staff and Front of House staff when an amendment is required. In addition, although we were advised that the QPT Finance Officer is independently reviewing the Bar Takings – Cash Reconciliation there is no evidence of this independent review occurring. Similarly with the Box Office Daily Advance form there is no physical sign-off by the preparer, nor is there a formal physical sign-off from the independent reviewer (with exception of some ticks and “ok” written on the form).
- Aquarena – although the Aquarena Finance Officer is signing off the Breakdown Analysis of Tills as the preparer, there appears to be no evidence that an independent review has been completed. In addition, the Daily Takings Breakdown Report is not currently signed off by the preparer nor is there evidence that an independent review has been completed.
- Mullewa District Office – currently the End of Day Reconciliation is not signed off by the preparer nor is the reconciliation subject to independent review.
- QEII – there is currently no formal documented reconciliation rather a cash break-up sheet is completed. This cash break-up sheet is not signed off by the preparer nor is it subject to independent review.
- Art Gallery – a casual staff member will count cash weekly on a Saturday and will populate the Art Gallery Payment Reconciliation form, this form is not signed off by the preparer. We were advised that the Art Gallery Payment Reconciliation is independently reviewed by the Gallery Officer on the following Monday, however there is no physical evidence of this review.
- Library – rather than signing off on the End of Day Receipts Reconciliation the preparer and independent reviewer is currently signing off on a log book. In addition, the Library Banking Summary is not currently signed off by the preparer nor is the Library Banking Summary subject to an independent review.
- Visitor Centre – the End of Day Receipts Reconciliation is currently initialled by the preparer and independent reviewer. In relation to the Daily Banking Sheet this is not currently signed off by the preparer nor is the Library Banking Summary subject to an independent review.
- Meru Waste Facility – currently the End of Day Receipting documentation for example the EFTPOS takings run sheet and Cash takings run sheet is not signed off by the preparer.

Implications / Risks

Risk that error of fraud may not be detected on a timely basis.

Recommendation

We recommend that a consistent approach be followed by the City's locations whereby:

- The End of Day Cash Receipt Reconciliation (or the equivalent) and Daily Taking Sheet (or the equivalent) be signed-off by the individual preparing the reconciliation. This sign-off would include the preparers' name, role/position at the City, signature and date of sign-off on the actual document; and
- The End of Day Cash Receipt Reconciliation (or the equivalent) and Daily Taking Sheet (or the equivalent) be reviewed by someone independent to the receipting function, and signed off as evidence of independent review. This sign-off would include the reviewers' name, role/position at the City, signature and date of sign-off on the actual document.

Management Comment

The City will implement a more standardised approach to end of day reconciliations at all sites as recommended above. The reconciliation document will include for the preparer and reviewer their name, role/position, signature and date.

Responsible Officer: Renee Doughty

Completion Date: June 2019

4. Maintenance and security of the financial records

4.1. Scope and approach

- Review of information technology systems to assess physical security, access security, data back-ups, contingency plans, compliance and systems development.

4.2. Detailed findings and recommendations

4.2.1. IT Strategic Plan

Finding Rating: Moderate

As previously raised in AMD's Information Technology Internal Audit Report, dated 11 April 2017 and the subsequent Regulation 17 Review, dated 2 March 2018, and as confirmed with the ICT Manager, the City does not currently have a finalised IT Strategic Plan in place.

Implications / Risks

Risk of strategic objectives pertaining to the Council's current IT and communication requirements not being met.

Recommendation

We recommend the draft IT Strategic Plan is finalised.

Management Comment

IT Strategic Plan is currently being drafted.

Responsible Officer: Dennis Duff

Completion Date: June 2019

4.2.2. IT Security Log

Finding Rating: Moderate

As previously raised in AMD's Information Technology Internal Audit Report, dated 11 April 2017 and the subsequent Regulation 17 Review, dated 2 March 2018, and as confirmed with the ICT Manager security logs are kept, however logs are not subject to review on a regular basis.

Implications / Risks

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

Recommendation

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

Management Comment

The solution to this forms part of an overarching network monitoring solution currently in the requirements gathering stage.

