



City of Cockburn
Audit & Strategic Finance Committee
Minutes

For Thursday, 15 November 2018

These Minutes are confirmed

Presiding Member's signature

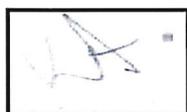
A handwritten signature in blue ink, appearing to be 'K. Tall', is written above a horizontal blue line.

Date: 21 March 2019

CITY OF COCKBURN

SUMMARY OF MINUTES OF THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING HELD ON THURSDAY, 15 NOVEMBER 2018 AT 6:00 PM

	Page
1. DECLARATION OF MEETING.....	4
2. APPOINTMENT OF PRESIDING MEMBER (IF REQUIRED)	5
3. DISCLAIMER (TO BE READ ALOUD BY PRESIDING MEMBER).....	5
4. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATIONS OF FINANCIAL INTERESTS AND CONFLICT OF INTEREST (BY PRESIDING MEMBER)	5
5. APOLOGIES & LEAVE OF ABSENCE.....	5
6. PUBLIC QUESTION TIME	5
7. CONFIRMATION OF MINUTES.....	5
7.1 (2018/MINUTE NO 0013) MINUTES OF THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING - 19/07/2018	5
8. DEPUTATIONS.....	6
9. BUSINESS LEFT OVER FROM PREVIOUS MEETING (IF ADJOURNED)	6
10. DECLARATION BY MEMBERS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING.....	6
11. COUNCIL MATTERS	7
11.1 (2018/MINUTE NO 0014) RISK INFORMATION REPORT	7
11.2 (2018/MINUTE NO 0015) LEGAL PROCEEDINGS BETWEEN COUNCIL AND OTHER PARTIES	68
12. PLANNING & DEVELOPMENT DIVISION ISSUES	71
13. FINANCE & CORPORATE SERVICES DIVISION ISSUES	72
13.1 (2018/MINUTE NO 0016) PERFORMANCE REVIEW OF MONETARY & NON-MONETARY INVESTMENTS FOR THE FINANCIAL YEAR 2017-2018.....	72
13.2 (2018/MINUTE NO 0017) 2018 ANNUAL FINANCIAL REPORT & EXTERNAL AUDIT REPORT	76
13.3 (2018/MINUTE NO 0018) 2018 INTERIM AUDIT MANAGEMENT REPORT	179
14. ENGINEERING & WORKS DIVISION ISSUES	202
15. COMMUNITY SERVICES DIVISION ISSUES.....	202
16. EXECUTIVE DIVISION ISSUES	202
17. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN	202



18. NOTICES OF MOTION GIVEN AT THE MEETING FOR CONSIDERATION
AT NEXT MEETING202

19. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY MEMBERS
OR OFFICERS.....202

20. MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT DEBATE202

21. CONFIDENTIAL BUSINESS202

22. CLOSURE OF MEETING202



CITY OF COCKBURN

MINUTES OF AUDIT & STRATEGIC FINANCE COMMITTEE HELD ON THURSDAY, 15 NOVEMBER 2018 AT 6:00 PM

PRESENT:

ELECTED MEMBERS

Mr K Allen	-	Councillor (Presiding Member)
Mr L Howlett	-	Mayor
Mrs C Reeve-Fowkes	-	Councillor
Mr M Separovich	-	Councillor (Arr. 6.05 pm)

IN ATTENDANCE

Mr D Green	-	Acting Chief Executive Officer
Mr S Downing	-	Director Finance & Corporate Services
Mr Andrew Trosic	-	Acting Director Planning & Development Services
Mrs M Tobin	-	Executive Manager, Strategy & Civic Support
Mrs G Bowman	-	Manager, Community Development, Governance & Community Services
Mr N Mauricio	-	Manager Financial Services
Mr J Ngoroyemoto	-	Governance & Risk Advisor
Mrs V Frankson	-	Executive Assistant, Fin & Corp Services and Gov & Comm Services

1. DECLARATION OF MEETING

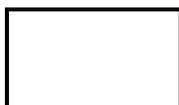
The Presiding Member declared the meeting open at 6.00pm.

“Kaya, Wanju Wadjuk Budjar” which means “Hello, Welcome to Wadjuk Land”

The Presiding Member acknowledged the Nyungar People who are the traditional custodians of the land on which the meeting is being held and pay respect to the Elders of the Nyungar Nation, both past and present and extend that respect to Indigenous Australians who are with us tonight.

The Presiding Member made the following announcements:

The Presiding Member welcomed Mr Anthony Macri and Mr Suren Herathmudalige of Macri Partners and Mr Jordan Langford-Smith , Office of the Auditor General, to the meeting.



2. APPOINTMENT OF PRESIDING MEMBER (IF REQUIRED)

Nil

3. DISCLAIMER (TO BE READ ALOUD BY PRESIDING MEMBER)

Members of the public, who attend Council Meetings, should not act immediately on anything they hear at the Meetings, without first seeking clarification of Council's position. Persons are advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

4. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATIONS OF FINANCIAL INTERESTS AND CONFLICT OF INTEREST (BY PRESIDING MEMBER)

Nil

5. APOLOGIES & LEAVE OF ABSENCE

Deputy Mayor, Ms L Smith	-	Apology
Mr S Cain, CEO	-	Apology
Mr C Sullivan, Director Engineering & Works	-	Apology
Mr D Arndt, Director Planning & Development	-	Apology

6. PUBLIC QUESTION TIME

Nil

7. CONFIRMATION OF MINUTES**7.1 (2018/MINUTE NO 0013) MINUTES OF THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING - 19/07/2018****RECOMMENDATION**

That Committee confirms the Minutes of the Audit & Strategic Finance Committee Meeting held on Thursday, 19 July 2018 as a true and accurate record.

COMMITTEE RECOMMENDATION

MOVED Mayor L Howlett SECONDED Cr C Reeve-Fowkes

That the recommendation be adopted.

CARRIED 3/0

8. DEPUTATIONS

Nil

9. BUSINESS LEFT OVER FROM PREVIOUS MEETING (IF ADJOURNED)

Nil

10. DECLARATION BY MEMBERS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING

Nil

AT THIS POINT IN THE MEETING, THE TIME BEING 6.03PM THE FOLLOWING ITEMS WERE CARRIED BY AN 'EN BLOC' RESOLUTION OF THE COMMITTEE

11.2	13.1
	13.3

CR MICHAEL SEPAROVICH JOINED THE MEETING AT 6.05PM.



11. COUNCIL MATTERS

11.1 (2018/MINUTE NO 0014) RISK INFORMATION REPORT

Author(s)	J Ngoroyemoto
Attachments	<ol style="list-style-type: none"> 1. Risk Management Framework Review Report ↓ 2. 2017 Compliance Audit Return Review Report ↓ 3. High/Extreme Risks Update Report ↓ 4. Risk Management Framework 'Road Map' Action Plan 2019 - 2021 for Continuous Improvement ↓

RECOMMENDATION

That the Committee receives:

- (1) the Risk Information Update report on High/Extreme Risks, as per attachment to the report; and
- (2) the Chief Executive Officer's Biennial Review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal controls and legislative compliance as detailed in the Risk Management Framework Review Report and the 2017 Compliance Audit Return Review Report, as attached to the report; and
- (3) adopt the Risk Management Framework 'Road Map' Action Plan for Continuous Improvement 2019-2021, as attached to the report.

COMMITTEE RECOMMENDATION

MOVED Cr C Reeve-Fowkes SECONDED Mayor L Howlett

That the recommendation be adopted.

CARRIED 4/0

Background

The City's Risk Program is committed to a culture of risk management to ensure that sound risk management practices and procedures are fully integrated into its strategic and operational processes and day to day business practices. The City is progressing in implementing the Risk Program and this report provides an update on the key milestones achieved over the past 4 months, since the last information report was submitted to the Audit Committee.

The purpose of this report is to provide an overview of the current and planned risk management activities by the City of Cockburn,



incorporating the updated Status of the City's Business Continuity Management Program.

Submission

N/A

Report

This Risk Report covers the months of July 2018 to November 2018 and outlines the risk and business continuity management activities undertaken during these months.

RISK MANAGEMENT PROGRAM

Update on High and Extreme Risks

As at 5th of November, 25 Strategic Risks and 252 Operational risks currently sit on the City's Risk Registers.

<u>Risk</u>	<u>No of Risks</u>
Extreme	Nil
High	3
Substantial	18
Moderate	146
Low	120

These risks are monitored and reviewed in priority of the risk rating level as per the City of Cockburn risk treatment levels. Updates on all of the identified 'High/Extreme' are attached to the report.

Interim Risk Profile



All of the City’s risk information is continuously reviewed by the risk owners in the Risk Management & Safety System (RMSS). The distribution of risk ratings for both strategic and operational risks throughout the organisation is shown in the following risk matrix and chart. The chart demonstrates the overall image of the City’s risk categorised into Low, Moderate, Substantial, High and Extreme risks. The City is proactively managing its risks with no Extreme risks identified and only 1.03% rated as High. The distribution of the risk ratings is likely to change as the City transitions through the risk maturity levels and continues to review all operational and strategic risks.

Figure 1: Distribution of risk ratings as at 6 November 2018.

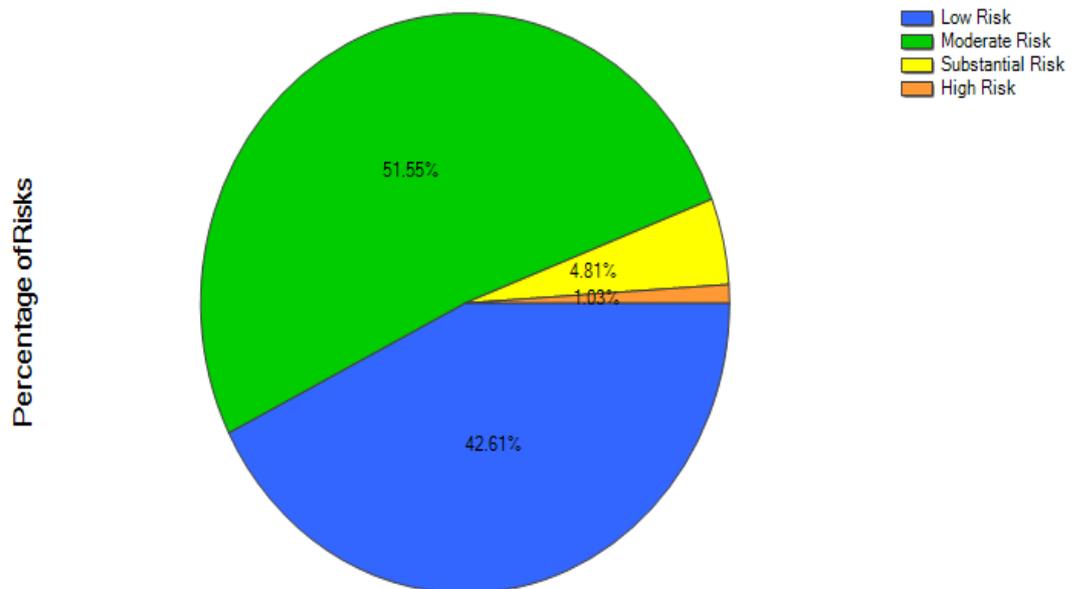


Figure 2: Risk Matrix - This matrix maps out the distribution of risks within the City’s Risk Matrix.





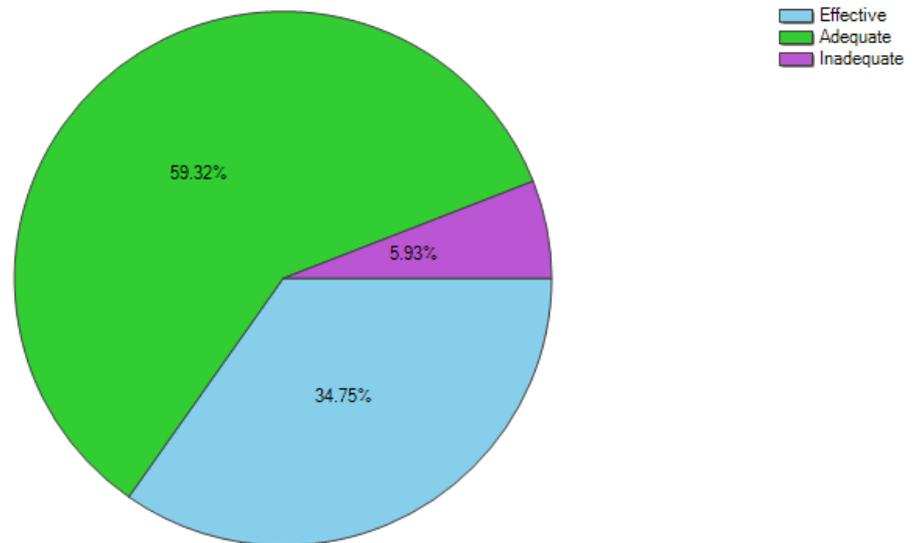
Residual Risk Matrix

		Likelihood				
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
Consequence	Insignificant 1 - 1	7 Risk(s)	10 Risk(s)	1 Risk(s)	L	M
	Minor 2 - 2	6 Risk(s)	72 Risk(s)	15 Risk(s)	10 Risk(s)	S
	Major 3 - 3	23 Risk(s)	64 Risk(s)	20 Risk(s)	3 Risk(s)	1 Risk(s)
	Critical 4 - 4	5 Risk(s)	30 Risk(s)	9 Risk(s)	1 Risk(s)	E
	Catastrophic 5 - 5	10 Risk(s)	3 Risk(s)	1 Risk(s)	E	E

E	Extreme	Significant impact making it unlikely for the organisation to achieve its objectives. Capability of the organisation Risk Treatment: Eliminated. Requires treatment to eliminate risk. Formal assessment and action plan prepared.
H	High	Significant impact making it difficult for organisation to achieve objectives. Will diminish capability of organisation. Risk Treatment: mitigate. Risk requires treatment to mitigate impact. Formal assessment and action plan prepared.
S	Substantial	Will Impact on the ability of organisation to achieve objectives or will diminish capability. Risk Treatment: Accepted with detailed review and assessment. Action Plan prepared.
M	Moderate	May Impact on the ability of organisation to achieve objectives or may diminish capability. Risk Treatment: Accepted with review.
L	Low	Little or no impact on the achievement of objectives or capability Risk Treatment: Accepted without detailed review.

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Figure 3: Controls Effectiveness – Existing controls ratings

Where controls have been rated as Inadequate, controls are not operating as intended and therefore improvement is needed. An action plan has been prepared to introduce new treatment options and to align with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of the City of Cockburn.

CEO BIENNIAL REVIEW ON RISK MANAGEMENT, INTERNAL CONTROLS AND LEGISLATIVE COMPLIANCE

In accordance with Regulation 17(1) (a), (b) and (c), of the Local Government (Audit) Regulations 1996, the CEO is required to review the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal controls and legislative compliance at least once every 2 calendar years. In accordance with Regulation 16(c), the Audit Committee is required to review this report and then subsequently report to Council the results of the review, as shown in the attached copy of this report.

In order to address these requirements, the City of Cockburn engaged Risk west consultants to undertake an organisational risk maturity assessment, focusing on the following areas:

1. Review of current risk management practices against AS/NZ ISO 31000: 2009 (The Risk Management Standard):
 - To benchmark the City's Risk Management Framework against the AS/NZS ISO 31000:2009 Risk Management with reference to the changes in the recently released ISO

31000:2018 and to evaluate performance and progress in improving risk management capability and its impact on improved risk mitigation and performance outcomes.

2. Review of the 2017 Compliance Audit Return (2017 CAR):

- To carry out a review of the controls that are in place which support the responses provided by key staff members in the Compliance Audit Return

This review was delivered between July and October 2018. The CEO's review is now complete and the findings are presented for the Committee's consideration. Based on this review, the systems and procedures the City has are efficient and effective and regularly reviewed for continuous improvement.

The Compliance Audit Return review demonstrates that the City has provided a sufficient amount of reasonable evidence to support the responses made in the 2017 Compliance Audit Return. There are no identified matters of materiality which have arisen from this review that would indicate the responses are invalid.

The findings of the Risk Management Framework review indicate that there is a general alignment of the City's risk management governing documents, risk information and supporting systems with ISO 31000 principles, framework and process. Gaps in the City's risk management practices have been identified, and a 3 (three) year Road Map has been developed to address these gaps.

Attached to this report is the agreed "Road Map" to "address the key findings and recommendations from this report to position the City's risk management practices".

THE CITY'S BUSINESS CONTINUITY MANAGEMENT PROGRAM

Risk west was engaged by the City of Cockburn to assist in the development and implementation of location-based Business Continuity Plans (BCPs) in accordance with the following program.

Tranche 1

- Facilitate Business Impact Analysis with key managers – **completed**
- Conduct follow-up workshops / interviews with Business / Service units located in the Administration Building and Cockburn ARC to identify recovery strategies and resource requirements for recovery - **completed**



- Prepare BCP documentation for the Administration Building and Cockburn ARC – **completed**
- Submit initial draft of the BCPs for review and sign-off – **in progress**

Tranche 1 of the project is nearly complete and the Business Continuity Plans for the Administration Building and Cockburn Aquatic & Recreational Centre (ARC) will be presented for endorsement at the December Executive meeting and presented to the Committee.

Insights and moving forward:

As the City continues to implement and embed risk management through its Risk Program, it will continue to focus on the following key areas and current initiatives:

I. Risk Management Framework and Policy Review

To address recommendations of the 'Road Map' from the risk maturity assessment review report

II. Location Based Business Continuity Plans Project:

Tranche 2

- Conduct follow-up workshops / interviews with Business / Services Units located in the Operations Centre and Henderson Waste Facility to identify recovery strategies and resource requirements for recovery – **January 2019**
- Prepare BCP documentation for the Operations Centre and Henderson Waste Facility – **March 2019**
- Submit initial draft of the BCPs for review and sign-off – **March 2019**

Tranche 3

- Conduct training and exercises to validate the completeness and accuracy of the plans – **May 2019**

III. Fraud, Misconduct Control & Resilience Framework

The Fraud and Misconduct Framework is being reviewed to enhance resilience through the identification and implementation of strategies to prevent, detect and respond to Fraud and Misconduct. The Fraud and Misconduct Control and Resilience Framework will provide an environment for implementation to:

- minimise opportunities for fraud, misconduct, bribery and corruption (whether committed by internal or external parties);



- protect public monies, property, information, organisational and individual rights; and
- maintain the effectiveness of the City's operations

Implementation of this Framework will ensure that the City's workforce acts legally, ethically and in the public interest.

Strategic Plans/Policy Implications

Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes.

Budget/Financial Implications

Location Based Business Continuity Plan project has been budgeted for in 2018-2019 financial year

Legal Implications

Regulations 16 and 17 of the Local Government (Audit) Regulations 2013 refer.

Community Consultation

N/A

Risk Management Implications

Failure to complete this review and present it to the Audit and Strategic Finance Committee, will result in a compliance breach of the Local Government (Audit) Regulations 1996. Completion of this review also provides assurance to the Chief Executive Officer and Council of the appropriateness and effectiveness of the City's systems and procedures for mitigating risks, internal controls and legislative requirements.

Failure to adopt the recommendations will result in the inability to support an integrated and effective approach to risk management and lack of guidance on the arrangements for designing, implementing, monitoring and continually improving risk management process.

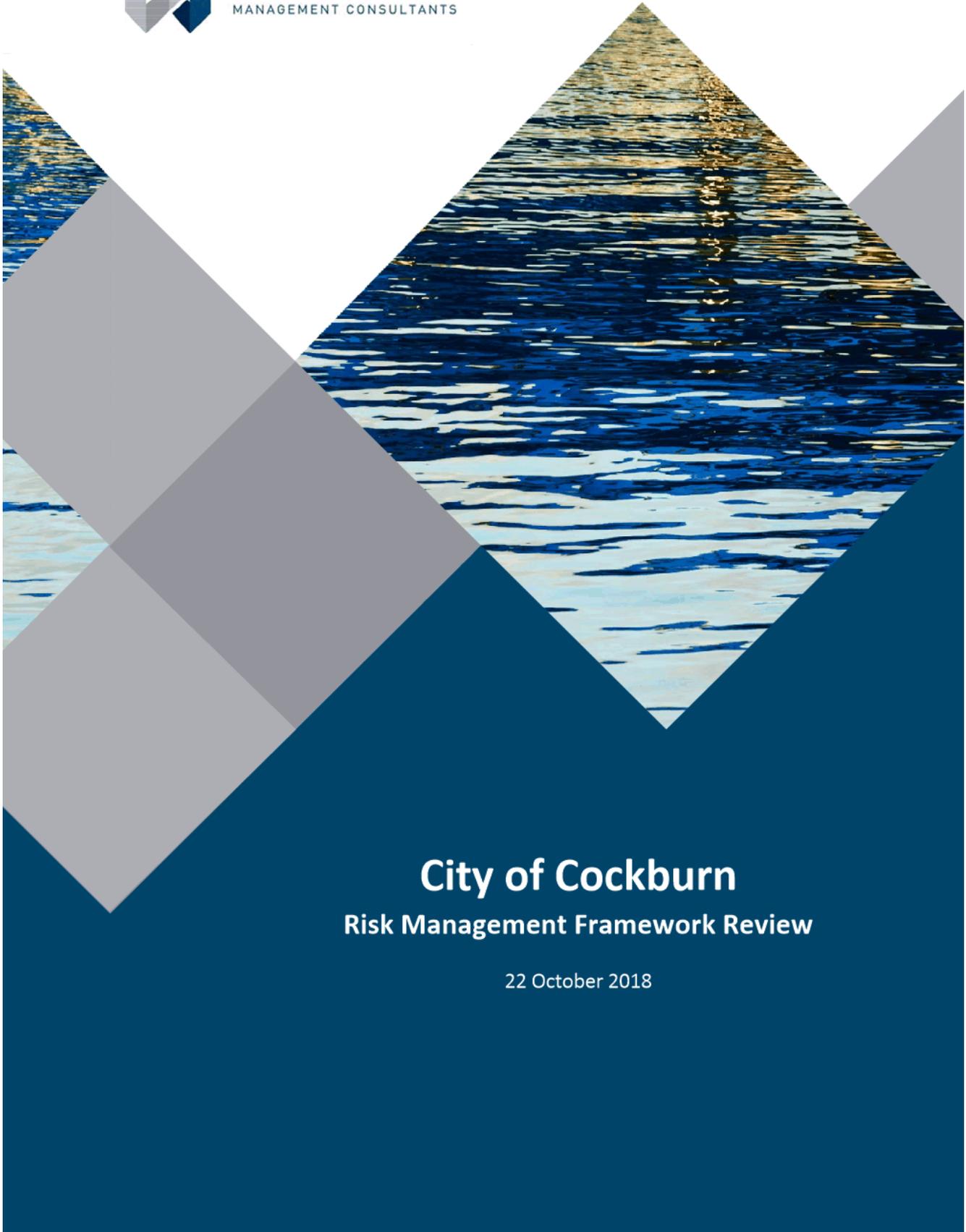
Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil





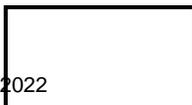
City of Cockburn
Risk Management Framework Review

22 October 2018



Disclaimer:

This report has been compiled based on information provided by the client and is intended solely for the information and internal use of the client. It has been prepared by Riskwest (ABN: 30 573 849 449). In the circumstances, neither Riskwest nor any of its agents or employees give any warranty in relation to the accuracy or reliability of any information contained in this report. Riskwest disclaims all liability to any party (including any indirect or consequential loss or damage or loss of profits) in respect of or in consequence of anything done or omitted to be done by any party in reliance, whether in whole or partial, upon any information.



Contents

1. Background	4
2. Approach.....	5
3. Assessment of Risk Management Maturity	6
4. Review Findings.....	8
5. 2019-2021 Road Map for Continuous Improvement	20
Appendix 1.....	23
Appendix 2.....	24



1. Background

In September 2018, Riskwest were engaged to carry out a high-level review of the City of Cockburn's Risk Management Framework (RMF) and make recommendations to assist with the continuing improvement of the framework and the maturity of risk management practices across the organisation.

The engagement comprised of a review of the following documents:

- Enterprise Risk Management Policy SC51 (14/9/18)
- Audit and Strategic Finance Committee Terms of Reference Version 1 (25/10/18)
- City of Cockburn Risk Management Framework Version 6 (8/8/18)
- 2016 CEO Review of Risk Management, Legislative Compliance and Internal Controls
- High/Extreme Risks Quarterly Report (sample)
- The Risk Management Information Update (sample) ASFC 19/7/2018
- Risk Register Extract - Assessment Record 83 (sample)
- Sample Event Risk Management Plan
- Sample Control Review Report - Engineering & Works Division
- Sample Risk Review Group Agenda & Minutes
- Council report template

It should be noted that the engagement did not constitute an audit.

The review was undertaken by Sandra Hackett (Partner, Riskwest). See Appendix 1 for a summary biography of the reviewer.

2. Approach

The approach to the review was to consider the current Risk Management Policy, Framework and risk register in the context of contemporary practice within local government and across other sectors, and to provide a set of recommendations for improvement.

The review focused on four key elements of *any* Risk Management Framework (RMF):

- Risk Governance & Leadership - Policy, Strategy & Culture
- Embedding Risk Management – Integration and Hierarchy of Risks
- Risk Management Process
- Capability, Support & Continuous Improvement

These elements align with the guidelines set out in AS/NZS ISO 31000:2009 Risk Management¹ as shown in the table below:

Framework Element	Reference to AS/NZS ISO 31000:2009
1. Risk Governance & Leadership - Policy, Strategy & Culture	Mandate and commitment (4.2) Understanding the organisation and its context (4.3.1) Establishing risk management policy (4.3.2) Accountability (4.3.3)
2. Embedding Risk Management - Integration and Hierarchy of Risks	Integration into organisational processes (4.3.4) Establishing internal communication and reporting mechanisms (4.3.6) Establishing external communication and reporting mechanisms (4.3.7) Implementing the framework for managing risk (4.4.1)
3. Risk Management Process	Implementing the risk management process (4.4.2)
4. Capability, Support & Continuous Improvement	Resources (4.3.5) Monitoring and review of the framework (4.5) Continual improvement of the framework (4.6)

¹ AS/NZS ISO 31000:2009 is an internationally recognised standard which is used across all sectors and provides a set of principles and guidelines for the development and implementation of a risk management framework.

3. Assessment of Risk Management Maturity

The findings of the review indicate that there is a general alignment of the City’s risk management governing documents, committees, risk information and supporting systems with ISO 31000 principles, framework and process. Gaps in the City’s risk management practices have been identified, and at a high level these include:

- The organisational context in relation to the management and acceptance of risk should be further developed, including a review of the risk assessment criteria and the further development and implementation of a set of risk appetite statements, indicators and limits.
- Further progress can be made towards the consistent application and integration of risk management and risk reporting practices across the City. In particular, the integration of the risk management approach into the city’s project and contract management practices is a critical component of an effective organisational-wide framework.
- Reporting on organisational risk themes, the effectiveness of critical controls and the progression of risk actions plans can significantly enhance assurance regarding the appropriateness and effectiveness of risk management, as well as providing confidence that the City is operating within its defined risk appetite.

The maturity of an organisation with regard to their risk management practices is assessed using a set of qualitative measures ranging from “Intuitive” through to “Optimised” as defined in Table 1: Risk Management Maturity Assessment Criteria.

2018 Maturity Assessment

Based on the information provided for the review, the City of Cockburn is assessed at the level of **STRUCTURED**, with some areas (e.g. project and contract risk management) rating slightly below this and others (e.g. operational risk) progressing towards **INTEGRATED**.

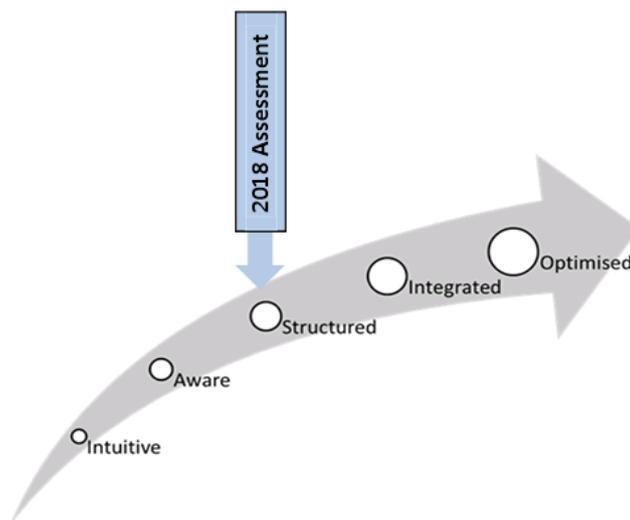


Table 1: Risk Management Maturity Assessment Criteria.

Intuitive:	There is minimal awareness and no formal risk management processes in place across the organisation. Risk management is performed on an adhoc and largely reactive basis. There is an absence of a common risk language.
Aware:	There is some awareness of the importance of risk management, however there is a lack of consistent, formal processes in place. Some definition of risk language are in place, however inconsistent across the organisation. There is limited formal communication of training. Risk management is more reactive than proactive.
Structured:	An organisation risk management policy and framework exist and has been endorsed by the accountable authority. Standardised risk management processes are defined and documented, and basic training conducted. Integration with the operations and broader governance processes is limited. Any risk appetite statements are high-level and qualitative.
Integrated:	Organisation-wide risk management is fully implemented across the business and consistently applied and used in decision making and day to day management. Risk management processes are measured, evaluated and fed back into continuous improvement. Principles and policies are implemented, and aggregated reports are prepared and reported to those charged with governance. Risk management facilitates the proactive identification of current, future, emerging and systemic risks. Key Risk Indicators are developed and monitored. Risk appetite statement contains both quantitative and qualitative elements which are linked to strategy and communicated to all staff.
Optimised:	Risk management is fully defined, implemented and integrated across all levels of the organisation and embedded into day to day management. Risk management is used as a key value driver supporting decision making and pursuit of opportunities. Risks, including emerging risks are proactively identified and monitored through key leading indicators. Formal communication processes are in place. Risk appetite statements, including tolerances and limits for risk categories are used consistently to inform decision making.

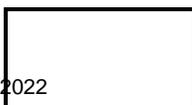
4. Review Findings

The following table represents the **Observations and opportunities for improvement** derived from the document review. Each of the observations are tied to a **Framework Element** and for reference purposes the table also provides the broad **Criteria** associated with each element against which the RMF documentation has been reviewed.

Each section has been colour coded as follows:

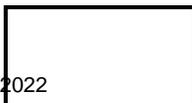
Framework Element **Criteria** **Observations and opportunities for improvement**

1. Risk Governance & Leadership - Policy, Strategy & Culture
1.1 Risk Management (RM) Policy - Criteria
<p>A) Commitment</p> <p>An organisation’s risk management policy is a formal acknowledgement of its commitment to taking an enterprise-wide approach to managing risk. The policy should outline the purpose of risk management and its high-level objectives. The policy should also reference the standard(s) against which the RMF has been developed.</p> <p>B) Communication</p> <p>Effective communication of the policy to all staff and key parties (e.g. contractors) is critical.</p> <p>C) Roles and Responsibilities</p> <p>A RM Policy should identify risk-related roles and responsibilities.</p> <p>Typically, there are two distinct functions in relation to RM:</p> <ul style="list-style-type: none"> ▪ Responsibilities regarding the development, approval, implementation and continuous improvement of the RMF; ▪ Responsibilities regarding the proactive identification and management of risks at the strategic, operational and project levels. <p>D) Risk Management Culture</p> <p>Risk Management is fully embedded when it is accepted and integrated with all “day to day” management activities. Risk management is considered by all as “regular practice”, is discussed openly and objectively and there is an established culture of risk-based decision making.</p>



1.1 Risk Management (RM) Policy - Observations and Opportunities for Improvements
<p>A) Commitment</p> <p>The Background section of the Enterprise Risk Management Policy SC51 (RM Policy) documents the City’s commitment to “organisation–wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes while delivering a wide and diverse range of services to its residents and visitors.”</p> <p>This is also supported by the Introduction section of the Risk Management Framework document (RMF) which incorporates a signed statement of commitment from the City’s CEO.</p> <p>The <i>rationale for managing risk</i> is outlined in Section (3) 1. Risk Management Outcomes.</p> <p>(OI 1) Consider expanding the <i>rationale for managing risk</i> in the context of the internal and external operating environment of the City and different types of risk (both positive and negative) it faces. This could include;</p> <ul style="list-style-type: none"> ▪ greater visibility of risks in the context of opportunities (<i>and what they may be</i>); ▪ preparation for adverse events to improve organisational resilience (<i>and provide examples</i>); ▪ greater confidence to address uncertainty in the external operating environment (<i>and provide examples</i>) and ▪ ability to demonstrate its approach to management of risk to external stakeholders (<i>including who that may be</i>). <p>Reference to ‘AS/NZS ISO 31000:2009’ as the relevant Standard has been made both in the Policy and the RMF. In addition, the 11 Principles of the Standard are listed. The RMF should consider each of these Principles and make reference to how these principles are practically applied at the City.</p> <p>The RMF states that the RM Policy has been adopted by Council. Whilst there are revision dates in both documents, there is no specific date in either document as to when these current versions were adopted by council.</p> <p>(OI 2) The RMF and Policy should specifically note the date upon which each of these documents were adopted by Council.</p>
<p>B) Communication of the Policy</p> <p>Neither the RM Policy nor RMF documents the process by which each of these documents are communicated to staff and other key parties.</p> <p>(OI 3) The RMF should provide brief details of how the communication of the City’s RM Policy and Framework occurs and how updates are provided to staff other key parties across the whole of the organisation.</p>
<p>C) Risk Governance, Role and Responsibilities</p> <p>The City has documented roles and responsibilities throughout the RMF as well as being consolidated in Appendix B: Risk Management Action Plan table.</p> <p>(OI 4) There is an opportunity to include further reference to the specific risk governance role of the Council, particularly in relation to the oversight of “material risks” facing the City.</p>

<p>This should include the identification of strategic/external risks, the development of documented risk appetite and the identification, assessment and management of risks which sit outside the risk appetite of the Council.</p> <p>(OI 5) It is also recommended that risk responsibilities are included in job descriptions so that all staff are fully aware of their part in the risk process and staff have sufficient delegated authority to exercise their level of responsibility.</p>
<p>D) Risk Management Culture</p> <p>The RMF review is predominantly based on a review of relevant risk management documentation and as such, the ability to assess an organisation’s risk management culture is limited. However, the following activities provide some indication of a culture where risk management is embedded within the City’s risk thinking and decision making:</p> <ul style="list-style-type: none"> ▪ All Business Cases appear to contain a risk assessment component ▪ The risk implications of decisions are a standing item of every report to Council. ▪ There is a Risk Review Group which comprises of a senior manager representative from each directorate and the Governance team and meets every two months <p>(OI 6) It is recommended that the following aspects of embedding risk management are considered:</p> <ul style="list-style-type: none"> ▪ Ensure options and decision papers across all levels of management within the City are supported by relevant risk information. ▪ Move to embedding risk management as a standing agenda item on regular senior manager and exec meeting agendas. ▪ Review the extent to which the CEO, Directors and Managers are proactive in the driving of risk assessments within each of their areas. Include risk management responsibilities in Job Descriptions and ensure an assessment of risk management performance is included as part of the performance management and review process.
<p>1.2 Risk Assessment Criteria</p>
<p>The Framework should define the Organisation’s Risk Assessment Criteria, which outlines the criteria for the assessment of likelihood, consequence and overall level of risk.</p> <p>Consequence categories should reflect organisational measures of success (e.g. financial, operations, people safety, environment, reputation etc.) and should be mutually exclusive.</p>
<p>1.2 Risk Assessment Criteria - Observations and Opportunities for Improvements</p>
<p>Appendix A of the RMF document provides the City’s Risk Assessment and Acceptance Criteria Tables. The criteria is well structured and includes the required components of Control Effectiveness, Consequence Measures, Likelihood Measures, Level of Risk and Risk Acceptance Criteria.</p>



The Risk Assessment Criteria is based on a 5 x 5 matrix of consequence and likelihood. Although there is no requirement to use this, in practice it provides the optimum level of granularity across many different industries and sectors, without generating undue complexity.

The Measure of Consequence table provides criteria for a range of impact areas across a range of Insignificant to Catastrophic.

(OI 7) Recommendations to improve the clarity within the tables are summarised below:

MEASURES OF CONSEQUENCE

- **Review the Financial Impact Criteria to ensure that the three types of assessment are equivalent in terms of magnitude of impact.** For example, under the Major impact level, is a \$250-\$1M financial loss equivalent to 25% of OP and/or major damage to an asset? This may result in the need to further define what is an “asset” in the context of this criteria.
- **Review the OSH/Health/Injury and Wellbeing category to expand on the criteria to include consideration of psychological impact and wellbeing and provide greater clarity over the terms for physical injury.**
- **Review the Brand/Reputation Impact Criteria to ensure that the types of assessment are equivalent in terms of magnitude of impact.** For example, under the Major (3) impact level, currently what constitutes a “moderate impact” is a single public complaint. Should this be assessed as a “Major (3)” impact?
- **Review the Operations/Service Disruption Impact Criteria to ensure that the three types of assessment are equivalent in terms of magnitude of impact. Also, when assessing the variation against PIs, this can be problematic unless all PIs are of an equivalent importance.**
- **Review the Environmental Health Impact Criteria to assess how this relates to the criteria defined in the Environmental Management Act.**
- **Review the Compliance Impact criteria and consider removing reference to reputation damage (as this is captured in the Reputation/Brand category)**
- **Review the Project Impact criteria to ensure that the three types of assessment are equivalent in terms of magnitude of impact. Consider how individual project risk assessments are tied back to risks at an organisational level.**
- **All categories- ensure that a specific level of impact (e.g. Level 5 Catastrophic) is “equivalent” across all the different impact categories.**
- **Consider using the term “Impact Category” rather than “Risk Category” to avoid any confusion.**

MEASURES OF LIKELIHOOD

Consider reviewing the likelihood criteria to provide more clarity over the assessment criteria. For example:

- **define what is considered an “operation”.**
- **explain how the criteria relates to strategic/external risks.**
- **consider using “% of chance occurring” as a probability measure and timeframes to further define a frequency.**

RISK ACCEPTANCE CRITERIA

- **Clarify the use of the term “responsibility” and define how that relate to the role and responsibility of the specific risk owner and the required escalation.**
- **Ensure all risk levels include timeframe for required reporting and consistency in guidance for monitoring and escalation.**

EXISTING CONTROLS RATINGS

- Clarify item 3. associated with “Effective” controls – does this mean that all control improvements that can be done have been done?

NOTE: The Risk Management Information Update (sample) ASFC 19/7/2018 refers to a risk matrix (Figure 2: Risk Matrix) which defines the criteria for the management/acceptance of each level of risk. **The advice and language in this report is inconsistent with the Risk Acceptance Criteria hence is it recommended that the two references are rationalised to ensure consistency.**

Where the term “inherent risk” is used, such as in relation to Project Risks, ensure that this is reflected in the RMF.

1.3 Risk Appetite - Criteria

ISO 31000 provides guidance on the concept of ‘risk criteria’, but no specific guidance to the commonly used concept of ‘risk appetite’, even though the term is defined in the ISO Guide 73:2009 Risk management – Vocabulary as meaning “the amount and type of risk that an organisation is willing to pursue or retain”. Despite this, it is widely recognised that an important element of a Risk Management Framework is an understanding of the organisation’s risk appetite which also includes consideration of risk capacity and risk tolerance. This is often reflected in a series of Risk Appetite Statements and supporting indicators and limits which are underpinned by the risk assessment criteria and provides guidance to all staff on the amount of risk the organisation is willing to accept in pursuit of its objectives.

1.3 Risk Appetite - Observations and Opportunities for Improvements

The City’s RM Policy contains a high-level Risk Appetite Statement which provides some guidance as to the philosophy relating to risk taking. However, statements such as these are difficult to implement as they do not contain sufficient substance or granularity to enable Executive to systematically assess whether the risks that the City is exposed to are within the defined risk appetite.