Responsible Officer: Dennis Duff

Completion Date: October 2019

4.2.3. Privacy and Intellectual Property Security

Finding Rating: Moderate

Our inquiries of the ICT Manager indicate that although the City has implemented controls in relation to the use of personal file sharing accounts such as OneDrive and DropBox, there have been no controls implemented pertaining to the use of removable hard drives / USB devices.

Implications / Risks

Risk of unauthorized access to confidential information.

Recommendation

We recommend formal documented policy is prepared and communicated to employees regarding restrictions on the use of removable hard drives / USB devices. If the City decides that employees are allowed to use hard drives / USB devices, we recommend that such devices be approved by the employees' manager and the device should be encrypted or password protected.

Management Comment

Operational Policy related to use of office equipment to be updated to reference use of removable hard drives / USB devices.

Responsible Officer: Dennis Duff

Completion Date: June 2019

4.2.4. IT Project Reviews

Finding Rating: Low

As previously raised in AMD's Information Technology Internal Audit Report, dated 11 April 2017, the subsequent Regulation 17 Review, dated 2 March 2018, and as confirmed with the ICT Manager there is currently no formal post implementation review of major IT projects completed.

Implications / Risks

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

Recommendation

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

Management Comment

The City is proposing to conduct a review of the City's procurement functions across its full operations. For the purpose of this review the City's use of procurement is to mean the full process from cradle to grave e.g. includes but is not limited to purchasing, stock control, requests for quotation, requests for tender (or associated variations), evaluation and award, contract development, contract management, asset disposal and post project evaluation etc.

Responsible Officer: Paul Radalj

Completion Date: June 2019

5. Maintenance of payroll, stock control and costing

5.1. Scope and approach

For all the City locations visited, review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks).

5.2. Detailed findings and recommendations

5.2.1. Fuel Usage Analysis by Vehicle

Finding Rating: Moderate

As previously raised in AMD's Fleet Management Internal Audit Report, dated 11 December 2017, and as confirmed with the Fleet Services Manager, fuel usage analysis by individual motor vehicle/plant item on a per vehicle/plant item basis (i.e. consumption per 100kms or plant hour vs book consumption) is not currently prepared on a periodic and/or rotational basis and subject to independent review.

In addition, our visit to the Mullewa Depot identified that the cage door protecting the diesel bowser is not locked during the day.

Implications/Risks

Risk of misallocation or misappropriation of fuel to motor vehicle/plant item may not be identified.

Recommendation

We recommend consideration to be given to analysing fuel consumption per vehicle/plant item on a periodic basis where currently not prepared, and that the analysis be subject to independent review.

In addition, we recommend that the Mullewa Depot locks the cage door in front of the diesel bowser whilst not in use.

Management Comment

The City has developed a new report which will be able to show month on month comparisons by both individual and grouped plant items (detailed and summary). The report will also enable analysis of fuel usage quantity and cost compared to plant hours.

Procedure now in place to lock cage door when unattended.

Responsible Officer: Paul Radalj

Completion Date: February 2019

5.2.2. Stock takes

Finding Rating: Low

Although there has been significant improvement in stock takes practices since our previous review, our inquiries made during our site visits identified the following exceptions pertaining to stock takes practices requiring further attention:

- Airport Depot – stock takes are completed on a monthly basis and a robust process is followed, however the stock sheets used to complete the counts includes the current quantity on hand as reflected in Synergy.
- Mullewa Depot – small inventory items such as oils, lubricants and materials are held at the depot, however these items are only counted once during the annual year-end stock take.
- QPT – with exception of the year end stock count completed by the QPT Finance Officer, no other formal stock takes are performed throughout the year.
- Art Gallery – a stock listing is maintained, however staff were unable to provide a total stock value whilst on site. Stock takes are completed from time to time (last completed October 2018). The stock listing will be printed and checked off by casual staff and the variances provided to Gallery Officer who will investigate. There is no formal sign-off of the stock counts completed.
- Library – the last stock take of the books available for sale was performed approximately six months ago. Stock count sheets are utilised, however one person will count by themselves. There is no independent spot checks of the counts conducted.
- Visitor Centre – although the stock count procedures in place are robust, the Visitor Centre will only complete an annual stock take at year end.

Implications / Risks

Risk of stock being misstated throughout the year.