(O1 8) It is recommended that the City;

- **builds on the high-level statement to develop a series of risk acceptance principles, tolerances and limits to further enhance the definition of the risk appetite;**
- **communicates the risk appetite to all internal and external stakeholders;**
- **implements mechanisms to ensure that risk-taking is within the defined appetite (note - this would include the development, aggregation and reporting of key risk and control indicators to provide an organisational-wide view of the risk exposure);**
- **ensure there is a mechanism in place whereby risks which sit outside the defined risk appetite are escalated to the Council for review and decision-making.**

2. Embedding Risk Management - Integration & Hierarchy of Risks
2.1 Integration - Criteria
Contemporary practice integrates risk thinking with management and reporting activities across all aspects of an organisation's operations, including Strategic Management, Operational Management and Project Delivery.
2.1 Integration - Observations and Opportunities for Improvements
<p>Section 2.2 of the RMF defines the City's risk management accountability framework is aligned with existing accountability requirements. Appendix D also provided comprehensive details as to the risk management and governance responsibilities for the key stakeholders and staff.</p> <p>Section 2.4.1 provides the context for which risks are defined, identified and managed and is supported by Appendix B Risk Management Action Plan which describes the specific actions that need to take place to ensure risk management is fully integrated, along with timelines/frequencies and responsibilities.</p> <p>Along with section 1.5 Risk Management Approach and the Three Lines of Defence Assurance Model, these sections comprehensively illustrate the links between risk, planning and operations.</p> <p>(OI 9) There is an opportunity to remove duplication and simplify the RMF document by separating out the responsibilities associated with developing and implementing the Framework from the responsibilities of identifying, managing, monitoring and reporting risks. As part of this the following questions should also be considered:</p> <ul style="list-style-type: none"> ▪ What is the mechanism by which new risks are identified and managed on an ongoing basis (<i>e.g. any new risks since the development of strategic/operational plans</i>)? ▪ What is the level of direct involvement of front-line managers at all levels and the degree to which risk assessments are effectively conducted by all business areas? ▪ What assurance activities are conducted to measure the extent to which corporate goals and risk management issues are clearly understood at all levels? ▪ <i>In the case of contracts, partnership, joint ventures or alliances, to what extent is risk allocation carefully considered and clearly allocated such that all parties accept responsibilities for the allocation and have a clear understand of how the risk sharing arrangement will work?</i> ▪ <i>How are low probability/ high consequence risks events ("black swan events") identified and managed and what scenario testing is carried out to ensure that the City can recover quickly from major disruptions/outages/setbacks?</i> <p>In addition to the RMF document, the 2016 CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS provides valuable information to demonstrate the implementation of the processes documented in the RMF.</p> <p>(OI 10) It is recommended that the content of this report is cross-referenced against the RMF to add further clarity to the framework documentation, particularly in relation to the integration and embedding of risk management across the business.</p>

2.2 Hierarchy of Risks - Criteria
<p>Risk registers are summaries of the key strategic, operational and project risks across the organisation. AS/NZS ISO 31000:2009 emphasises a proactive, top-down approach which can be easily integrated with existing management systems.</p> <p>An RMF should indicate interfaces with other systems and processes for managing specific types of risks (e.g. Occupational Health and Safety, Environmental Risk Management and Fraud Control.)</p>
2.3 Hierarchy of Risks - Observations and Opportunities for Improvements
<p>Section 2.4.1 Establishing the Risk Management Context defines the three levels of context (<i>i.e. strategic, operational and project</i>) for which risks are defined, identified and managed.</p> <p>Strategic and operational risk registers contained within the RMSS system (<i>i.e. the database repository for risk information</i>) were considered as part of the RMF review. Project and event risk registers are currently managed outside this system.</p> <p>(OI 11) Review the Strategic Risk Register in the context of the Strategic Planning documentation to ensure that risks associated with the specific and agreed strategies are identified and appropriately managed.</p> <p>(OI12) Project and Event Risk Management should be integrated within the overall RMF and risk registers incorporated into a single risk information repository.</p> <p>(OI13) Consider how strategic, operational and project risk registers interface and align with each other (<i>e.g. how the City reports on projects which may have an impact on strategic or operational activities</i>)</p> <p>With regards to interfaces with other risk-based management systems, the RMF makes reference to the Fraud and Corruption Risk Function, the Crisis and Business Continuity Management Framework and the Local Emergency Plans.</p> <p>(OI 14) The RMF should include reference to how the specific risk function relates to the overall approach to risk management (<i>i.e. are the specific risk functions listed in the RMF actually “controls” for high-level risks which are documented in the organisational risk register?</i>).</p> <p>Also, apart for the risk impact category of OSH/Injury/Health/Wellbeing there is no reference to the City’s Occupational Health and Safety Management System and how this integrates with the RMF.</p>

3. Risk Management Process
3.1 Risk Assessment (Identification, Analysis and Evaluation) - Criteria
The mechanism by which risks are identified, at each level in the risk hierarchy, is driven by the type of approach (i.e. top down or bottom up). A top-down risk identification process ensures that risks associated with the ability of the organisation to achieve its objectives are captured. These can then cascade down to the business unit level where more detailed risks are captured.
3.1 Risk Assessment (Identification, Analysis and Evaluation) - Observations and Opportunities for Improvements
<p>RMF Section 2.4 Risk Management Process provides an explanation of the risk identification, analysis and evaluation process.</p> <p>(OI 15) The City may wish to consider including in the procedure guidance the use of alternative means of identifying and analysing risks for specific situations. This could include the use of multiple mechanisms for risk identification including brainstorming, checklists, incident registers and audit reports, and the use of Bow-Tie analysis for complex, high consequence scenarios where causal relationships need more detailed analysis, and where both controlling (preventative) and mitigation (reactive) strategies need to be considered.</p>
3.2 Controls Assessment and Assurance - Criteria
<p>Controls assessment and assurance is an integral part of an effective RMF. AS/NZS 31000:2009 describes that risks are analysed taking into account “existing controls and their effectiveness and efficiency”.</p> <p>All controls should be evaluated for their effectiveness and assurance mechanisms put in place. These typically include self-assessment processes and internal/external assessment (e.g. audits and reviews).</p> <p>Inherent risk is not featured in AS/NZS ISO 31000:2009, however it is used in many organisations to estimate the level of risk assuming a breakdown in controls. The controlled or residual risk level of risk is commonly used as the communicated risk rating (i.e. the level of risk with the controls in place).</p> <p>An additional risk rating based on the predicted level of risk (after treatment action plans are implemented) is also used by some organisations to inform the analysis of the action.</p>
3.2 Controls Assessment and Assurance - Observations and Opportunities for Improvements
<p>The RMF differentiates between ‘Controls’ (material items in place to affect the likelihood or consequence of a risk eventuating) and ‘Treatment Actions’ (proposed items to be put in place to improve a control environment and/or risk rating) and guides the risk owner to assess the risks based on the “level of exposure with controls in effect”.</p> <p>(OI 16) There is an opportunity to:</p> <ul style="list-style-type: none"> ▪ Provide further information relating to the actual mechanisms by which critical controls are monitored and tested including controls self-assessment (how often and by whom), line management oversight (how does this happen?) and internal/external audit (focus/links to the risk profile?) as part of the Three Lines of Defence Model. In addition, include reference to the Control Review Reports in the RMF, including the mechanism by which teams/risks are selected for review.

<ul style="list-style-type: none"> ▪ Provide definitions of the terms 'Controls' and 'Treatment Actions' in section 1.3 of the RMF Common Risk Definitions and Explanations ▪ Include a mechanism to highlight those risks with a potential catastrophic impact to ensure that the appropriate level of assurance is in place (such as scenario testing and routine internal/external audits). ▪ Include in the Glossary of Terms a definition of the term 'residual risk' (referred to on Page 12 of the RMF). ▪ Consider the use of inherent risk in the assessment of any high-risk operating environments which can be exposed to a variety of external environmental conditions.
<p>3.3 Risk Treatment / Actions - Criteria</p>
<p>The management of risk involves both the monitoring of existing controls to ensure continued effectiveness and the implementation of actions to improve existing controls, create new controls or mitigate the risk in some other way.</p> <p>Information regarding risks, controls and actions should be clearly documented to provide the required visibility to both internal and external stakeholders, as required.</p>
<p>3.3 Risk Treatment / Actions - Observations and Opportunities for Improvements</p>
<p>The RMF provides a section on Risk Treatment (section 2.4.2) which clearly outlines the process for the selection and implementation of risk mitigation actions.</p> <p>Whilst the RMF states that "a comprehensive risk treatment plan should be prepared for all "High and Extreme risks", this requirement does not take into account those risks which have already been "treated" and remain High or Extreme.</p> <p>(OI 17) To avoid confusion, include in this section the requirements for the 'treatment' of High or Extreme risks which remain so after all feasible actions /controls have been implemented, as defined in the Risk Acceptance Criteria Table.</p> <p>The recording of risk information in the form of a risk register is a critical part of the risk management process. It is imperative that organisations are able to demonstrate the decision-making with regard to the acceptance of risk and can provide a reliable audit trail for risk information, particularly in the event of a critical incident. As noted in RMF Section 2.5.1 Risk Tools "Information from the risk management process is to be recorded, reported and monitored using the City's various risk register templates. The City has two ways to record risks:</p> <ul style="list-style-type: none"> ▪ RMSS risk register – An online risk management tool, to assist the City in recording, monitoring and reporting operational and strategic risk information. ▪ Offline risk registers – These are various risk register templates used for projects, programs, events and hazard assessments. This information is not kept within the RMSS system." <p>A sample Risk Register Extract - Assessment Record 83 was reviewed for completeness and clarity. The record contained much of the important information relating to a particular risk.</p> <p>(OI 18) However, there were some areas where additional clarity could be provided:</p>

- The residual risk rating does not indicate the individual measure of consequence and likelihood that are combined to generate the rating. This information is important as risks with potentially high consequences are generally treated different from those with the same overall rating but a lower consequence (but higher likelihood).
- There is only one “impact” category which can be selected for a risk. This limits the value of the assessment information as there is a need to understand the full impacts of a potential risk across the range of impact areas defined in the risk assessment criteria.
- There appears to be a control effectiveness assigned to each of the Actions. This is contradictory to the way control effectiveness is defined in the RMF and confusing to the observer. Control effectiveness should be related to the existing controls, not further actions which are still to be completed.
- There is no opportunity to capture the ‘owners’ of controls, which may be different from the risk owners.
- There is no indication on the sample of whether the risk is acceptable, or if the risk has been accepted, when and by whom.
- Risk review dates are combined into an action, which leads to further confusion.

(OI 19) It is recommended that the City ensures that the offline risk templates and tools are consistent with the principles and processes outlined in the RMF with any accepted divergences noted clearly in the RMF. All information regarding risks, controls and actions should be documented such that, at any point in time, it is clear how risks are identified, what is currently in place to manage the risk, how effective it is, what is the current level of risk, who owns the risks and the controls, what more is going to be done (if anything), when and by whom.

3.4 Risk Monitoring, Reporting and Review - Criteria

Risk review and reporting processes should be a planned part of the risk management process. Risk Management Frameworks should clearly identify what information needs to be reported and how often, who will provide the information, and how is the information to be used by the ‘receiver’.

3.4 Risk Monitoring, Reporting and Review - Observations and Opportunities for Improvements

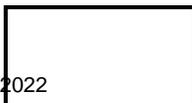
RMF Appendix B – Risk Management Action Plan provides information relating to the activities and reporting requirements across the organisation.

Requirements for risk management reports have been identified along with risk reporting escalation procedures. The annual CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS is a key management/governance report which provides a valuable status update to Council.

(OI 20) **The RMF states that strategic risks are reviewed every 4 years in conjunction with Community Strategic Plan. Consider developing a Strategic Plan which outlines the specific strategies and associated risks, and review these as a minimum annually to ensure the City remains on track to achieve the 4-year goals defined in the Community Strategic Plan.**

<p>The High/Extreme Risk Quarterly Reports provide a summary of those risk with a residual HIGH or EXTREME risk rating. The report provides an overview of the risk, causes, impacts, existing controls, control effectiveness and risk rating.</p> <p>(OI 21) Consideration should be given to including the following information on the High/Extreme Risk Quarterly Reports:</p> <ul style="list-style-type: none"> ▪ Whether the risk is acceptable as determined by the risk acceptance criteria and risk appetite; ▪ Clarity over whether the updates represent additional controls that are now in place (<i>in which case they should be listed in the table under existing controls</i>) or they indicate treatment actions that are in progress. If they are actions, they should include status and a clear date for completion. <p>(OI 22) Whilst there are many references to risk reporting and escalation within the RMF, an opportunity for improvement would be to provide a simple table showing what report is generated for what audience, including the timeframes and format/type of report (e.g. summaries, deep dives, dashboards etc.). This will clearly demonstrate whether risk is incorporated into all management and Council reporting.</p>
<p>3.5 Lead and lag indicators and validation mechanisms - Criteria</p>
<p>The RMF should indicate how lead and lag indicators are used to add value to the risk management process. Reference to the processes for incident/loss analysis to identify trends, the root cause of potential risks and validation of risk assessment ratings should also be included.</p>
<p>3.5 Lead and lag indicators and validation mechanisms - Observations and Opportunities for Improvements</p>
<p>(OI 23) Consider how the City’s incident management process (including the type of incidents/losses/near misses recorded, any investigation processes, root cause analysis etc.) links back to the risk profile to provide valuable insight into the assessment of the perceived risks. It is recommended that indicators are established and monitored to give early warning of control failure and emerging risk issues.</p>

<p>4. Capability, Support & Continuous Improvement</p>
<p>4.1 Capability and Support - Criteria</p>
<p>A Risk Management Framework should contain information on staff capability across the organisation and how the organisation understands, manages and reports on key risks.</p> <p>For example, a training strategy to build the required level of capability within the organisation is incorporated into the existing staff professional development processes.</p>
<p>4.1 Capability and Support - Observations and Opportunities for Improvements</p>
<p>RMF Section 3. Training and Education provides an overview of the approach to the training of staff.</p> <p>(OI 24) The City may wish to expand on how this happens in practice and who has the responsibility for ensuring that staff across all levels of the organisation, including Council members, are adequately trained and experienced in relation to risk management in the context of their specific responsibilities.</p> <p>In addition, the City may wish to consider the following:</p>



<ul style="list-style-type: none"> ▪ Are sufficient resources provided to support the business to fully embed risk management in day-to-day organisational practices? ▪ Are risk experts or ‘champions’ available to provide support and advice to staff on request? ▪ Is a risk management competency a prerequisite for promotion to leadership positions?
<p>4.2 Continuous Improvement – Criteria</p>
<p>Section 4.5 of the Standard describes how organisations should monitor and review the risk management framework to ensure its effectiveness and its ability to support organisational performance.</p>
<p>4.2 Continuous Improvement – Observations and Opportunities for Improvements</p>
<p>RMF Section 2.5 Assurance describes the validation and assurance program to monitor and improve the implementation of the RMF. For clarity, it is recommended that this information is combined with the relevant information in the Risk Actions Table to link each of these assurance activities with specific responsibilities, timeframes and importantly, status updates.</p> <p>(OI 25) The City is to satisfy itself that the internal audit plan focusses on the “material” risks of the organisation (from an inherent risk perspective), that the plan is being adhered to and that any findings from the audits are addressed in a timely manner.</p> <p>In addition to the use of audit, the City has developed a set of risk management performance indicators (Appendix 3) to act as “lead” indicators as to the effectiveness of the RMF.</p> <p>(OI 26) It is important that these indicators are assessed, and the status reported on an annual basis, at a minimum, in order for the intended value to be derived.</p>



5. 2019-2021 Road Map for Continuous Improvement

The table below outlines the actions required to implement the key recommendations arising from this review to support the further development and maturity of the City's Risk Management Practices:

Element	Actions	Responsibility
1. Risk Governance	<ul style="list-style-type: none"> Review and agree the specific risk governance role of the Council, particularly in relation to the oversight of "material risks" facing the City, risks which sit outside the risk appetite of the Council, the identification of strategic/external risks and the development of risk appetite. (Ref O14) 	Executive Management Team
2. Risk Management Culture	<ul style="list-style-type: none"> Ensure options and decision papers across all levels of management within the City are supported by relevant risk information. Embed risk management as a standing agenda item for regular senior management and executive meetings. Review the extent to which the CEO, Directors and Managers are proactive in the driving of risk assessments within each of their areas. Include risk management responsibilities in Job Descriptions and ensure an assessment of risk management performance is included as part of the performance management review. (Ref O16) 	Executive Management Team, Senior Managers
3. Risk Assessment and Acceptance Criteria Tables	<ul style="list-style-type: none"> Review the effectiveness of the criteria and implement the recommendations to improve the clarity within the tables. (Ref O17) 	Governance and Risk Advisor
4. Risk Appetite	<ul style="list-style-type: none"> Build on the high-level statements to develop a series of risk acceptance principles, tolerances and limits to further enhance the definition of the risk appetite. Communicate the risk appetite to all internal and external stakeholders. Implement mechanisms to ensure that risk-taking is within the defined appetite. This would include the development, aggregation and reporting of key risk indicators to provide an organisational-wide view of the risk exposure. Ensure there is a mechanism in place whereby any risks which sit outside the defined risk appetite are escalated to the Council for review and decision-making. (Ref O18) 	Council and Executive Management Team

Element	Actions	Responsibility
5. Risk Management Integration	<ul style="list-style-type: none"> ▪ Define the mechanism by which new risks are identified and managed on an ongoing basis (e.g. any new risks since the development of strategic/operational plans). ▪ Review the processes for managing contracts, partnership, joint ventures or alliances, to ensure risk allocation is carefully considered and clearly allocated such that all parties accept responsibilities for the allocation and have a clear understand of how the risk sharing arrangement will work. ▪ Review the process by which low probability/ high consequence risks events ("black swan events") are identified and managed and implement scenario testing to ensure that the City can recover quickly from major disruptions /outages and setbacks. (Ref OI9) 	Risk Review Group
6. Risk Management Hierarchy	<ul style="list-style-type: none"> ▪ Review the Strategic Risk Register in the context of the Strategic Planning documentation to ensure that risks associated with the specific and agreed strategies are identified and appropriately managed. (Ref OI 11) ▪ Project and Event Risk Management should be integrated within the overall RMF and risk registers incorporated into a single risk information repository. (Ref OI12) ▪ Clarify how the strategic, operational and project risk registers interface and align with each other (e.g. how the City reports on projects which may have an impact on strategic or operational activities. (Ref OI13) 	Executive Management Team
7. Controls Assessment and Assurance	<ul style="list-style-type: none"> ▪ Implement a mechanism to highlight those risks with a potential catastrophic impact to ensure that the appropriate level of assurance is in place (such as scenario testing and routine internal/external audits). (OI 16) 	Governance and Risk Advisor
8. Risk Treatment	<ul style="list-style-type: none"> ▪ As part of the implementation of a new Risk Management Information System, incorporate the recommendations noted in OI 18 and OI 19. 	Governance and Risk Advisor
9. Risk Monitoring, Reporting and Review	<ul style="list-style-type: none"> ▪ Develop a Strategic Plan for the City which is aligned with the high-level Community Strategic Plan and outlines the specific strategies and associated risks. ▪ Review these strategies and risks annually to ensure the City remains on track to achieve the 4-year goals defined in the Community Strategic Plan. (Ref OI 20) 	Executive Management Team

Element	Actions	Responsibility
	<ul style="list-style-type: none"> Ensure that the City's incident management process (<i>including the type of incidents/losses/near misses recorded, any investigation processes, root cause analysis etc.</i>) links back to the risk profile to provide valuable insight into the assessment of the perceived risks. Key risk indicators should be established and monitored to give early warning of control failure and emerging risk issues. (Ref OI 23) 	
10. Capability and Support	<ul style="list-style-type: none"> Develop and implement a structured training program to ensure that all accountable officers have the skills to be able to identify, assess and manage risks within their own areas of responsibility and are held to account for monitoring and reporting risk information in accordance with the RMF. (Ref OI 24) 	Human Resources Manager and Governance, and Risk Advisor
11. Continuous Improvement	<ul style="list-style-type: none"> The City has developed a set of risk management performance indicators to act as "lead" indicators as to the effectiveness of the RMF. It is important that these indicators are assessed, and the status reported on an annual basis in order for the intended value to be derived. It is recommended that the RMF is reviewed by exception once per year – with a formal review taking place once every 2/3 years. (Ref OI 26) 	Governance and Risk Advisor

Thank you for submitting your RMF and associated documentation for review. Please be aware that changes in legislation, community expectations and tolerances, lessons learned etc. mean that the bar for the application of risk management is never static.

As an example, the ISO Risk Management Standard, which the Australian Standard reflects, has recently been updated to ISO31000:2018 (see <https://www.iso.org/standard/43170.html>). This has yet to be reflected in the Australian Standard but will do so over the coming months and needs to be considered. Our observations in Appendix 2 have attempted to reflect what this may mean for The City in the context of your current Risk Management Framework.

If you have any queries, or require clarification, please contact me on 08 9321 9292 or sandra.hackett@riskwest.com.au.

Sandra Hackett
Partner, Riskwest
22nd October 2018

Appendix 1

SANDRA HACKETT M.Eng (Hons), MAICD

Sandra has over twenty-five years' experience in providing a range of strategy, risk, project management and governance services to industry and government, including the provision of strategic risk advisory and facilitation services to major state infrastructure and service delivery projects. She has considerable experience working with Boards, both as an advisor as well as a Board member for 12 years. She is currently a Non-Executive Director of St Bartholomew's House and Chair of the Nominations, Governance and Risk Committee. With a background in engineering, Sandra brings to the team experience in project management and engineering across a range of industries including Chemicals, Petrochemicals, and Oil and Gas. She has a Master of Engineering Degree in Chemical Engineering and is a member of the Australian Institute of Company Directors.

Appendix 2

ISO 31000: 2018

February 2018 saw the release of the new '*ISO 31000: 2018 – Risk Management – Guidelines*'. This document was prepared by 'Technical Committee ISO/TC 262, Risk Management', and this second, technically revised edition cancels and replaces the first edition (ISO 31000:2009).

Historically, the challenge for many organisations and individuals has been their inability to recognise the International Risk Management Standard as non-prescriptive, principles-based and leadership-focused rather than compliance and certification orientated.