Recommendation

We recommend stock by location be counted and reconciled on a predetermined basis which is documented.

In addition, we recommend for those locations not following this practice, 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.

Management Comment

The City will implement a stock take process and reconciliation template for the Art Gallery. The City considers its frequency of stock takes at all locations to be adequate and risk rating to be low because of:

- The value of the stock being immaterial
- The low stock turnover rate
- The low value of the majority of stock items
- Would require staff time and loss of business due to close of the location during stock take

Responsible Officer: Renee Doughty

Completion Date: June 2019

6. Guidance on Risk Assessment

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

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

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

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

Measure of Likelihood of Risk

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

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

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

Measure of Consequence of Risk

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

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

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

Risk Analysis Matrix – Level of Risk

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

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

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

Finding / Risk Acceptance Rating

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

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

6 COMPLIANCE REVIEW – STANDING ITEM

AC101	COMPLIANCE AUDIT RETURN 2020
-------	------------------------------

AGENDA REFERENCE:	D-20-152573
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	14 January 2020
FILE REFERENCE:	RM/6/0020
ATTACHMENTS:	Yes (x1) Compliance Audit Return 2020

EXECUTIVE SUMMARY:

The purpose of this report is to submit the 2020 Compliance Audit Return (CAR) to the Audit Committee for review.

EXECUTIVE RECOMMENDATION:

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

1. REVIEW the results of the Compliance Audit Return 2020.
2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2020, at the Ordinary Meeting of Council on 23 February 2021.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

In accordance with section 7.13(1) of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*, the City is required to complete a Compliance Audit Return in relation to the period 1 January 2020 to 31 December 2020 against the requirements set out in the CAR.

The 2020 CAR continues in a reduced format, with the areas of compliance included restricted to those considered high risk.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no adverse community impacts.

Environment:

There are no adverse environmental impacts.

Economy:

There are no adverse economic impacts.

Signed _____ Dated _____

Governance:

Review of the Compliance Audit Return by the Audit Committee is a regulatory requirement under the provisions of the *Local Government (Audit) Regulations 1996 r. 14*

RELEVANT PRECEDENTS:

The Audit Committee reviewed the 2019 Compliance Audit Return for the City of Greater Geraldton on 3 March 2020, AC092.

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 r. 14

14. Compliance audits by local governments

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

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 CAR is a statutory compliance requirement for local governments and requires a review first by the Audit Committee and then a report to Council for adoption before being submitted to the Department of Local Government. The City is required to provide this to the Department prior to 31 March 2021.

Signed _____ Dated _____

The Audit Committee does not have the option not to review the CAR as it would therefore be non-compliant with the *Local Government Act 1995* and associated regulations.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives have been considered.

COMMITTEE DECISION

MOVED Cr Caudwell, **SECONDED** Cr Thomas

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

- 1. REVIEW the results of the Compliance Audit Return 2020.**
- 2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2020, at the Ordinary Meeting of Council on 23 February 2021.**

Carried 4/0

Signed _____ Dated _____



Greater Geraldton - Compliance Audit Return 2020

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of the relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A	The City of Greater Geraldton did not commence any major trading undertaking in 2020.	Brian Robartson
2	s3.59(2)(b) F&G Regs 7,8,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2020?	N/A	The City of Greater Geraldton did not commence any major land transaction in 2020.	Brian Robartson
3	s3.59(2)(c) F&G Regs 7,8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2020?	N/A		Brian Robartson
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2020?	N/A		Brian Robartson
5	s3.59(5)	During 2020, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Brian Robartson



Delegation of Power/Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16	Were all delegations to committees resolved by absolute majority?	N/A	There were no delegations to committees	Margot Adam
2	s5.16	Were all delegations to committees in writing?	N/A		Margot Adam
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	N/A		Margot Adam
4	s5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Margot Adam
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	N/A		Margot Adam
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Margot Adam
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Margot Adam
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Margot Adam
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Margot Adam
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes		Margot Adam
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Margot Adam
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	Yes		Margot Adam
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		Margot Adam