The main changes in the updated International Standard are:

- Whilst remaining structured along the previous '*Principles, Framework & Process*' model, it has been reduced in length, had some of the content re-written in simpler language and been streamlined with a view to it fitting with multiple contexts.
- The '*Principles*' section has been reduced from 11 to 8. 3 principles have not disappeared but have been articulated within the 8 remaining principles and 'value creation and protection' now sits at the core. The City's RM Policy and RMF would need to be updated to reflect this change.
- The '*Framework*' commentary highlights the need to establish an organisational framework which is suitable, adequate and effective. This means placing an even greater emphasis on the need for governance, leadership and commitment, particularly to ensuring risk management is integrated. Leadership and integration are leant heavily upon in the new Standard. Integration of risk management into the structure, operations and processes of organisations is highlighted, including in strategic planning, business activities, organisation-wide decision making and performance management. Given the ever evolving external and internal context for many of us, the need for greater flexibility and iteration throughout is emphasised.
- The '*Process*' itself remains significantly unchanged, although 'Establishing the context' has now been refined to 'Scope, Context, Criteria' and 'Recording and Reporting' is required throughout the circular process (in addition to the existing 'Monitor and Review' requirement). The language within the RMF would need to be updated to reflect this change and align with the new Standard.

The new standard can be downloaded through the ISO website (<https://www.iso.org/standard/65694.html>) and will no doubt soon be adopted by Standards Australia as the updated AS/NZS 31000.



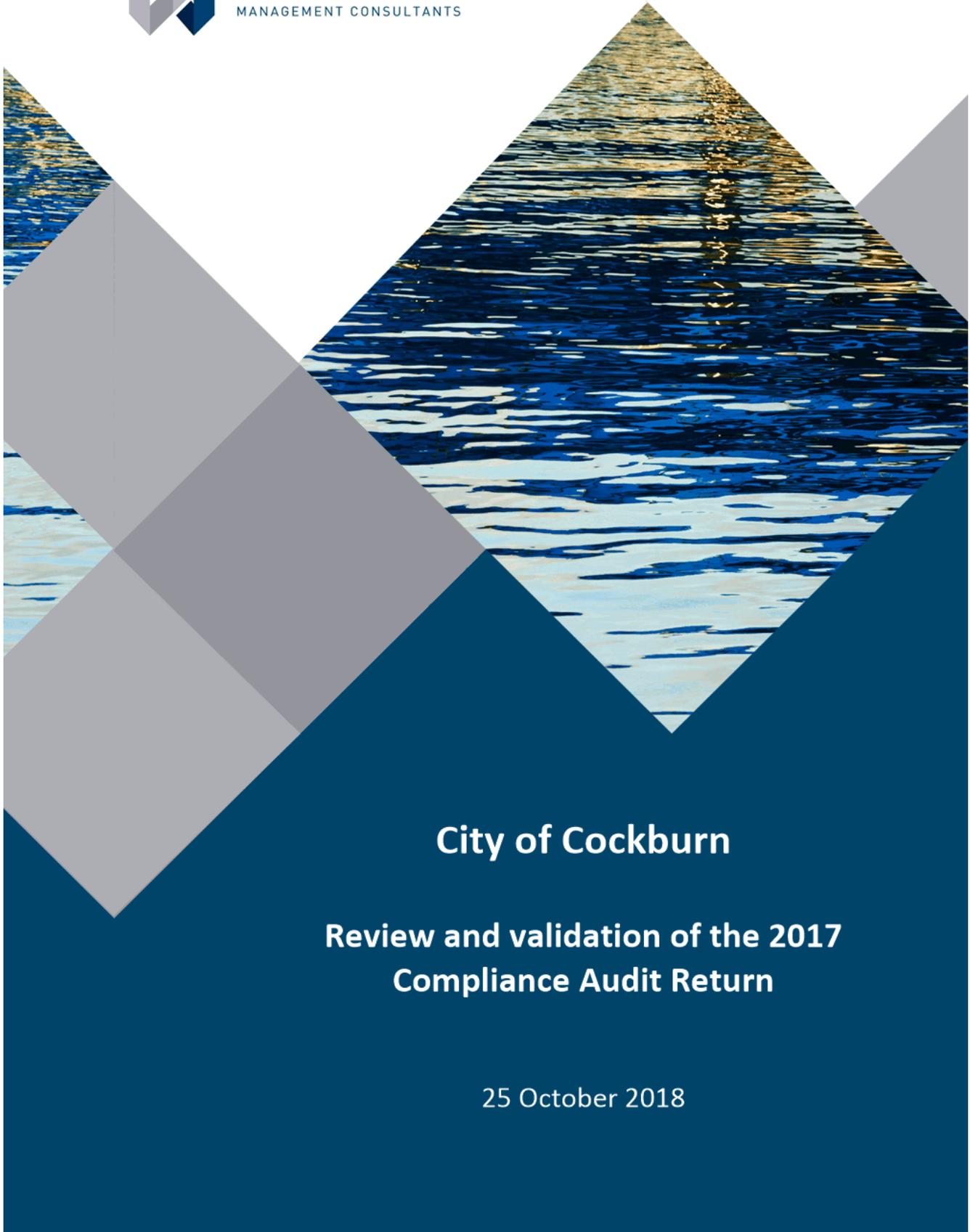
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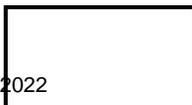




City of Cockburn

Review and validation of the 2017 Compliance Audit Return

25 October 2018



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Contents

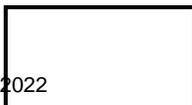
1. Background4

2. Methodology.....6

3. Key Findings7

Attachment 1: Compliance Audit Return Validation Report8

Attachment 2: Biography of Reviewer.....20



1. Background

Local Government (Audit Regulations) 2009 regulation 14 requires Local governments to complete a statutory compliance return (Compliance Audit Return or CAR) annually and have the return adopted by Council. In order to address these requirements, in September 2018, Riskwest were engaged to undertake a review of the 2017 Compliance Audit Return (2017 CAR) to carry out a review of the evidence to support the responses provided by key staff members in the Compliance Audit Return.

The documents reviewed as part of this exercise are listed below:

- AN (1-3-15) - Tenders for Prov Goods & Serv - Procurement - Authority to Advertise Form
- AN (1-4-6-7-9-11-16-19-21) - Tenders for Prov of Goods & Serv - Procurement - Tender Register
- AN (1-11) - Tenders for Prov Goods & Serv - Contract Procurement & Project Plan
- AN (5) - Tenders for Prov Goods & Serv - Procurement - Addenda Report (RFT27-2018)
- AN (6-17) - Tenders for Prov Goods & Serv - Procurement - Tender Download Instructions
- AN (8-20) - Tenders for Prov Goods & Serv - Procurement - Tender Evaluation Recommendation
- AN (10) - Tenders for Prov Goods & Serv - Proc- Letter of Acc (C100457)
- AN (18) - Tenders for Prov Goods & Serv - Procurement - Addenda Report (RFS01-2017)
- AN (22) - Tenders for Prov Goods & Serv - Procurement - Letter of Acceptance (C100446)
- AN (22) - Tenders for Prov Goods & Serv - Procurement - Unsuccessful Letter (RFS01-2017)
- AN (23-25) - Tenders for Prov Goods & Serv - Procurement - SC38 Procurement Policy
- DA 53.58 (4) 2nd Adv New Lease Zenitas HNA Trusco Pty Ltd Lifecare Physio (WA)
- DA 53.58(3) 120517 West Australian- Cockburn ARC - Physio Section 3.58 Advertisement
- SD (1) - Finance - Ordinary Council Meeting - 20 April 1999
- SD (1) - Finance - s7.1A - Ordinary Council Meeting - 10 April Dec 2015
- SD (3) - Audit & Strategic Finance Committee Meeting - 17 November 2016
- SD (4) - Finance - Reference s7.3, 7.6(3)
- SD (5) - Finance - Reference Audit Reg 10
- SD (10-11-12-13-14) - Finance - Reference Audit Reg 7
- DG (1) - Delegation of Power - Special Council Meeting - Minutes - 23 October 2017
- DG (1) - Disclosure of Interest - Mayor Howlett - Ord Council Meeting - 9 Feb 2017
- DG (1) - Disclosure of Interest - Mayor Howlett - Ord Council Meeting - 12 October 2017
- DG (1) - Elections - Register-of-Electoral Gift - Cr Portelli -1-Jan-2017-to-31-Dec-2017 (Page 2)
- DG (3) - Delegation of Power - Ordinary Council Meeting - Minutes - 13 April 2017
- DG (3) - Delegation of Power - Ordinary Council Meeting - Minutes - 13 July 2017
- DG (3) - Delegation of Power - Ordinary Council Meeting - Minutes - 14 December 2017
- DG (4) - Delegation of Power - Ordinary Council Meeting - 20 April 1999
- DG (4) - Disclosure of Interest - CoC-Primary Returns-EM
- DG (5-7-10-12) - Delegation of Power - Ordinary Council Meeting - Minutes - 8 June 2017
- DG (6) - Disclosure of Interest - CoC-Annual Returns-EM
- DG (6-8-9-11) - Delegation of Power - CoC - Register of Delegations
- DG (7) - Disclosure of Interest - CoC-Annual Returns-Staff
- DG (13) - Disclosure of Interest - Cr Allen - OCM 13 July 2017 - Item 17.1
- DG (13) - Disclosure of Interest - Cr Allen - OCM 14 December 2017 - Item 17.2
- DG (13) - Disclosure of Interest - Cr Eva - OCM 13 April 2017 - Item 22.1
- DG (13) - Disclosure of Interest - Cr Eva - OCM 13 July 2017 - Item 15.6
- DG (13) - Disclosure of Interest - Cr Houwen - OCM 13 July 2017 - Item 15.6
- DG (13) - Disclosure of Interest - Cr Portelli - OCM 13 April 2017 - Item 22.1

- DG (13) - Disclosure of Interest - Cr Portelli - OCM 14 September 2017 - Item 15.7
- DG (13) - Disclosure of Interest - Cr Pratt - OCM 13 April 2017 - Item 22.1
- DG (13) - Disclosure of Interest - Cr Sands OCM - 14 December 2017 - Item 18.2.
- DG (13) - Disclosure of Interest - Cr Sweetman - OCM 13 April 2017 - Item 22.1
- DG (13) - Disclosure of Interest - Cr Sweetman - OCM 13 April 2017 - Item 22.1
- DG (13) - Disclosure of Interest - Mayor Howlett - OCM 9 February 2017 - Item 15.6
- DG (13) - Disclosure of Interest - Mayor Howlett, OCM 14 December 2017, Item 12.1.
- DG (16) - Disclosure of Interest - Notifiable-Gift-Register-1-Jan-2017-to-31-Dec-2017
- Standing Orders Local Law 2016 - As Amended 9 November 2017
- Delegated Authorities Policies and Position Statements Committee - Minutes - 18 May 2017
- Signed Agreement – Audit Contract – Provision of External Audit Services – Ending 30/6/2017
Macris & Partners

It should be noted that the engagement did not constitute an audit.

The review was undertaken by Sandra Hackett (Partner, Riskwest). See Attachment 2 for a summary biography of the reviewer.

2. Methodology

The methodology adopted for this review was based on a desktop validation of each of the responses made by the following accountable officers of the City:

- Daniel Arndt
- Don Green
- Stuart Downing
- Cliff Mc Kinley
- Antonio Natale

An evaluation tool was prepared which contained the following information:

	Item of Information
Compliance Audit Return Document	Compliance Area
	Item Number
	Reference to the Local Government Act or Regulation
	CAR Questions
CAR Response and supporting information provided by City Personnel	Response
	Reference to document or source of information which evidences the response to the questions
	Name of Respondent
Validation by Riskwest	Validated (Yes/No)
	Validation Comments

Each of the respondents were asked to submit relevant supporting documentation. The information provided was reviewed by Riskwest and a meeting was held with the Governance and Risk Advisor (16th October 2018) to observe the documentation captured in the TechOne ECM and ATAIN systems, and to clarify any remaining questions.

The findings from the review are summarised in Section 3 and the details shown in Attachment 1.

3. Key Findings

Based on the documentation provided (listed in Section 1) and observing random samples of records within the TechOne ECM and ATTAIN information management system, the review demonstrates that the City has provided a sufficient amount of reasonable evidence to support the responses made in the 2017 Compliance Audit Return. There are no identified matters of materiality which have arisen from this review that would indicate the responses are invalid.

Attachment 1

Compliance Audit Return Validation Report

22nd October 2018

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**City of Cockburn - Compliance Audit Return 2017
Review and Validation of Responses
October 2018**

Commercial Enterprises by Local Governments						Validated Yes/No	Validation Comments
No	Reference	Question	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent		
1	s3.59(2) (a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2017.	Yes	Not Applicable as no major trading transactions were undertaken in 2017.	Daniel Arndt	Not applicable	None
2	s3.59(2)(a) (b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2017.	Yes	Not Applicable as no major trading transactions were undertaken in 2017.	Daniel Arndt	Not applicable	None
3	s3.59(2) (a)(b)(c) F&G Reg 7,10	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 2017.	Yes	Not Applicable as no major trading transactions were undertaken in 2017.	Daniel Arndt	Not applicable	None
4	s3.59(4)	Has the local government given State-wide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2017.	Yes	Not Applicable as no major trading transactions were undertaken in 2017.	Daniel Arndt	Not applicable	None
5	s3.59(5)	Did the Council, during 2017, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	Yes	Not Applicable as no major trading transactions were undertaken in 2017.	Daniel Arndt	Not applicable	None
Delegation of Power / Duty						Validated Yes/No	Validation Reference / Comments
No	Reference	disclosure of interest	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent		
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	Yes	Special Council Meeting - 23 October 2017	Don Green	Yes	Delegations at Special Council Meeting October 23 2017 each resolved by absolute majority. "MOVED Deputy Mayor L Smith SECONDED Cr C Reeve-Fowkes that Council:.... (2) pursuant to Section 7.18 of the Local Government Act 1995, delegate the authority of Council to meet with the Auditor to the Committee. CARRIED BY ABSOLUTE MAJORITY OF COUNCIL 10/0"
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	Yes	Special Council Meeting - 23 October 2017	Don Green	Yes	Delegations at Special Council Meeting October 23 2017 each resolved by absolute majority and minuted.
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	Yes	Ordinary Council Meetings - 13/4/17; 13/7/17; 14/12/17	Don Green	yes	Comments made at referenced Council Meetings reflect the requirements of the Act.
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	Yes	Not sure on this one, there is no DA document that specifies this requirement. Only reference would be the Council date that Audit Committee was created.	Don Green	Recorded in OCM Minutes not in the Delegations Register	Delegations to Audit Committee noted in council Meeting Minutes (as above).
5	s5.18	Has Council reviewed delegations to its committees in the 2016/2017 financial year.	Yes	Ordinary Council Meeting - 8/6/17	Don Green	Yes	Ordinary Council Meeting 8 June 2017 section 14.1 minute No. 6088 "primary focus of this meeting was to review the Delegated Authorities pursuant to the Local Government Act and Extraneous to the Local Government Act. RECOMMENDATION that Council receive the Minutes of the Delegated Authorities, Policies and Position Statements Committee Meeting held on Thursday, 18 May 2017 and adopt the recommendations contained therein."
6	s5.42(1),5.43 Adm in Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes	Ordinary Council Meetings - various.	Don Green	Yes	Refer to Item 8 below.



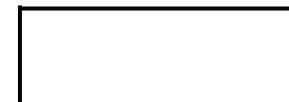
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority .	Yes	Refer to all DAs under LGA, Ordinary Council Meeting 8/6/17	Don Green	Yes	Delegations to the CEO at the Ordinary Council Meeting June 8 2017 each resolved by absolute majority.
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes	Register of Delegations.	Don Green	Yes	A register of delegations relevant to the Chief Executive Officer and other employees is to be kept and reviewed at least once every financial year (s5.46(1), (2) of the Act). If a person is exercising a power or duty that they have been delegated, the Act requires that records be kept whenever the delegated authority is used (s5.46(3) of the Act). The record is to contain the following information: • How the person exercised the power or discharged the duty; • When the person exercised the power or discharged the duty; and • The persons or classes of persons, other than Council or Committee members or employees of the local governments, directly affected by the exercise of the power or the discharge of the duty (reg 19 Local Government (Administration) Regulations 1996). The City of Cockburn Register of Delegations contains a list of the instruments to be used to determine the delegated authority. The records of how the delegations are exercised is contained with in the TechOne ECM System. Examples of actual records of exercised delegations were demonstrated.
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes	Register of Delegations	Don Green	See item 8	See item 8 above
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes	Ordinary Council Meeting - 8/6/17	Don Green	Yes	Decisions to either revoke or amend a delegation were reviewed/recommended by the Delegated Authorities, Policies and Position Statements Committee (reference Delegated Authorities Policies and Position Statements Committee - Minutes - 18 May 2017) and were adopted by Council at the Ordinary Council Meeting June 8 2017 (by absolute majority).
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees .	Yes	Register of Delegations	Don Green	Yes	See item 8 above
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2016/2017 financial year.	Yes	Ordinary Council Meeting - 8/6/17	Don Green	Yes	See item 10 above
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 as required .	Yes	Electronic Content Management System. Can be provided if a spot check is required.	Don Green	Yes	See item 8 above
Disclosure of Interest						Validated Yes/No	Validation Comments
No	Reference	Question	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent	Validated Yes/No	Validation Comments
1	s5.67	If a member disclosed an interest , did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5. 68) .	Yes	Ordinary Council Meeting - 12/10/17	Don Green	Yes	Ordinary Council Meeting - 14/12/17 noted a impartiality interest under which there is no requirement for the Member to leave the room (Refer to Standing Orders Local Law 2016 - As Amended 9 November 2017 Page 50) Ordinary Council Meeting - 13/7/17 noted a proximity interest and also minuted the time the Member left the room and the time the Member returned.
2	s5. 68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A		Don Green	Yes	See 1 above.
3	s5.73	Were disclosures under section 5.65 or 5. 70 recorded in the minutes of the meeting at which the disclosure was made.	Yes	Ordinary Council Meeting - 14/12/17	Don Green	Yes	The Ordinary Council Meeting minutes provided (as per the document list on page 4) show examples of where disclosures were minuted.



4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes	Primary Return - Crs Sands & Separovich	Don Green	Yes	The Member start date and date of Primary Return for the newly elected Members was provided and it is confirmed that the City has complied with this requirement.
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	N/A	N/A	Don Green	N/A	None
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2017.	Yes	Status Report - Elected Member 2017	Don Green	Yes	Annual Returns for 10 Members were noted on the status report as being submitted within the required timeframe.
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2017.	Yes	Status Report - Staff 2017	Don Green	Yes	Confirmed by Governance and Risk Advisor.
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes	Status Report showing acknowledgement date	Don Green	Yes	Status report provided confirmed acknowledgement date.
9	s5.88(1)(2) Admin	Did the CEO keep a register of financial Reg 28 interests which contained the returns lodged under section 5.75 and 5.76	Yes	Contained within ATTAIN	Don Green	Yes	Demonstrated in ATTAIN
10	s5.88(1)(2) 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 and 5.71, in the form prescribed in Administration Regulation 28.	Yes	Contained within ATTAIN	Don Green	Yes	Demonstrated in ATTAIN
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes	Contained within ATTAIN. Rob Award, Bart Houwen removed from ATTAIN as users that required to lodge returns	Don Green	Yes	Demonstrated in ATTAIN
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes	Originals kept by Records Department and archived accordingly	Don Green	Yes	Demonstrated in ATTAIN. Also demonstrated Records Management Procedures which define the requirement for the archiving of records.
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes	Ordinary Council Meeting - various	Don Green	Yes	Refer to Disclosure of Interest, Item 1 comments.
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	N/A		Don Green	N/A	
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	N/A		Don Green	N/A	
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes	Contained in ATTAIN & Website. Notifiable Gifts for 1/1/17-31/12/17	Don Green	Yes	Notifiable Gifts Register contains records of gifts. Completeness of the register can not be assessed.
Disposal of Property						Validated Yes/No	Validation Comments
No	Reference	Question	Response	Respondent			



1	53.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section on 3.58(5)) .	Yes	West Australian Advert Cockburn ARC- Physio section 3.58	Daniel Arndt	Yes	Advertisement provided.
2	53.58(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	Advertisement Section 3.58 Lot 33 Dorsal Bend, Hammond Park	Daniel Arndt	Yes	Advertisement provided.



Elections						Validated Yes/No	Validation Comments
No	Reference	Question	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent		
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates 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 candidates .	Yes	Register-of-Electoral Gift - Cr Portelli -1-Jan-2017-to-31-Dec-2017 (Page 2)	Don Green	Yes	"Under Sections 5.82 and 5.83 of the Local Government Act 1995, the City must provide a public register of gifts and travel contributions made to staff and Elected Members. This ensures that the actions of staff and Elected Members are transparent, accountable and ethical." S2017 Gifts & Travel register on the City of Cockburn Website (ref https://www.cockburn.wa.gov.au/Council/About-Council/Governance/Gifts-and-Travel-Contributions) .
Finance						Validated Yes/No	Validation Comments
No	Reference	Question	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent		
1	s7. 1A	Has the local government established an audit committee and appointed members by <u>absolute majority</u> in accordance with section 7.1 A of the Act.	Yes	Ordinary Council Meeting - 20 April 1999	Stuart Downing	Yes	Item 18.5 noted motion moved by Commissioner Jorgensen, Seconded Smithson and Carried.
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	Yes		Stuart Downing	No	There was no reference to the agreement being unanimous.
3	s7. 3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes	Audit & Strategic Finance Committee Meeting - 17 November 2016	Stuart Downing	Yes	Item 14.1 Macri Partners appointed as the City's External Auditor
4	s7. 3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an <u>absolute majority decision</u> of Council.	Yes	Ordinary Council Meeting - 8 December 2016	Stuart Downing	Yes	Item 14.1 Deputy Mayor C Reeve-Fowkes SECONDED Cr S Portelli that the recommendation be adopted. CARRIED 3/0
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2017 received by the local government within 30 days of completion of the audit.	Yes	The Audit Report was signed at the Audit & Strategic Finance Committee on 16 November 2017	Stuart Downing	Yes	Audit Completion Report to the Audit Committee For the Year Completed Submitted 8 November 2017 and signed on 17th Nov.
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2017 received by the local government by 31 December 2017.	Yes	The Audit Report was received by the City on 14/12/2017	Stuart Downing	Yes	Ordinary Council Meeting - 8 December 2016
7	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 by the local government, was that action undertaken.	N/A	No matters raised by the Auditor in the Audit Report	Stuart Downing	Yes	No matters were raised in the INDEPENDENT AUDITOR'S REPORT TO: RATEPAYERS OF CITY OF COCKBURN (ref Audit & Strategic Finance Committee Minutes For Thursday, 16 November 2017)
8	S7.12A (4)	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 by the local government, was a report prepared on any actions undertaken.	N/A	No matters raised by the Auditor in the Audit Report	Stuart Downing	Yes	No matters were raised in the INDEPENDENT AUDITOR'S REPORT TO: RATEPAYERS OF CITY OF COCKBURN (ref Audit & Strategic Finance Committee Minutes For Thursday, 16 November 2017)



9	s7.12A (4)	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 by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A	No matters raised by the Auditor in the Audit Report	Stuart Downing	Yes	No matters were raised in the INDEPENDENT AUDITOR'S REPORT TO: RATEPAYERS OF CITY OF COCKBURN (ref Audit & Strategic Finance Committee Minutes For Thursday, 16 November 2017)
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes	Refer to Audit & Strategic Finance Committee Meeting - 17 November 2016	Stuart Downing	Yes	Refer to Signed Agreement – Audit Contract – Provision of External Audit Services – Ending 30/6/2017 Macris & Partners
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes	Refer to Audit & Strategic Finance Committee Meeting - 17 November 2016	Stuart Downing	Yes	Refer to Signed Agreement – Audit Contract – Provision of External Audit Services – Ending 30/6/2017 Macris & Partners
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes	Refer to Audit & Strategic Finance Committee Meeting - 17 November 2016	Stuart Downing	Yes	Refer to Signed Agreement – Audit Contract – Provision of External Audit Services – Ending 30/6/2017 Macris & Partners
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes	Refer to Audit & Strategic Finance Strategic Finance Committee Meeting - 17 November 2016	Stuart Downing	Yes	Refer to Signed Agreement – Audit Contract – Provision of External Audit Services – Ending 30/6/2017 Macris & Partners
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes	Refer to Audit & Strategic Finance Strategic Finance Committee Meeting - 17 November 2016	Stuart Downing	Yes	Refer to Signed Agreement – Audit Contract – Provision of External Audit Services – Ending 30/6/2017 Macris & Partners
Integrated Planning and Reporting						Validated Yes/No	Validation Comments
No	Reference	Question	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent	Validated Yes/No	Validation Comments
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/ A if you choose not to respond.	Yes	N/A 9/06/2016 - Refer to Council Meeting Date on web site.	Margot Tobin	Yes	Corporate business plan adopted 9/6/16 (most recent), in Ordinary Council Meeting section 13.4 minute No. 5810, MOVED Clr B Houwen SECONDED Clr S Portelli that the recommendation be adopted. CARRIED BY ABSOLUTE MAJORITY OF COUNCIL 6/0
2	s5.56 Admin Reg 19DA (6)	Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond	Yes	11 May 2017 - Refer to Council Meeting Date on web site.	Margot Tobin	Yes	Modifications adopted 11/5/17 in Ordinary Council Meeting section 14.3 minute No. 6071, MOVED Clr S Portelli SECONDED Clr P Eva that the recommendation be adopted. CARRIED BY ABSOLUTE MAJORITY OF COUNCIL 8/0
3	s5.56 Admin Reg 19C (7)	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/ A if you choose not to respond.	Yes	N/A 9/06/2016 - Refer to Council Meeting Date on web site.	Margot Tobin	Yes	Strategic business plan adopted 9/6/16 (most recent), in Ordinary Council Meeting section 13.3 minute No. 5809 MOVED Clr P Eva SECONDED Clr B Houwen that the recommendation be adopted. CARRIED BY ABSOLUTE MAJORITY OF COUNCIL 6/0
4	s5.56 Admin Reg 19C (7)	Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/ A if you choose not to respond.	N/ A	N/ A	Margot Tobin	N/ A	



5	s5.56	Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/ A if you choose not to respond.	Yes	The first 5 Asset Management Plans were adopted by Council in 2013. They have had subsequent reviews which are approved by the Executive. An Asset Management Strategy is adopted by Council and the new one was scheduled for the Ordinary Council Meeting of 8 February 2018.	Margot Tobin	Yes	Asset management strategy adopted 9/6/16 (most recent), in Ordinary Council Meeting section 17.1 minute No. 0016, MOVED Deputy Mayor L Smith SECONDED Cr M Separovich that the recommendation be adopted. CARRIED 8/0
6	s5. 56	Has the local government adopted a Long Term Financial Plan n. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/ A if you choose not to respond.	Yes	N/A 9/06/2016 - Refer to Council Meeting Date on web site.	Margot Tobin	Yes	Long-term financial business plan adopted 9/6/16 (most recent), in Ordinary Council Meeting section 13.5 minute No. 5811, MOVED Cllr S Portelli SECONDED Cllr K Allen that the recommendation be adopted subject to amending Table 4. CARRIED 6/0
7	s5.56	Has the local government adopted a Workforce Plan n. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/ A if you choose not to respond.	Yes	N/A 9/06/2016 - Refer to Council Meeting Date on web site.	Margot Tobin	Yes	Workforce plan adopted 9/6/16 (most recent), in Ordinary Council Meeting section 13.5 minute No. 5811, MOVED Cllr S Portelli SECONDED Cllr K Allen that the recommendation be adopted subject to amending Table 4. CARRIED 6/0
Local Government Employees						Validated Yes/No	Validation Comments
No	Reference	Question	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent	Validated Yes/No	Validation Comments
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A	CEO appointed prior to 2017	Cliff McKinley	Not applicable	None
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A	No Designated Officer roles advertised in 2017	Cliff McKinley	N/A	None
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A	CEO appointed prior to 2017	Cliff McKinley	N/A	None
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A	CEO appointed prior to 2017	Cliff McKinley	N/A	None
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Cliff McKinley	N/A	None
Official Conduct						Validated Yes/No	Validation Comments
No	Reference	Question	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent	Validated Yes/No	Validation Comments
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Don Green	N/A	None



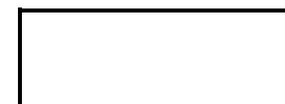
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes	N/A: The CEO is the complaints officer, however no minor breaches form a council member resulted in standards panel ordering the complaint to be made publicly censured as specified in the order, or complaint was made apologise publicly as specified in the order, or the person against whom the complaint was made, undertake training as specified in the order	Don Green	N/A	None
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes	N/A: The CEO is the complaints officer, however no minor breaches form a council member resulted in standards panel ordering the complaint to be made publicly censured as specified in the order, or complaint was made apologise publicly as specified in the order, or the person against whom the complaint was made, undertake training as specified in the order	Don Green	N/A	None
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes	N/A: The CEO is the complaints officer, however no minor breaches form a council member resulted in standards panel ordering the complaint to be made publicly censured as specified in the order, or complaint was made apologise publicly as specified in the order, or the person against whom the complaint was made, undertake training as specified in the order	Don Green	N/A	None
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred .	Yes	N/A: The CEO is the complaints officer, however no minor breaches form a council member resulted in standards panel ordering the complaint to be made publicly censured as specified in the order, or complaint was made apologise publicly as specified in the order, or the person against whom the complaint was made, undertake training as specified in the order	Don Green	N/A	None
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c) .	Yes	N/A: The CEO is the complaints officer, however no minor breaches form a council member resulted in standards panel ordering the complaint to be made publicly censured as specified in the order, or complaint was made apologise publicly as specified in the order, or the person against whom the complaint was made, undertake training as specified in the order	Don Green	N/A	None
Tenders for Providing Goods and Services							
No	Reference	Question	Response	Please reference the document or source which evidences the response to the question. Please also attach the document.	Respondent	Validated Yes/No	Validation Comments
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into 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 Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes	Public notice tenders conducted as per the selected sourcing market strategy, the Contract Procurement & Project Plan and the authority to advertise form and the tender register available in hard copy files.	Antonio Natale	Yes	Tenders invited publicly as per advertisement in the Western Australian, "Tenders are invited for the goods and services" POSITION IN PAPER: Local Government Tenders CONTACT: [Procurement Officer], [Position] DATE LODGED: Monday xx Month 20xx ACCOUNT NO: GL 7906-6206, as recorded and referenced in "Planning and Informing Phase" in Contract Procurement and Project Plan.



2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes	Multiple contracts are rare and evidenced by the executed Tender Evaluation Recommendation Reports. Refer to the Tender Register filing. (Hard copy file available with Procurement)	Antonio Natale	Yes	Rarity of multiple contracts evident in Tender Evaluation Recommendation Reports (with access to Tender Register Filing) with recommendation decisions that the council accept tender submissions which will be approved by CHARLE SULLIVAN, DIRECTOR, ENGINEERING & WORKS, XX June 2017, STUART DOWNING, DIRECTOR, FINANCE & CORPORATE SERVICES, XX June 2017, DON GREEN DIRECTOR, GOVERNANCE & COMMUNITY SERVICES, XX June 2017 & STEPHEN CAIN, CHIEF EXECUTIVE OFFICER, XX June 2017
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via State-wide public notice.	Yes	Refer to Market force Invoices, Authority to Advertise form and Tender Register Filing (Hard copies available within Procurement) Plus copy of Tender adverts.	Antonio Natale	Yes	Authority to advertise form June 2009 to ACCOUNT NO: GL 7906-6206 called under delegated authority extended to the Director, Engineering and Works by Council and the Chief Executive Officer under Sections 5.42 and 5.44 of the Local Government Act 1995 and pursuant to Section LGAES3 of the City of Cockburn Delegated Authority Register; and in accordance with Section 3.57 of the Local Government 1995 and Part 4 of the Local Government (Functions and General) Regulations 1996. MR CHARLES SULLIVAN DIRECTOR, ENGINEERING & WORKS MONDAY xx Month 20x
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes	Tender register Filing and Procurement Shared Filing (F drive or Technology One ECM Procurement secured record management. (Hard copies available within Procurement)	Antonio Natale	Yes	Documentation recorded and referenced in "Planning and Informing Phase" in Contract Procurement and Project Plan.
5	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	Addendum / Clarification via Template document and eProcurement systems. Refer to Procurement Shared Filing (F drive). (Copies of Addenda / Clarifications report and Docs issued available for review from respective project folder in F Drive) Addenda report can be run directly out of the City's E-Procurement System.	Antonio Natale	Yes	Addenda copies supplied "ADDENDUM TO REQUEST FOR SUPPLIERS DOCUMENTS" REQUEST NO.: RFS01/2017 ADDENDUM NO.: 1 DATE OF ISSUE: Wednesday 17 August 2016 (date emailed), receipt of document requests acknowledged. Clarification in E-tendering number RFT27/2018 - supporting documents to this addendum are referenced here, and have been uploaded to the 'Supporting Documents' section, under 'Job Info' of this tender within the E-tendering system.
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes	Refer to Tender Register Filing (Hard Copy) and eProcurement System work instruction. Opening and Downloading a Tender from eProcurement system	Antonio Natale	Yes	Tender download instructions provided - Opening and Downloading / opening a Tender from 360Pro Reference: PS / W10001 Prepared by : Tammey Chappel and Karen Tate Approved by : Tony Natale Issued 26/03/2018, and Tender Register Filing template provided (ECM Subject Code: 078/012), specifics recorded and referenced in "Planning and Informing Phase" in Contract Procurement and Project Plan.
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes	Refer to Tender Register Filing (Hard Copy) and eProcurement System report. System auto rejection process available. Reports in E-Procurement system "Job (Tender) Audit Close " Report, plus functionality in eProcurement system - "black flag" can be enabled. i.e. non-attendance at mandatory site meetings - automatic notifications issued to suppliers via email.	Antonio Natale	Yes	Tenders rejected as per rejection criteria as recorded and referenced in "Planning and Informing Phase" in Contract Procurement and Project Plan, along with Tender Register document and seen in Name Index section of this document.
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes	Tender Evaluation Recommendation as per the Procurement Shared Filing (F drive) or the Technology One ECM Procurement secured record management.	Antonio Natale	Yes	Tenders assessed as recorded and referenced in "Planning and Informing Phase" & "Project & Close-out Phase" in Contract Procurement and Project Plan, with Tender Evaluation Recommendation decisions that the council accept tender submissions which will be approved by CHARLE SULLIVAN DIRECTOR, ENGINEERING & WORKS XX June 2017, STUART DOWNING DIRECTOR, FINANCE & CORPORATE SERVICES XX June 2017, DON GREEN DIRECTOR, GOVERNANCE & COMMUNITY SERVICES XX June 2017 & STEPHEN CAIN CHIEF EXECUTIVE OFFICER XX June 2017 and sent letter of acceptance as seen in LETTER OF ACCEPTANCE TENDER as seen in example to Graham Nash on 15/1/18 NO: RFT 27/2017 Project Management Services Lakelands Reserve Multipurpose Hockey and Community Facility "The City of Cockburn (the Principal) is pleased to accept Savills Project Management Pty Ltd (the Contractor) offer to provide Project Management Services – Lakelands Reserve Multipurpose Hockey and Community Facility" (Contract No. C100457).



9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes	Tender Register Filing and/or the Procurement Shared Filing (F drive) or the Technology One ECM Procurement secured record management. Information available directly out of eProcurement system - Job (Tender) Audit Close Report	Antonio Natale	Yes	Template of Tender Register provided.
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes	Procurement Shared Filing (F drive) or the Technology One ECM Procurement secured record management.	Antonio Natale	Yes	Tenders sent letter of acceptance as seen in LETTER OF ACCEPTANCE TENDER as seen in example to Graham Nash on 15/1/18 NO: RFT 27/2017 Project Management Services Lakelands Reserve Multipurpose Hockey and Community Facility "The City of Cockburn (the Principal) is pleased to accept Savills Project Management Pty Ltd (the Contractor) offer to provide Project Management Services – Lakelands Reserve Multipurpose Hockey and Community Facility" (Contract No. C100457). Letters of decline sent to non-successful tenders as seen in example to David Edwards REQUEST FOR SUPPLIERS NO: RFS 01/2017 PANEL OF PRE-QUALIFIED SUPPLIERS - ELECTRICAL SERVICES Industrial, Commercial and Domestic
11	F&G Reg 21 & 22	Did the local governments' advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A	No expressions of interest were invited by the City as evidenced by the Contract Procurement & Project Plan and the Tender Register filing.	Antonio Natale	N/A	None
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	No	No expressions of interest were invited by the City as evidenced by the Contract Procurement & Project Plan and the Tender Register filing.	Antonio Natale	N/A	None
13	F&G Reg 23(4)	Alter the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A	No expressions of interest were invited by the City as evidenced by the Contract Procurement & Project Plan and the Tender Register filing.	Antonio Natale	N/A	None
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A	No expressions of interest were invited by the City as evidenced by the Contract Procurement & Project Plan and the Tender Register filing.	Antonio Natale	N/A	None
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via State-wide public notice.	Yes	Refer to Marketforce Invoices, Authority to Advertise form and Tender Register Filing (Hard copies)	Antonio Natale	Yes	Tenders invited publicly as per advertisement in the Western Australian, "Tenders are invited for the goods and services" POSITION IN PAPER: Local Government Tenders CONTACT: [Procurement Officer], [Position] DATE LODGED: Monday xx Month 20xx ACCOUNT NO: GL 7906-6206, as recorded and referenced in "Planning and Informing Phase" in Contract Procurement and Project Plan, along with Tender Register document. Panel evaluation of supplies under SMT Participation excel page. Letter of acceptance also sent as per documented example LETTER OF ACCEPTANCE REQUEST FOR SUPPLIERS NO: RFS 01/2017 PANEL OF PRE-QUALIFIED SUPPLIERS - ELECTRICAL SERVICES Industrial, Commercial and Domestic to Stephen Lawson on 31/7/17
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE. applicants for a panel of pre-qualified suppliers via State-wide public notice.	Yes	Tender register Filing and Procurement Shared Filing (F drive or Technology One ECM Procurement secured record management.	Antonio Natale	Yes	See above
17	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 panel application.	Yes	Refer to Tender Register Filing (Hard Copy) and eProcurement System work instruction. Opening and Downloading a Tender from eProcurement system	Antonio Natale	Yes	Tender download instructions provided - Opening and Downloading / opening a Tender from 360Pro Reference: PS / W/0001 Prepared by : Tammey Chappel and Karen Tate Approved by : Tony Natale Issued 26/03/2018, and Tender Register Filing template provided (ECM Subject Code: 078/012), specifics recorded and referenced in "Planning and Informing Phase" in Contract Procurement and Project Plan.
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.	Yes	Addendum / Clarification via Template document and eProcurement systems. Refer to Procurement Shared Filing (F drive). (Copies of Addenda / Clarifications report and Docs issued available for review from respective project folder in F Drive) Addenda report can be run directly out of the City's E-Procurement System.	Antonio Natale	Yes	Clarification in E-tendering number RFT27/2018 - supporting documents to this addendum are referenced here, and have been uploaded to the 'Supporting Documents' section, under 'Job Info' of this tender within the E-tendering system, and government assesses application acceptance vs. rejection of submissions with reason in Tender Evaluation Recommendation



19	F&G Reg 24AH(1)	Did the local government reject the 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.	Yes	Refer to Tender Register Filing (Hard Copy) and eProcurement System report. System auto rejection process available. Reports in E-Procurement system "Job (Tender) Audit Close " Report, plus functionality in eProcurement system - "black flag" can be enabled. I.e. restricting applications/ system has "Prequalification" functionality.	Antonio Natale	Yes	Tender Register information and template provided and instructions to E-procurement system showing rejection criteria from pre-qualified suppliers, with E-tendering number RFT27/2018 - supporting documents to this addendum are referenced here, and have been uploaded to the 'Supporting Documents' section, under 'Job info' of this tender within the E-tendering system.
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	Yes	Tender Evaluation Recommendation as per the Procurement Shared Filing (F drive) or the Technology One ECM Procurement secured record management.	Antonio Natale	Yes	Assessment of applications carried out using the Tender Evaluation Recommendations Template.
21	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.	Yes	Tender Register Filing and/ or the Procurement Shared Filing (F drive) or the Technology One ECM Procurement secured record management. Information available directly out of E-Procurement system - Job (Tender) Audit close report	Antonio Natale	Yes	Tender Register information provided and instructions to E-procurement system also provided showing panel information.
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	Yes	Procurement Shared Filing (F drive) or the Technology One ECM Procurement secured record management.	Antonio Natale	Yes	Letters of acceptance sent (refer to example LETTER OF ACCEPTANCE REQUEST FOR SUPPLIERS NO: RFS 01/2017 PANEL OF PRE-QUALIFIED SUPPLIERS - ELECTRICAL SERVICES Industrial, Commercial and Domestic to Stephen Lawson on 31/7/17, and LETTER OF ACCEPTANCE TENDER as seen in example to Graham Nash on 15/1/18 NO: RFT 27/2017 Project Management Services Lakelands Reserve Multipurpose Hockey and Community Facility) An example of a letter sent to an unsuccessful tenderer is provided (refer to David Edwards REQUEST FOR SUPPLIERS NO: RFS 01/2017 PANEL OF PRE-QUALIFIED SUPPLIERS - ELECTRICAL SERVICES Industrial, Commercial and Domestic)
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A	No regional price preference available or accepted within the City Policy. Refer to SC38 Procurement Policy	Antonio Natale	N/A	None
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A	No regional price preference available or accepted within the City Policy. Evidenced by SC38 Procurement Policy and associated guideline.	Antonio Natale	N/A	None
25	F&G Reg IIA	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes	SC38 Procurement Policy with associated guideline	Antonio Natale	Yes	See page 5 for table of section 2.3 "Openness and Effective Competition" regarding Expected procurement value (Ex GST) or contract value – over full contract period (excluding options to extend) and requirements / policy.