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Sheri Moulds



No	Reference	Question	Response	Comments	Respondent
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	Yes		Sheri Moulds
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		Sheri Moulds
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	No	One employee lodged a primary return later than three months from the start date. This was reported to the Department and the CCC, and City processes have been reviewed and amended in response to the matter	Margot Adam
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?	Yes		Margot Adam
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Margot Adam
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Margot Adam
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes	Register D-20-021275	Sheri Moulds
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Margot Adam
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Margot Adam
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Margot Adam
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Margot Adam



No	Reference	Question	Response	Comments	Respondent
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes		Margot Adam
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Margot Adam
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	Yes	Register D-18-010966	Sheri Moulds
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11 (2) was the nature of the interest recorded in the minutes?	Yes	Register D-18-010966	Sheri Moulds
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Sheri Moulds
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	No reporting of this nature was required	Sheri Moulds
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		Sheri Moulds
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes		Sheri Moulds
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Margot Adam



Disposal of Property					
No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes		Brian Robartson
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes		Brian Robartson

Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes		Margot Adam
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	Yes		Margot Adam
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	Yes		Margot Adam

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Nita Jane
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	The Audit Committee has no delegated powers under part 7 of the Act	Nita Jane
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	The City of Greater Geraldton's audit arrangements now fall under the Officer of the Auditor General	Nita Jane



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

No	Reference	Question	Response	Comments	Respondent
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	N/A	As above	Nita Jane
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	No	The gazettal of retrospective changes to the Financial Management regulations on 6 November 2020 delayed this.	Nita Jane
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes		Nita Jane
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	N/A	No significant matters reported	Nita Jane
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	No report required	Nita Jane
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A	No report required	Nita Jane
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	Yes	As per Local Government Nita Jane Amendment (Auditing) Act 2017	
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes		Nita Jane



Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	27 June 2017	Nita Jane
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Original - 27 June 2017. Reviewed - 23 June 2020	Nita Jane
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Nita Jane

Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A	There was no CEO recruitment and selection in the year 1 January 2020 to 31 December 2020.	Joanne Stevens
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	N/A		Joanne Stevens
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A		Joanne Stevens
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	N/A		Joanne Stevens
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A		Joanne Stevens
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Joanne Stevens



Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	No	The CEO is the complaints officer	Margot Adam
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)?	Yes		Margot Adam
3	s5.121(2)	Does the complaints register include all information required by section 5.121(2)?	Yes		Margot Adam
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes		Margot Adam

Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	Yes	26 March 2019	Nita Jane
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes	27 March 2018	Nita Jane
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	Yes		Nita Jane
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	Yes		Margot Adam
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes	CP 4.29 adopted 28 April 2020 by Absolute Majority	Nita Jane



No	Reference	Question	Response	Comments	Respondent
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Nita Jane
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Nita Jane
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	CP 4.1 (v2) adopted 24 September 2019 by Absolute Majority	Nita Jane
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes	Council Members Training Report » City of Greater Geraldton (cgg.wa.gov.au)	Nita Jane
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes		Nita Jane

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	Policy updated to align with regulation amendments August 2020.	Brodie Pearce
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Brodie Pearce
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Brodie Pearce
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Brodie Pearce



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

No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	Yes		Brodie Pearce
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Brodie Pearce
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Brodie Pearce
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	No	Tenders Register was available for public inspection, publication to the website was finalised in January 2021, delay due to review of website capabilities and accessibility requirements.	Brodie Pearce
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	Yes		Brodie Pearce
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		Brodie Pearce
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		Brodie Pearce
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	Yes		Brodie Pearce
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	Yes		Brodie Pearce
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	Yes		Brodie Pearce
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	Yes		Brodie Pearce
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	Yes		Brodie Pearce



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

No	Reference	Question	Response	Comments	Respondent
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A	No panels issued for this period	Brodie Pearce
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Brodie Pearce
19	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		Brodie Pearce
20	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		Brodie Pearce
21	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Brodie Pearce
22	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Brodie Pearce
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Brodie Pearce
24	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	N/A	Long standing regional price preference policy in place	Brodie Pearce

I certify this Compliance Audit Return has been adopted by council at its meeting on _____

Signed Mayor/President, Greater Geraldton

Signed CEO, Greater Geraldton

7 GENERAL BUSINESS LATE ITEM - Nil

8 MEETING CLOSURE

There being no further business the meeting was declared closed at 3.30pm.

Signed _____ Dated _____