Attachment 2 Biography of Reviewer



SANDRA HACKETT, M.Eng (Hons), MAICD

Partner, Riskwest

Qualifications:

- Master's Degree in Chemical Engineering (M.Eng), University of Nottingham, U.K.

Accreditations & Certifications:

- Member of the Australian Institute of Company Directors

Professional knowledge and experience

- Sandra has over twenty-five years of experience in providing a range of strategy, risk, project and governance services to government and industry. She has considerable experience working with Boards, both as an advisor and Board member for over 13 years and is currently a Non-Executive Director of St Bartholomew's House and Chair of the Governance and Risk Committee. With a background in engineering, she brings also a broad range of industrial and project management expertise to the Riskwest team.
- From January 2013, Sandra has been a Partner in Riskwest, a specialist management consulting firm providing risk-based consulting services to a broad range of corporate, government and community service organisations. Prior to 2013, Sandra spent 14 years as an independent risk management consultant and 12 years in a variety of project management and engineering roles across a range of industries including Power, Chemicals, Petrochemicals, and Oil and Gas.
- Sandra has extensive experience in the development and implementation of risk management frameworks and programs across all levels of an organisation, with a specific focus on "smart" risk-taking and effective controls assurance. This assists organisations and stakeholders to understand and use critical risk information as an integral part of their oversight or management roles.
- Sandra specialises in working with Boards and Executive teams to develop a greater understanding and awareness of the potential opportunities and threats facing organisations in the current climate of significant uncertainty and disruption. This includes the facilitation of workshops and planning sessions to provide the Board and Executive Team with an understanding of

- the mechanisms that should be in place to deliver an appropriate level of visibility over the “material” risks facing the organisation, including those relating to major projects and initiatives;
 - the confidence that risks are being managed to a level which sits within the range of “acceptable risk taking” and;
 - the nature and magnitude of emerging strategic opportunities and threats and how these are identified, measured and acted upon
- Over the past 18 months, she has assisted and continues to support Boards and Executive Teams to understand, develop and implement the principles, limits and measures which underpin optimal risk taking in the context of organisational risk appetite and tolerance. The organisations involved cover a range of different sectors including large privately-owned enterprises, government trading enterprises and significant not-for profit entities.
 - Sandra is also the nominated Riskwest Partner acting as State Advisor to several major infrastructure projects, providing strategic risk advisory and facilitation services to the Project Directors and Joint Venture teams. These include the \$1.2B Perth Stadium project and the \$680M New Museum project.
 - Specific relevant expertise and experience includes:
 - Development and implementation of enterprise risk management frameworks with focus on alignment and integration with existing governance, accountability and decision-making structures and mechanisms
 - Development and implementation of risk appetite statements and risk tolerance measures and indicators (lead and lag) for a broad range of industries and sectors
 - Project risk governance, risk appetite and the integration of risk management into the project context
 - Risk-based evaluation of proposals, government acts, licences and contractual arrangements
 - Facilitation of workshops and planning sessions for Boards, committees, executive groups and project teams focussing on a range of different risk issues and outcomes.
 - Analysis of business processes across a wide range of different organisations to develop tailored strategies and processes for the effective management and reporting of risk, whilst at the same time ensuring that the processes are fully integrated with the required compliance frameworks.
 - Facilitation of over 1500 workshops and planning sessions for government and industry boards, committees, executive groups and project teams focussing on a range of different issues and outcomes, including opportunity and risk analysis, options analysis, SWOT and strategic planning.
 - Development and delivery of over 100 training seminars covering different aspects of strategic, operational and project risk management.
 - Development and delivery of incident investigation and root cause analysis methodology and training.
 - Project management and engineering roles on a range of industrial chemicals, power generation and petrochemical projects.



**CONTACT
INFORMATION**

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HIGH/EXTEME RISKS QUARTERLY REPORT (JULY – NOVEMBER 2018)

Risk Owner: Director Governance and Community Services

Risk Name: Community Services Major Projects

Risk ID	Risk Description	Causes	Control Effectiveness	Risk Rating
	Failure to coordinate Community Services major projects on behalf of the City of Cockburn	Lack of due diligence Lack of detailed project scope Lack of resourcing Poor contractors performance Variations of expenditure Inaccurate project cost estimate		
			Adequate	High
	Risk Impacts	Existing Controls		
	Delays in projects Financial Loss	Contract independent specialist consultant Project control group & project working group Committees & Council reference group Consulting teams/meetings Financial monitoring, extensive project program, monthly progress reports Risk management Plans.		

Update:

The Project Portfolio Management team are at a 65% completion and on track to deliver on time.



HIGH/EXTEME RISKS QUARTERLY REPORT (JULY – NOVEMBER 2018)

Risk Owner: Director Finance & Corporate / Executive Manager Strategy & Civic Support

Risk Name: Project Management

Risk ID	Risk Description	Causes	Control Effectiveness	Risk Rating
	Fail to consistently apply project management methodology and implementation to City projects	Resistance to cultural change Inconsistent and duplication of processes Lack of skills training Inconsistent project management frameworks Selecting the wrong project management software solution for the City Fundamental lack of governance from an IS perspective	Adequate	High
	Risk Impacts Capital works carry over Silo approach to projects Budget impacts Parachuted project	Existing Controls Project management tools Staff training Cross functional meetings Long term financial plan		

Update: The Project Portfolio Management team are at a 65% completion and on track to deliver on time.



HIGH/EXTEME RISKS QUARTERLY REPORT (JULY – NOVEMBER 2018)

Risk Owner: Director Engineering and Works

Risk Name: Water Availability

Risk ID	Risk Description	Causes	Control Effectiveness	Risk Rating
	Reducing water availability to irrigate City and maintain service delivery and amenity	Drying climate Lower allocation of groundwater, by Department of water		
			Adequate	High
	Risk Impacts	Existing Controls		
	Poor appearance of street scapes and parks	Water management plan Adapt landscaping plans Water recharge options Community education		

Update: water operating plans implemented, water recharge options still be assessed, and new landscaped areas hydrozoned to reduce water demand. The Department of Water and Environmental Regulation released a paper on seeking a cost recovery mechanism for Groundwater licences. In addition DoWER has readjusted the ground water allocation limits for each ground water area the City extracts, resulting in the following:

- POS upgrades by the City which require ground water will need to take allocations from existing licences, thereby reducing water to other POS. This will impact plant and turf growth and thus amenity for the community
- Potential for the City to enter agreements with water licence holders to utilise their groundwater for a fee, to irrigate new POS developments
- Developers requesting agreements to share the City’s water allocations to avoid dry POS in new subdivisions.
- Receiving POS through the subdivision process whereby the developer has obtained water from a third party and the City will need to continue the agreement to maintain the landscape. This is still being ascertained.



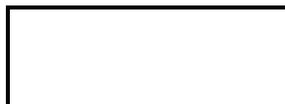
CITY OF COCKBURN RISK MANAGEMENT FRAMEWORK 'ROAD MAP' ACTION PLAN (2019-2021)

Element	Actions	Responsibility	Timeline
1. Risk Governance	<ul style="list-style-type: none"> Review and agree the specific risk governance role of the Council, particularly in relation to the oversight of "material risks" facing the City, risks which sit outside the risk appetite of the Council, the identification of strategic/external risks and the development of risk appetite. (Ref OI4) 	<ul style="list-style-type: none"> Council and Executive Management Team 	<ul style="list-style-type: none"> 2019
2. Risk Assessment and Acceptance Criteria Tables	<ul style="list-style-type: none"> Review the effectiveness of the criteria and implement the recommendations to improve the clarity within the tables. (Ref OI 7) 	<ul style="list-style-type: none"> Governance and Risk Advisor 	<ul style="list-style-type: none"> 2019
3. Risk Appetite	<ul style="list-style-type: none"> Build on the high-level statements to develop a series of risk acceptance principles, tolerances and limits to further enhance the definition of the risk appetite. Communicate the risk appetite to all internal and external stakeholders. Implement mechanisms to ensure that risk-taking is within the defined appetite. This would include the development, aggregation and reporting of key risk indicators to provide an organisational-wide view of the risk exposure. Ensure there is a mechanism in place whereby any risks which sit outside the defined risk appetite are escalated to the Council for review and decision-making. <p>(Ref OI 8)</p>	<ul style="list-style-type: none"> Council and Executive Management Team 	<ul style="list-style-type: none"> 2019
4. Risk Management Hierarchy	<ul style="list-style-type: none"> Review the Strategic Risk Register in the context of the Strategic Planning documentation to ensure that risks associated with the specific and agreed strategies are identified and appropriately managed. (Ref OI 11) Project and Event Risk Management should be integrated within the overall RMF and risk 	<ul style="list-style-type: none"> Executive Management Team 	<ul style="list-style-type: none"> 2019



CITY OF COCKBURN RISK MANAGEMENT FRAMEWORK 'ROAD MAP' ACTION PLAN (2019-2021)

	<p>registers incorporated into a single risk information repository. (Ref OI12)</p> <ul style="list-style-type: none"> Clarify how the strategic, operational and project risk registers interface and align with each other (e.g. how the City reports on projects which may have an impact on strategic or operational activities. (Ref OI13) 		
5. Risk Monitoring, Reporting and Review	<ul style="list-style-type: none"> Develop a Strategic Plan for the City which is aligned with the high-level Strategic Community Plan and outlines the specific strategies and associated risks. Review these strategies and risks annually to ensure the City remains on track to achieve the 4-year goals defined in the Strategic Community Plan. (Ref OI 20) Ensure that the City's incident management process (<i>including the type of incidents/losses/near misses recorded, any investigation processes, root cause analysis etc.</i>) links back to the risk profile to provide valuable insight into the assessment of the perceived risks. Key risk indicators should be established and monitored to give early warning of control failure and emerging risk issues. (Ref OI 23) 	<ul style="list-style-type: none"> Executive Management Team 	<ul style="list-style-type: none"> 2020
6. Risk Management Culture	<ul style="list-style-type: none"> Ensure options and decision papers across all levels of management within the City are supported by relevant risk information. Embed risk management as a standing agenda item for regular senior management and executive meetings. Review the extent to which the CEO, Directors and Managers are proactive in the driving of risk assessments within each of their areas. Include risk management responsibilities in Job Descriptions and ensure an assessment of risk management performance is included as part of the performance management review. (Ref OI6) 	<ul style="list-style-type: none"> Executive Management Team, Senior Managers 	<ul style="list-style-type: none"> 2020
7. Capability and Support	<ul style="list-style-type: none"> Develop and implement a structured training program to ensure that all accountable officers have the skills to be able to identify, assess and manage risks within their own areas of 	<ul style="list-style-type: none"> Human Resources 	<ul style="list-style-type: none"> 2020



CITY OF COCKBURN RISK MANAGEMENT FRAMEWORK 'ROAD MAP' ACTION PLAN (2019-2021)

	responsibility and are held to account for monitoring and reporting risk information in accordance with the RMF. (Ref OI 24)	Manager and Governance, and Risk Advisor	
8. Risk Management Integration	<ul style="list-style-type: none"> ▪ Define the mechanism by which new risks are identified and managed on an ongoing basis (<i>e.g. any new risks since the development of strategic/operational plans</i>). ▪ Review the processes for managing contracts, partnership, joint ventures or alliances, to ensure risk allocation is carefully considered and clearly allocated such that all parties accept responsibilities for the allocation and have a clear understand of how the risk sharing arrangement will work. ▪ Review the process by which low probability/ high consequence risks events (“black swan events”) are identified and managed and implement scenario testing to ensure that the City can recover quickly from major disruptions /outages and setbacks. (Ref OI9) 	<ul style="list-style-type: none"> ▪ Risk Review Group 	<ul style="list-style-type: none"> ▪ 2020
9. Controls Assessment and Assurance	<ul style="list-style-type: none"> ▪ Implement a mechanism to highlight those risks with a potential catastrophic impact to ensure that the appropriate level of assurance is in place (such as scenario testing and routine internal/external audits). (OI 16) 	<ul style="list-style-type: none"> ▪ Governance and Risk Advisor 	<ul style="list-style-type: none"> ▪ 2021
10. Risk Treatment	<ul style="list-style-type: none"> ▪ As part of the implementation of a new Risk Management Information System, incorporate the recommendations noted in OI 18 and OI 19. 	<ul style="list-style-type: none"> ▪ Governance and Risk Advisor 	<ul style="list-style-type: none"> ▪ 2021
11. Continuous Improvement	<ul style="list-style-type: none"> ▪ The City has developed a set of risk management performance indicators to act as “lead” indicators as to the effectiveness of the RMF. It is important that these indicators are assessed, and the status reported on an annual basis in order for the intended value to be derived. It is recommended that the RMF is reviewed by exception once per year – with a formal review taking place once every 2/3 years. (Ref OI 26) 	<ul style="list-style-type: none"> ▪ Governance and Risk Advisor 	<ul style="list-style-type: none"> ▪ 2021



11.2 (2018/MINUTE NO 0015) LEGAL PROCEEDINGS BETWEEN COUNCIL AND OTHER PARTIES

Author(s) J Ngoroyemoto

Attachments 1. Annual Legal Proceedings Report 2017-2018
(CONFIDENTIAL)

RECOMMENDATION

That the Committee receives the report on legal proceedings commenced or responded to by the City during 2017- 2018 financial year.

COMMITTEE RECOMMENDATION

MOVED Cr C Reeve-Fowkes SECONDED Mayor L Howlett

That the recommendation be adopted.

CARRIED 4/0

Background

At its meeting held on 12 October 2006, Council adopted a new Position Statement PSES13 "Legal Proceedings between Council and Other Parties". At the May 2016 DAPPS Committee Meeting, Policy SES1 'Obtaining Legal or Other Expert Advice' and associated delegated authority was presented for clarification on the methodology by which legal or other expert advice is provided to Elected Members to enable them to perform their civic function. As a result the "Legal Advice Register" provided annually to the Audit and Strategic Finance Committee is now limited to the notification of those issues which are in relation to, or a result of a Council resolution, or where the amount related to administrative advice is of such an amount to warrant Council's attention only.

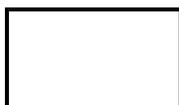
Submission

N/A

Report

Clause 2 of Position Statement PSES13, sub-clause (7) and (8) states:

(7) The Chief Executive Officer shall establish and maintain a procedure which enables those matters which are subject to the terms of this Position Statement to be centrally recorded and updated, as appropriate.



(8) A record of the procedure mentioned in (7) above shall be presented to the Audit and Strategic Finance Committee at least annually, or as often as considered appropriate by the Chief Executive Officer or as requested by any member of the Audit and Strategic Finance Committee.

The Audit Calendar – Part 6 in the month of November states:

(6) Monitor the progress of any major law suits facing the Council. (Internal Audit).

A Summary of the Legal Proceedings commenced or responded to by the City during the 2017- 2018 financial year, as a result of a Council resolution, or of significant amount that warrants Council’s attention has been circulated under separate confidential cover.

Strategic Plans/Policy Implications

Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes

Budget/Financial Implications

The table below highlights the legal fees expensed during 2017-2018 with commensurate, where relevant, fines and penalties arising from the incurring of the legal expenditure. The City, further incurs expenses for rates recovery, but in 95.8% of the cases, the amounts expended are recovered. The break-up of where the funds are spent is detailed in the table below as well.

LEGAL SERVICES 2017- 2018		
Legal Firms	Actual	Budget
General - McLeods	\$206,830	
General - Kott Gunning	\$14,142	
CCW - Jackson McDonald	\$93,629	
Miscellaneous	\$16,564	
Total General	\$331,165	\$398,425
Rates Recovery		
Debt Collection	\$223,963	\$140,000
Recoveries	(\$214,555)	(\$140,000)



Net	\$9,408	Nil
Fines and Penalties Income	(\$113,145)	(\$113,145)
Net Legal Fees (after fines and penalties)	\$227,428	\$285,280

The above excludes parking, litter and firebreak infringements.

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

There are no risks associated with this recommendation, However failure to present this report to the Council annually presents a compliance risk in accordance with Position Statement PSES13 'Legal Proceedings Between Council and Other Parties', and Policy SES1 'Obtaining Legal or Other Expert Advice' & Associated delegated authority.

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil



12. PLANNING & DEVELOPMENT DIVISION ISSUES

Nil



13. FINANCE & CORPORATE SERVICES DIVISION ISSUES

13.1 (2018/MINUTE NO 0016) PERFORMANCE REVIEW OF MONETARY & NON-MONETARY INVESTMENTS FOR THE FINANCIAL YEAR 2017-2018

Author(s) S Downing

Attachments N/A

<p>RECOMMENDATION</p> <p>That the Committee receives the information.</p>
<p>COMMITTEE RECOMMENDATION</p> <p>MOVED Cr C Reeve-Fowkes SECONDED Mayor L Howlett</p> <p>That the recommendation be adopted.</p> <p style="text-align: right;"><u>CARRIED 4/0</u></p>

Background

Council Policy SFCS1 'Investments' Clause 5.2 requires:

An annual report on the performance of the investment portfolio will be submitted to Council outlining the performance of the portfolio for the financial year."

Submission

N/A

Report

As per the Investments Policy SFCS1, the following report is divided into two parts. The first part is a report on cash investments held by the City and the second part is for non-cash investments.

Cash Investments

The City earned the following interest income during 2017-2018:

- Municipal/Reserve funds (MFR) \$4.393m
- Rates – Administration Interest \$0.422m
- Rates – Penalty Interest \$0.213m
- Deferred Pension rates \$0.020m
- ESL Interest \$0.018m



- Total Interest income \$5.066m

Interest income from the surplus cash in the municipal fund and reserves (MFR) totalled \$4.393m. The interest rates earned by the MFR over the twelve months varied from 2.73% in July 2017 to 2.68% in June 2018.

The interest income earned from the other four sources, Rates – Penalty Interest, Rates – Administration Interest, Deferred Pension Rates and ESL Interest, was not earned on the management of surplus cash but on outstanding debts due to the Council. The Local Government Act provides the heads of power for a council to impose interest on outstanding rates. Rates – Administration Interest and ESL Interest are charged at 3.5%, whilst Rates – Penalty Interest is charged at 7%. The Local Government Act has a maximum interest rate of 11%.

The Council has always elected to impose a lower interest rate. The rate for Deferred Pension Rates was 2.72% as at 30 June 2018. All surplus funds are invested in accordance with the Local Government Act, associated regulations and Council's Investment Policy. All cash investments/term deposits were and are compliant with Council's Investment Policy.

The funds are invested in term deposits with APRA regulated financial institutions apart from two investments. The amendment to the regulations requiring Council's only invest in term deposits with a maturity less than twelve months was gazetted with an over-rider allowing existing investments with a maturity greater than twelve months and in non-term deposits to go to maturity ("Grandfathering").

The first "grandfathered" investment was for \$2m in a CBA zero coupon senior bond paying 7.18%. The maturity date for the return of the \$4m is January 2018. This investment was returned to Council in January 2018.

The last remaining "grandfathered" investment is the reverse mortgage backed security, Emerald. The original investment was \$3m in three \$1m tranches. The City is currently receiving interest at the rates of 2.38%, 2.68% and 3.01% on the respective tranches. Additional 'step-up' interest is also accruing on these three tranches at 0.9%, 1.5% and 1.9% respectively, which will be paid to the City upon maturity. The current balance of 'step-up' interest owing to the City is \$309,680. The City received capital repayments of \$60k in the past year, reducing the outstanding balance due for the investment to \$2.59m.

Non-Cash Investments



The City has substantial freehold land on its balance sheet. As at the 30 June 2018 that total was \$84.11m (LY \$83.4m). The makeup of the land comprises sumps, reserves, land available for sale, freehold parks and land on which council buildings and facilities occupy. The Council's Land Management Strategy 2017 had identified a range of land assets that are surplus to requirement or land that could be made saleable with investment from Council. The concept is to monetise freehold land (where possible) so as to re-invest in income producing property to receive a stream of rental income. The Land Management Strategy provides for a reconciliation of the freehold land and that which is surplus to requirements.

Rental Income

The rental income earned for 2017-2018 on commercial properties and lands including GP Super Clinic totals \$3.27m excluding GST and Variable outgoings.

The net rental revenue from the Cockburn Health and Community Facility is quarantined within a financial reserve for the purpose of future maintenance requirements for the facility. This is to ensure that there is no future demand for the Municipal Fund to meet capital or operating maintenance costs. The City also quarantines funds received from the Naval Base Shacks to meet the future capital maintenance needs of this unique asset.

Land Sales

Land development sales for 2017/18 were \$2.15m being the sale of lot 241 Imlah Court, Jandakot for \$0.9m (ex-GST) and Lot 33 Davilak Ave Hamilton Hill for \$1.25m (ex GST). The former has now settled with the latter due for settlement before Christmas 2018.

Funds received from the sale of surplus land are placed into the Council's Land Development and Investment Fund Reserve.

Strategic Plans/Policy Implications

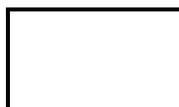
Economic, Social & Environmental Responsibility

Create opportunities for community, business and industry to establish and thrive.

Leading & Listening

Ensure sound long term financial management and deliver value for money.

Budget/Financial Implications



N/A

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

This is an information only report on the investments undertaken by the City on behalf of the Council.

Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil



13.2 2018 ANNUAL FINANCIAL REPORT & EXTERNAL AUDIT REPORT

Author(s)	N Mauricio
Attachments	<ol style="list-style-type: none"> 1. Annual Financial Report 2017-18 ↓ 2. Audit Plan 2018 - Audit Committee ↓ 3. 2018 Fraud & Error Assessment Form ↓

RECOMMENDATION

That the Committee:

- (1) adopt the annual financial report for the year ended 30 June 2018, as attached to the Agenda;
- (2) receive the External Audit Plan for the year ending 30 June 2018; as attached to the Agenda;
- (3) receive the completed Fraud and Error Assessment form for the year ended 30 June 2018, as attached to the Agenda.

COMMITTEE RECOMMENDATION

MOVED Cr C Reeve-Fowkes SECONDED Mayor L Howlett

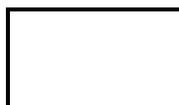
That the Committee:

- (1) adopt the amended financial report for the year ended 30 June 2018 as attached to the Agenda noting the Notes to the Financial Statements have received minor amendments:
 - a. Note 9A – Property Plant and Equipment
 - b. Note 17 – Investment in Joint Venture – SMRC
 - c. Note 21 – Financial Ratios
 - d. Note 29 Financial Risk Management
 - e. Note 32 Events after the reporting date
- (2) receive the External Audit Plan for the year ending 30 June 2018, as attached to the Agenda;
- (3) receive the completed Fraud and Error Assessment form for the year ended 30 June 2018, as attached to the Agenda.

CARRIED 4/0

Reason for Decision

Due to last minute changes proposed by the Auditor General of WA the following minor changes were made to the notes to the financial statements only:



Note 9A – Property Plant and Equipment

- For the sub-section Plant and Machinery, the OAG required gross figures not net figures. This then entailed inserting a line for Disposal after Valuation. The total for the sub-section remains the same.

Note 17 – Investment in Joint Venture – SMRC

- The SMRC supplied amended audited figures for 2017/18 and 2016/17. The Note had to be amended to reflect these new figures.
- The City's share of the joint venture's asset did not change and because of the City withdrawing from the SMRC, the amount written down remains the same.
- A note has been added to the last paragraph to reflect that the population at withdraw date (30/6/17) is the figure used to calculate future loan repayments as provided for the City of Canning's withdraw.

Note 21 – Financial Ratios

- A number of the financial ratios have received minor changes:
- Asset Sustainability Ratio was 0.705 now improved to 0.737
- The other ratios remain unchanged

Note 29 Financial Risk Management

- The OAG required the City to break out asset for sale (financial) \$123k out of \$148m worth of financial assets.
- More detail has also been provided.

Note 32 Events after the reporting date

- Whilst there are no events after the reporting which have affected the Annual financial statements, we have included a comment about the City's full withdraw from the SMRC, which is yet to be finalised.

Background

Section 5.54 of the Local Government Act 1995 requires Council to accept the annual report for a financial year no later than 31 December after that financial year. Section 5.53 requires that the annual report contain the financial report for that financial year.

As set out in its terms of reference, the Audit and Strategic Finance Committee (ASFC) is required to review the City's annual financial report and recommend its adoption to Council. The listed duties and responsibilities of the ASFC include reviewing Council's annual financial report, focusing on:



- accounting policies and practices;
- changes to accounting policies and practices;
- the process used in making significant accounting estimates;
- any significant adjustments to the financial report arising from the audit process;
- compliance with accounting standards and other reporting requirements; and
- significant variances from prior years.

Amendments to the Local Government Act 1995 in August 2017 paved the way for the transition of responsibility for oversight of local government audits to the Office of the Auditor General (OAG). Given the absence of an existing audit contract for the year, the City became one of the first few local governments transitioned to oversight by the OAG. However, the OAG chose to contract out the conduct of the audit to the City's previous auditor, Macri Partners.

Regulation 9 (2) of The Local Government (Audit) Regulations 1996 states that the principal objective of the external audit is for the auditor to carry out such work as is necessary to form an opinion as to whether: the accounts are properly kept; and that the annual financial report:

- is prepared in accordance with financial records; and
- represents fairly the results of the operations of the local government at 30 June in accordance with Australian Accounting Standards and the Local Government Act 1995.

The terms of reference also require the AFSC to discuss any issues arising from the audit of the annual financial report with the auditor and Section 7.12A (2) the Local Government Act 1995 requires local governments to meet with the auditor at least once in every year. The auditor will attend this meeting to present their audit report and discuss any issues raised.

The attached External Audit Plan for 2018 outlines the purpose and scope of the external audit and explains the audit methodology and approach taken in completing the 2017-18 audit. This was prepared by Macri Partners and approved by the OAG.

Submission

N/A



Report

2018 Annual Financial Report

The annual financial report being presented to the AFSC contains a detailed set of financial statements including all accounting and supporting notes. Unlike last year, there isn't a separate set of summary financial statements being presented. This is due to the OAG not wishing to issue an additional audit report for a summary set of financials. The summary set of financials has previously been prepared specifically for inclusion in the City's Annual Report, given the City's belief that the full set is too lengthy and mostly irrelevant to the report's wider audience. For 2017-18, the City's Annual Report will need to contain a detailed full set of financial statements.

Statement of Comprehensive Income

1. Operating Result (before Non-Operating Activities)

The City's operating result for 2018 came in at \$6.5m, up \$2.1m on the previous year. Operating expenditure increased by 4.8% versus an increase of 6.1% in operating revenue. This is a strong financial result, as it demonstrates the City generates more than enough revenue to cover its costs, inclusive of depreciation on assets.

Overall, operating revenues of \$148.1m were up \$8.6m from last year. The main contributors were revenue from rates up \$3.2m (3.4%) and fees and charges up \$6.3m (28.4%). Fee income was up mainly due to the impact of the Cockburn ARC, which added an extra \$7.7m to recreation income. Revenue from planning and building approvals was down a combined \$0.5m year on year due to lower development and building activity. Operating grants were down year on year by \$0.9m. However, this was due to the accounting treatment effect of the decision of the federal government to pay half of the 2017-18 allocation of Financial Assistance Grants in 2016-17 but only a quarter of the 2018-19 allocation in the 2017-18 year.

Operating expenses for the year were up by \$6.5m (4.8%) to \$141.6m. Employee costs, the City's biggest operational expense item, were up \$2.4m (4.7%) to \$54.5m with the first full year of operating the Cockburn ARC impacting the increase by \$2.0m. There were also some reductions in the Roads and Civic Support teams salary costs due to restructures.

Spending on materials and contracts was up 2.8% to \$38.7m (+\$1.0m) with the biggest impact coming from the Cockburn ARC (+\$1.6m) and to a lesser extent, Information Technology (+\$0.4m). Reductions in waste collection (\$0.8m)



and the absence of the triennial GRV revaluation from last year (\$0.5m) limited the overall increase in spending.

Insurance expenses came in at \$1.1m (45.9%) under last year's at \$1.3m. This included prior year performance related rebates of \$0.6m (including \$0.03m from the Insurance Commission) and a restructure of the workers compensation risk premium model reducing premiums by a further \$0.5m.

Interest expenses reduced from \$0.96m to \$0.73m as principal continues to be repaid against borrowings for the Cockburn ARC facility.

Depreciation expense (non-cash) increased by 10.1% to \$30.2m (+\$2.8m). This reflected increased depreciation on IT related assets of \$0.7m from new website and growing CCTV network, extra building depreciation of \$0.6m from additional building assets commissioned, an extra \$0.3m in plant depreciation due to a growing plant pool and \$0.6m higher roads infrastructure depreciation.

2. Net Result

Including non-operating activities, the City's net result (before asset revaluations) was down \$39.2m (54.5%) on the previous year to \$32.7m, despite the operating result contributing an extra \$2.1m. The major reason for this fall in result was a reduction in gifted assets of \$50.5m due to the once-off take up of marina assets totalling \$54.3m in 2016-17. This was slightly offset by a \$3.5m increase to \$11.9m in developer gifted subdivision infrastructure assets for 2017-18. There was also a reduction in the City's book equity in the SMRC of \$5.7m, primarily due to the City's withdrawal from the RRRC.

Profit from the sale of assets was down \$5.1m, primarily due to lower realised land sales in 2017-18, whilst capital grants and contributions of \$11.4M were little changed on last year.

On the plus side, developer contribution scheme revenue of \$8.7m was up \$3.1m. Also, the absence of the previous year's impairment of the SLLC contributed \$3.2m to this year's result, as did the absence of last year's gifted asset to the Fremantle Football Club of \$13.3m.

Statement of Financial Position

The City's net assets and total equity increased year on year by \$52.5m from \$1,162.8m to \$1,215m. This reflected an increase in total assets of \$51.9m, comprising current assets (+\$20.2m) and non-current assets (+\$31.7m). There was also a small decrease in total liabilities of \$0.6m,



comprising current liabilities (+\$1.3m) and non-current liabilities (-\$1.9m).

1. Assets

The year on year increase in current assets of \$20.2m to \$147.2m included \$24.8m more in cash and cash equivalents, reflecting the greater amount held in financial reserves. The current financial asset amount of \$3.8m was extinguished, as the CBA Zero Coupon bond for \$4.0m was fully repaid during the year.

The increase in non-current assets of \$31.7m to \$1,124m comprised a net increase of \$7.8m in the value of property, plant & equipment (PPE) and an increase of \$29.8m in infrastructure assets. These were partially offset by the \$5.7m fall in joint venture interests due to the RRRC withdrawal.

Infrastructure assets included gifted subdivision assets of \$11.9m, annual revaluation increments totalling \$19.8m and a capitalised spend of \$18.8m. This was reduced by depreciation of \$20.7m booked for the year.

PPE assets included \$19.5m of capitalised spend (\$13.1m for buildings), less \$1.3m in disposals (mainly plant items) and \$10.5m of booked depreciation for the year.

2. Liabilities

Current liabilities increased year on year by \$1.3m to \$19.7m, with trade & other payables increasing by \$1.1m. Current leave provisions had a modest increase of \$0.1m to \$6.7m, demonstrating sufficient control over outstanding leave.

Non-current liabilities reduced by \$1.9m from last year, with loan borrowings paid down by \$2.5m to \$17.5m and non-current provisions increasing by \$0.6m to \$19.5m, due to the landfill site rehabilitation provision increasing by \$0.5m to \$17.5m.

Changes in Equity

Cash backed reserves held by the City increased by a net \$13.5 to \$119.0m during the reporting year. A total of \$37.8m was transferred into reserves during the year with \$2.2m of this coming from investment earnings. Drawdowns from reserves were \$24.3m, with another \$12.1m carried forward into 2018-19 for unfinished works.

The Asset Revaluation Surplus increased by \$19.8m to \$523.3m as a result of the annual management valuation of roads, drainage and footpath assets, with roads increasing by \$14.9m, drainage by \$4.3m



and footpaths by \$0.6m. Parks infrastructure was not revalued in 2017-18.

The City's accumulated surplus increased by \$19.2m to \$572.9m. This represented the \$32.7m net surplus result, less the \$13.5m net transfer of funds into financial reserves.

Statement of Cash Flows

The City's net incoming cash flows from operating activities increased by \$13.7m to \$40.7m for the reporting year. This indicates strong operating cash flows allowing the City to continue funding new assets and asset renewals and upgrades as planned.

Cash outlaid on capital spending was down \$30.5m on last year, due to the completion of the Cockburn ARC project and several significant projects being carried forward into 2017-18.

Cash flows from grants and contributions received for the development of assets increased from \$16.7m to \$24.1m, with an extra \$3.1m cash received from developer contribution schemes and \$4.2m from capital grants. Cash received from the sale of assets was well down from \$12.5m to \$1.6m, as no land sales were transacted during 2017-18.

The City repaid \$2.5m of outstanding borrowings for the Cockburn ARC. This was down on the \$3.2m paid the previous year that included the early repayment of the emergency services building self-funding loan at the request of DFES.

Cash and cash equivalents increased during the reporting year by \$24.8m to \$138.7m, representing the extra funds being held for financial reserves and for unfinished works carried forward.

Rate Setting Statement

This statement shows the most complete view of the City's financial performance for 2018 and determines the municipal budget surplus.

The City's closing funds at 30 June 2018 were \$11.9m, up \$5.3m against the previous year. \$9.5m of the closing funds is unspent monies required to complete carried forward works and projects. The remaining balance of \$2.4m represents uncommitted funds carried forward into the next year. In setting the 2018-19 budget, an estimated \$2.0m in uncommitted funds was allowed for.

The total amount raised from general rates was up \$3.3m (3.4%) from last year to \$99.6m and includes development growth in the City's rating base as well as the adopted increase of 1.75%. This result came in \$0.38m under the adopted budget target.



The rate setting statement also includes the spending on capital works and projects, with a total spend of \$38.3m versus the adopted budget target of \$48.7m (excludes carried forwards). This was also lower against the \$68.8m spend in 2016-17, which included the final spending on the Cockburn ARC construction project.

Financial Ratios

The WA Local Government (Financial Management) Regulations 1996 prescribe seven financial ratios that are to be included in the annual financial report. These ratios are also used by the Department of Local Government & Communities (DLGC) as a measurement of a local government's overall financial health. They form the basis of calculations used for the Financial Health Indicator (FHI) displayed on the MyCouncil website.

RATIO	2018	2017	Benchmark	High
Current Ratio	1.479	1.432	1.00	1.50
Asset Sustainability Ratio	0.705	1.442	0.90	1.20
Debt Service Ratio	10.370	9.533	2.00	5.00
Operating Surplus Ratio	0.008	0.078	0.01	0.15
Own Source Revenue Ratio	0.957	0.971	0.40	0.90
Asset Consumption Ratio	0.691	0.689	0.50	0.75
Asset Renewal Funding Ratio	0.707	0.729	0.75	1.10
Financial Health Indicator	78	93		

Four of the ratios are well above the DLGC benchmark, with two exceeding the high ratio mark (those in bold). The Asset Renewal Funding Ratio (comparing LTTP planned renewal spend against requirements in AMP's) is only slightly below benchmark as is the Operating Surplus Ratio.

The results from these seven ratios combine to produce an FHI score for the City of 78 (compared to 93 last year). This result has dipped on last year because of two main issues. The withdrawal from the RRRC waste management project required a net equity write-off, adversely impacting the Operating Surplus Ratio. Excluding this item, an FHI score of 83 would be achieved. Also, the Asset Sustainability Ratio has fallen below the benchmark this year, as it lost the positive impact previously delivered by the Cockburn ARC 'renewal' capital spending. This ratio will fluctuate in line with the mix of new versus renewal capital projects delivered each year.



Despite these impacts, the City's result is still above the benchmark result of 70 that indicates sound financial health (as defined by the Department of Local Government, Sport & Cultural Industries).

Audit Report

The 2018 annual financial report was audited by Macri Partners under contract from the Office of Auditor General (OAG). The Local Government Act requires the City to meet with the auditor at least once in every year and representatives from the OAG and Macri Partners will be present at the meeting to discuss the audit report and any audit findings. The audit report will be signed off and issued following the meeting and is expected to be without qualification.

Fraud and Error Assessment

The primary responsibility to prevent and detect fraud rests with both the Audit & Strategic Finance Committee and management. Under the Australian Auditing Standards, auditors have specific responsibilities to communicate with the audit committee and it is mandatory for auditors to make enquiries of management and those charged with governance (audit committees) regarding fraud matters.

As part of the auditor's annual risk assessment procedures, they are required to obtain an understanding of management processes and the Audit Committee's oversight in addressing fraud risk. To that end, the fraud risk assessment questionnaire (as attached to the agenda) has been completed and signed off on behalf of management by the Director Finance & Corporate Services. The Presiding Member has also provided responses to a series of fraud related questions and signed this off on behalf of the audit committee.

Strategic Plans/Policy Implications

Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes

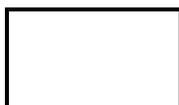
Ensure sound long term financial management and deliver value for money

Budget/Financial Implications

The cost of the external audit is sufficiently covered within the City's annual budget.

Legal Implications

Local Government Act 1995 Sections 5.53, 5.54, 6.4, and Part 7 - Audit



Local Government (Audit) Regulations 1996 Regulations 9, 9A and 10
Local Government (Financial Management) Regulations 1996 Part 4 -
Financial reports

Community Consultation

N/A

Risk Management Implications

It is a requirement under the Local Government Act for Council to accept the City's annual report (including the financial report and auditor's report) by no later than 31 December each year. Failure to do so will lead to statutory non-compliance.

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil



**City of Cockburn
Financial Report
For the year ended 30 June 2018**

**Local Government Act 1995
Local Government (Financial Management) Regulations 1996**

Statement by Chief Executive Officer

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

Signed on the 15th day of November 2018

S Cain
Chief Executive Officer

City of Cockburn Financial Report

Understanding the Financial Statements

Introduction

The Financial Statements show how the Council performed financially during the 2017/18 financial year and presents the financial position as at the 30th June 2018.

Council is required to prepare its financial statements in accordance with the Australian Accounting Standards, the Local Government Act 1995 and the associated Local Government Regulations. As Council is a “not-for-profit” organisation in the public sector, some of the generally recognised terms used in private sector reports are not ideally transferable to the Local Government environment.

Cockburn Council is mindful of its role of acting in the public interest and it is in this context that this guide is provided to assist readers in understanding and analysing the financial statements.

What is contained in the Financial Statements?

Council’s Financial Statements has two sections, namely:

- (1) The principal Financial Statements
- (2) The Notes to and Forming Part of the Financial Statements.

There are five (5) principal Financial Statements and thirty eight (38) Notes to the Accounts. These are prepared by Council staff, audited by an independent Auditor, presented to Council’s Audit Committee and then accepted by full Council as part of the Annual Report.

The five Principal Financial Statements comprise the following:

- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Comprehensive Income
- Cash Flow Statement
- Rate Setting Statement

The Notes to the Accounts include the accounting policies that were applied in preparing the financial statements, as well as more detailed information relating to specific items and values disclosed within the statements.

Statement of Financial Position

This statement is a snap shot of the financial position of the Council as at 30 June 2018. It shows what Council owns as assets and what it owes as liabilities. The bottom line of this statement is the net assets and is equivalent to the net worth of the Council that has built up since inception.

The assets and liabilities are separated into those that are Current and Non Current. Current means those assets and liabilities, which are likely to be consumed or extinguished within the next 12 months. Non Current refers to assets and liabilities with an economic life extending beyond 12 months.

Statement of Changes in Equity

From one year to the next, the value of and composition of equity (as reported within the Statement of Financial Position) changes. Equity can be defined as being the net worth of Council or its net assets (Assets less Liabilities).

Council’s equity is comprised of Cash Backed Reserves, Asset Revaluation Reserve (non cash) and the Accumulated Surplus. Net surpluses (or deficits) from Council’s operations (as disclosed in the Statement of Comprehensive Income), will change the overall total of equity (via the accumulated surplus). Asset revaluations also impact

City of Cockburn Financial Report

Council's net worth position. Transfers to and from cash backed reserves, whilst not impacting the overall total of equity, demonstrate the consumption of or accumulation of savings for future purposes.

Statement of Comprehensive Income

The Statement of Comprehensive Income shows:

- The sources of Council's Revenue under various Program Headings
- The expenses incurred in running the Council during the year under Program Headings

These expenses relate only to the operations and do not include the costs associated with the purchase or the building of assets. While asset purchase costs are not included in expenses, there is an item for depreciation. This is the annual allocation of the cost of assets by reference to the remaining useful life of assets.

The key figure is the change in net assets resulting from operations and this year, it indicates that revenues exceeded expenses.

Cash Flow Statement

The Cash Flow Statement summarises Council's cash payments and cash receipts for the year. This statement is presented according to a very specific accounting standard and needs some care and analysis. The values in the Cash Flow Statement differ from those shown in the Statement of Comprehensive Income, as it is prepared on a cash basis, whereas the Statement of Comprehensive Income is prepared on an accruals basis.

Cash in this statement refers to bank deposits and other forms of highly liquid investments that can be readily converted to cash.

Council's cash arises from and is used in three main areas:

- Operating activities
- Investing activities – this term relates to assets such as infrastructure, plant, land and other long-term revenue producing assets.
- Financing activities – this is used to record the receipt and repayment of external financing such as loans and leases.

The bottom line of the Cash Flow Statement shows the cash held at the end of the financial year.

Rate Setting Statement

The inclusion of a Rate Setting Statement in the annual statements is a requirement of the Local Government (Financial Management) Regulations 1996. The format for this statement is prescribed within the regulations and is the same as that included in the annual budget.

As the name suggests, the Rate Setting Statement sets out the total amount of general rates proposed in the budget and the amount actually raised during the reporting year. To arrive at these, the statement reconciles all sources and application of funds and the closing surplus or deficit (less any opening balances). This includes all operational revenue and expenses (as included in the Statement of Comprehensive Income) together with all capital acquisitions made, transfers to and from cash-backed reserves and transactions associated with borrowings.

The Rate Setting Statement provides a more complete picture of the council's financial activities during the reporting year compared to the Statement of Comprehensive Income (which reports only on the operational activities).

City of Cockburn Financial Report

Notes to the Accounts

The notes are a very important and informative section of the Report. They provide additional meaning to and information in support of the principal statements.

The Significant Accounting Policies at note 1 provide the reader with the policies and parameters used in preparing the Statements. In other words, these are the ground rules that form the basis for preparing the statements.

Apart from the Accounting Policies, the other notes provide the details behind many of the summarised figures contained within the statements. Where there is a direct correlation between amounts, the applicable note number is disclosed beside the relevant item in the statements.

The notes should be read in conjunction with the principal Financial Statements to get a clearer understanding of Council's financial position.

Auditor's Report & CEO's Statement

The independent Audit Report provides an external and independent opinion on the Financial Statements. It provides the reader with the scope of the audit work undertaken and expresses an audit opinion formed on this basis. The audit opinion relates to the fairness aspects and the statutory compliance of the Financial Statements.

The Statement by the Chief Executive Officer serves as a written undertaking by management to the correctness and fairness of the statements.

City of Cockburn
Financial Report

Statement of Comprehensive Income
by Nature or Type
for the Year Ended 30 June 2018

	Notes	Actual 2017/18	Budget 2017/18	Actual 2016/17
		\$	\$	\$
OPERATING REVENUE				
Rates	23a	99,600,112	99,981,449	96,337,163
Specified Area Rates	23b	408,143	330,000	312,936
Fees and Charges	26	28,700,746	26,710,305	22,353,295
Service Charges		-	-	440,700
Operating Grants and Subsidies	25	12,800,692	11,382,351	13,752,463
Contributions, Donations and Reimbursements		1,561,499	1,145,461	1,203,429
Interest Earnings	2	5,066,912	4,742,968	5,157,532
Total Operating Revenue		148,138,103	144,292,534	139,557,517
OPERATING EXPENDITURE				
Employee Cost		(54,561,331)	(53,776,279)	(52,132,049)
Materials and Contracts		(38,763,925)	(38,835,827)	(37,709,273)
Utilities		(5,142,827)	(5,227,818)	(4,748,358)
Interest Expenses	2a	(726,777)	(816,699)	(966,490)
Insurances		(1,322,018)	(2,228,200)	(2,444,985)
Other Expenses	2a	(8,996,907)	(9,006,798)	(7,810,268)
Depreciation on Non Current Assets	2a	(30,241,974)	(28,299,179)	(27,465,498)
Provision for Site Rehabilitation	13	(505,193)	-	(490,620)
Amortisation on Landfill Infrastructure	2	(1,390,921)	(1,120,764)	(1,391,018)
Total Operating Expenditure		(141,651,872)	(139,311,564)	(135,158,559)
Increase/(Decrease)		6,486,231	4,980,970	4,398,958
NON-OPERATING ACTIVITIES				
Non-Operating Grants, Subsidies and Contributions	25	11,455,693	11,336,931	11,063,443
Developers Contributions Plans: Cash		8,734,325	6,017,736	5,631,840
Gifted Subdivision Assets	9b, 10b	12,168,364	-	62,676,020
Increase/(Decrease) in Equity - Joint Venture	17	(5,669,422)	-	499,833
Other		(74)	-	(2,718)
Assets Gifted to Other Parties	4b	(741,058)	-	(14,566,385)
Impairment Charge - Buildings	9b	-	-	(3,200,000)
Profit on Sale of Assets	20b	474,814	1,763,103	5,684,213
Loss on Sale of Assets	20b	(190,288)	(201,388)	(271,825)
Total Non-Operating Activities		26,232,353	18,916,382	67,514,422
NET RESULT		32,718,585	23,897,352	71,913,380
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	15	19,821,682	-	(71,904,359)
Total Other Comprehensive Income		19,821,682	-	(71,904,359)
TOTAL COMPREHENSIVE INCOME		52,540,267	23,897,352	9,021

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

City of Cockburn
Financial Report

Statement of Comprehensive Income			
<i>by program</i>			
For the year ended 30 June 2018	Actual 2017/18	Budget 2017/18	Actual 2016/17
Notes	\$	\$	\$
REVENUES			
Revenue From Ordinary Activities			
General Purpose Funding	109,115,819	109,231,923	108,691,413
Governance	261,058	120,640	165,070
Law Order & Public Safety	923,561	672,922	999,756
Health	344,738	325,500	336,647
Education & Welfare	9,771,219	8,584,833	8,886,134
Community Amenities	9,862,148	10,902,671	9,937,578
Recreation & Culture	12,568,328	8,696,360	4,300,089
Transport	408,296	245,000	219,702
Economic Services	1,825,077	2,160,650	2,045,897
Other Property & Services	3,057,859	3,352,035	3,975,230
TOTAL OPERATING REVENUES	148,138,103	144,292,534	139,557,517
EXPENSES			
General Purpose Funding	(1,524,697)	(1,465,566)	(1,854,910)
Governance	(10,379,245)	(10,913,154)	(9,950,052)
Law Order & Public Safety	(6,776,487)	(6,681,452)	(6,335,833)
Health	(2,293,065)	(2,413,705)	(2,340,611)
Education & Welfare	(15,647,106)	(15,567,653)	(15,231,102)
Community Amenities	(33,718,646)	(32,461,019)	(33,210,050)
Recreation & Culture	(38,635,086)	(36,070,096)	(33,531,641)
Transport	(26,895,201)	(27,373,551)	(26,399,596)
Economic Services	(2,732,097)	(2,881,815)	(2,618,309)
Other Property & Services	(3,050,242)	(3,483,553)	(3,686,454)
Total Operating Expenditure	(141,651,872)	(139,311,564)	(135,158,559)
Increase/(Decrease)	6,486,231	4,980,970	4,398,958
NON-OPERATING GRANTS/CONTRIBUTIONS TOWARDS ASSETS: CASH			
General Purpose Funding	3,300,000	3,385,557	4,136,093
Governance	490,681	-	2,082,135
Law Order & Public Safety	-	-	706,195
Education & Welfare	-	-	200,000
Community Amenities	929,634	300,000	(5,433,663)
Recreation & Culture	8,596,708	10,728,720	930,356
Transport	4,271,772	5,345,374	10,272,804
Other Property & Services	2,601,223	(2,404,984)	3,801,362
	20,190,018	17,354,667	16,695,283
Gifted Subdivision Assets	9b, 10b 12,168,364	-	62,676,020
Assets Gifted to Other Parties	4b (741,058)	-	(14,566,385)
Increase/(Decrease) in Equity - Joint Venture	17 (5,669,422)	-	499,833
Other	(74)	-	(2,718)
Impairment Charge - Buildings	9b -	-	(3,200,000)
PROFIT/(LOSS) ON DISPOSAL OF ASSETS			
Law Order & Public Safety	20b -	-	30,625
Education & Welfare	20b -	13,000	31,800
Recreation & Culture	20b (190,288)	-	(271,825)
Transport	20b 324,100	(123,892)	309,263
Other Property & Services	20b 150,715	1,672,607	5,312,525
	6,042,335	1,561,715	5,412,388
NET RESULT	32,718,585	23,897,352	71,913,380
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes on revaluation of non-current assets	15 19,821,682	-	(71,904,359)
Total Other Comprehensive Income	19,821,682	-	(71,904,359)
TOTAL COMPREHENSIVE INCOME	52,540,267	23,897,352	9,021

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

City of Cockburn
Financial Report

As at 30 June 2018		Actual 2017/18	Actual 2016/17
	Notes	\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents	3	138,691,393	113,819,242
Financial Assets	4	-	3,841,492
Trade & Other Receivables	6	8,240,088	8,471,749
Other Assets	7	282,233	911,565
Inventories	8	35,600	21,782
Total Current Assets		147,249,315	127,065,830
NON CURRENT ASSETS			
Financial Assets	4	1,145,550	1,202,453
Interests in Joint Ventures	5	923,569	6,592,991
Trade & Other Receivables	6	958,125	858,657
Property, Plant and Equipment	9	336,010,448	328,223,270
Infrastructure	10	769,939,931	740,089,224
Rehabilitation Assets	11	15,905,773	16,211,653
Total Non Current Assets		1,124,883,395	1,093,178,248
TOTAL ASSETS		1,272,132,710	1,220,244,078
CURRENT LIABILITIES			
Trade & Other Payables	12a	10,516,264	9,381,006
Borrowings	12b	2,500,000	2,500,000
Provisions	13	6,730,946	6,596,413
Total Current Liabilities		19,747,210	18,477,419
NON CURRENT LIABILITIES			
Borrowings	12b	17,500,000	20,000,000
Provisions	13	19,536,167	18,957,592
Total Non Current Liabilities		37,036,167	38,957,592
TOTAL LIABILITIES		56,783,377	57,435,012
NET ASSETS		1,215,349,333	1,162,809,067
EQUITY			
Accumulated Surplus		572,943,223	553,757,996
Reserves - Cash/Investment Backed	14	119,056,427	105,523,070
Revaluation Surplus	15	523,349,683	503,528,001
TOTAL EQUITY		1,215,349,333	1,162,809,067

The Statement of Financial Position should be read in conjunction with the accompanying notes.

City of Cockburn
Financial Report

Statement of Changes in Equity				
	Accumulated Surplus	Reserves (Note 14)	Revaluation Surplus (Note 15)	Total Equity
For the year ended 30 June 2018	\$	\$	\$	\$
Balance as at 1 July 2016	460,767,729	126,599,957	575,432,360	1,162,800,045
Net Result	71,913,380	-	-	71,913,380
Other Comprehensive Income	-	-	(71,904,359)	(71,904,359)
Total Comprehensive Income	71,913,380	-	(71,904,359)	9,021
Transfer (from)/to Reserves	21,076,887	(21,076,887)	-	-
Balance as at 30 June 2017	553,757,996	105,523,070	503,528,001	1,162,809,067
Net Result	32,718,585	-	-	32,718,585
Other Comprehensive Income	-	-	19,821,682	19,821,682
Total Comprehensive Income	32,718,585	-	19,821,682	52,540,267
Transfer (from)/to Reserves	(13,533,357)	13,533,357	-	-
Balance as at 30 June 2018	572,943,223	119,056,427	523,349,683	1,215,349,333

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**City of Cockburn
Financial Report**

Statement of Cash Flows				
For the year ended 30 June 2018				
		Actual 2017/18	Budget 2017/18	Actual 2016/17
	Notes	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee Cost		(54,353,417)	(53,784,023)	(50,886,542)
Materials and Contracts		(38,615,499)	(50,061,647)	(51,794,610)
Utilities		(5,142,827)	(5,227,818)	(4,748,358)
Interest Paid		(726,777)	(816,699)	(966,490)
Insurances		(1,322,018)	(2,228,200)	(2,444,985)
Other Expenses		(8,996,907)	(9,006,798)	(7,810,268)
GST on Payments		(6,989,766)	-	(13,367,790)
		(116,147,211)	(121,125,184)	(132,019,043)
Receipts				
Rates & Specified Area Rates		99,948,077	100,311,449	96,076,683
Fees and Charges		28,876,540	29,544,244	27,947,790
Service Charges		-	-	440,700
Contributions, Donations and Reimbursements		1,561,499	1,145,461	1,203,429
Interest Received		4,796,061	4,742,968	4,882,964
Grants & Subsidies - Operating		12,800,692	11,882,351	13,752,463
Other Revenue/Income		422,812	-	597,526
GST on Receipts		967,807	-	3,648,584
GST Refunded by ATO		7,488,923	7,849,195	10,426,932
		156,862,410	155,475,668	158,977,070
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	16a	40,715,198	34,350,483	26,958,027
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale on Non Current Assets	20b	1,651,090	3,578,000	12,503,975
Purchase Furniture and Equipment		(414,049)	(509,000)	(1,758,457)
Purchase Computer Equipment		(1,340,778)	(2,197,915)	(943,781)
Purchase & Construction of Infrastructure Assets		(18,839,953)	(24,232,228)	(23,927,732)
Purchase Plant and Machinery		(3,967,809)	(3,992,000)	(7,925,137)
Purchase & Development of Land		(674,483)	(110,000)	(836,966)
Purchase & Construction of Buildings		(13,104,344)	(17,664,000)	(33,399,309)
Gifted Subdivision Assets		-	-	-
Capital Grants, Subsidies & Contributions		11,455,693	17,354,667	11,110,713
Developer Contribution - Cash		8,734,325	-	5,631,840
Assets Gifted to Other Parties		(741,058)	-	(14,566,385)
Proceeds from Sale of Maturing Investments		3,898,320	-	-
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(13,343,047)	(27,772,476)	(54,111,239)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net receipts/(refund) of bonds		-	-	(5,761,532)
Loan Principal Repayment		(2,500,000)	(2,597,176)	(3,243,174)
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(2,500,000)	(2,597,176)	(9,004,706)
Net Increase/(Decrease) In Cash during year		24,872,152	3,980,831	(36,157,918)
Cash & Cash Equivalents at Beginning of Reporting Period		113,819,242	110,016,310	149,977,159
CASH & CASH EQUIVALENTS AT END OF REPORTING PERIOD	3,16b	138,691,393	113,997,141	113,819,242

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

**City of Cockburn
Financial Report**

Rate Setting Statement				
For the year ended 30 June 2018				
		Actual 2017/18	Budget 2017/18	Actual 2016/17
	Notes	\$	\$	\$
Operating Revenue				
Specified Area Rates	23b	408,143	330,000	312,936
Fees & Charges	28	28,700,746	26,710,305	22,353,295
Service Charges		-	-	440,700
Operating Grants & Subsidies	25	12,800,692	11,382,351	13,752,463
Contributions, Donations, Reimbursements		1,561,499	1,145,461	1,203,429
Interest Earnings	2a	5,066,912	4,742,968	5,157,532
Profit on Sale of Assets	20b	474,814	1,763,103	5,684,213
Total Operating Revenue		49,012,806	46,074,188	48,904,567
Operating Expenditure				
Employee Costs		(54,561,331)	(53,776,279)	(52,132,049)
Materials and Contracts		(38,763,925)	(38,835,827)	(37,709,273)
Utilities		(5,142,827)	(5,227,818)	(4,748,358)
Interest Expenses	22	(726,777)	(816,699)	(966,490)
Insurances		(1,322,018)	(2,228,200)	(2,444,985)
Other Expenses		(8,996,907)	(9,006,798)	(7,810,268)
Loss on Sale of Assets	20b	(190,288)	(201,388)	(271,825)
Depreciation on Non Current Assets	2a	(30,241,974)	(28,299,179)	(27,465,498)
Provision for Site Rehabilitation	13	(505,193)	-	(490,620)
Amortisation on Non Current Assets	10b, 11	(1,390,921)	(1,120,764)	(1,391,018)
Total Operating Expenditure		(141,842,160)	(139,512,952)	(135,430,383)
Change in Net Assets Resulting from Operations before Rates		(92,829,354)	(93,438,764)	(86,525,816)
Adjustments for Cash Budget Requirements:				
Profit on Sale of Assets	20b	(474,814)	(1,763,103)	(5,684,213)
Loss on Sale of Assets	20b	190,288	201,388	271,825
Depreciation on Non Current Assets	2a	30,241,974	28,299,179	27,465,498
Provision for Site Rehabilitation	13	505,193	-	490,620
Amortisation on Non Current Assets	10b, 11	1,390,921	1,120,764	1,391,018
Movement in Non-Current Employee Benefit Provisions	13	73,381	-	74,982
Movement in Deferred Pensioners Receivable	6	(99,468)	-	(119,806)
		31,827,475	27,858,228	23,889,923
Capital Expenditure and Revenue				
Purchase of Land	9b	(674,483)	(110,000)	(836,966)
Purchase of Buildings	9b	(13,104,344)	(17,664,000)	(33,399,309)
Purchase of Plant and Machinery	9b	(3,967,809)	(3,992,000)	(7,925,137)
Purchase of Furniture and Equipment	9b	(414,049)	(509,000)	(1,758,457)
Purchase of Computer Equipment	9b	(1,340,778)	(2,197,915)	(943,781)
Construction of Roads Infrastructure	10b	(10,208,029)	(11,769,788)	(14,500,745)
Construction of Drainage Infrastructure	10b	(794,477)	(1,000,000)	(536,058)
Construction of Footpath Infrastructure	10b	(876,253)	(1,180,440)	(925,121)
Construction of Parks Hard Infrastructure	10b	(6,752,793)	(8,592,000)	(7,709,222)
Construction of Parks Soft Infrastructure		-	(1,500,000)	-
Construction of Refuse Site Infrastructure	10b	(208,401)	(190,000)	(256,587)
Proceeds on Sale of Assets	20b	1,651,090	3,578,000	12,503,975
Contributions/Grants for the development of Assets	25	11,455,693	11,336,931	11,063,443
Net Movement in Gifted Assets	4b	(741,058)	-	(14,566,385)
Developer Contribution Plans - Cash		8,734,325	6,017,736	5,631,840
Repayment of Loans	22	(2,500,000)	(2,597,176)	(3,243,173)
Transfers from Reserves (Restricted Assets)	14	24,280,163	19,082,533	82,296,608
Transfers to Reserves (Restricted Assets)	14	(37,813,519)	(25,599,306)	(61,219,722)
		(33,274,723)	(36,886,425)	(36,324,796)
NET		(94,276,603)	(102,466,962)	(98,960,689)
Add: Opening Funds	38	6,643,985	2,500,000	9,267,511
Less: Closing Funds	38	11,967,494	14,487	6,643,985
Amount Required to be Raised from Rates		(99,600,112)	(99,981,449)	(96,337,163)

The Rate Setting Statement should be read in conjunction with the accompanying notes.

**City of Cockburn
Financial Report**

NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

a. Basis of Preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the Local Government Act 1995 and accompanying regulations.

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

The preparation of a financial report in conformity with the Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The advisors model valuations, which are based on future cash flows, are derived from a number of factors including information obtained from arrangers of individual securities and ratings agencies, reviews of the components of the relevant securities and also movements in applicable credit spreads.

City of Cockburn Financial Report

The local government reporting entity

All Funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

b. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

c. Cash and Cash Equivalents

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

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

d. Trade and Other Receivables

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

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.

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

City of Cockburn Financial Report

e. Inventories

General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

f. Fixed Assets

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

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the *Local Government (Financial Management) Regulations 1996* were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the City commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2017 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the City revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a), the City was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

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 in accordance with the other policies detailed in this Note.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for

City of Cockburn Financial Report

nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under Roads

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

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

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Regulation 16(a) (i) of the Local Government (Financial Management) Regulations prohibits local government from recognising such land as an asset of local government.

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

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

Depreciation of Non-Current Assets

The depreciation amount of all fixed assets including buildings but excluding freehold land, are depreciated on straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

City of Cockburn Financial Report

- 1) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- 2) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation is recognised over the asset's useful life, as follows:

Property, Plant and Equipment

Buildings (Components)	30-50 years
Furniture and Equipment	3-10 years
Computer Equipment	3-5 years
Plant & Machinery	3-10 years

Infrastructure Assets

Infrastructure – Footpaths	20-50 years
Infrastructure – Drainage	30-75 years
Infrastructure – Roads: Surface	15-25 years
Infrastructure – Roads: Base	50-80 years
Infrastructure – Roads: Sub-Base	80-100 years
Infrastructure – Roads: Kerbing	20-50 years
Infrastructure – Bridges	30-50 years
Infrastructure – Parks Equipment	10-30 years
Infrastructure – Marina	20-100 years
Infrastructure – Landfill	10-80 years
Bus Shelters	15-40 years

Capitalisation Threshold

Asset Class	\$
Land	-
Buildings	-
Furniture & Equipment / Computer Equipment	5,000
Plant & Machinery	5,000
Infrastructure Assets	5,000
Software	100,000

The assets residual values 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.

City of Cockburn Financial Report

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

g. Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

i) Financial assets at fair value through profit and loss

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

ii) Loans and receivables

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

City of Cockburn Financial Report

iii) Held-to-maturity investments

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

iv) Available-for-sale financial assets

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

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income

City of Cockburn Financial Report

statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised on equity instruments classified as available-for-sale are not reversed.

h. Fair Value of Assets and Liabilities

When performing a revaluation, the City uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

City of Cockburn Financial Report

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

Market approach

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

Income approach

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

Cost approach

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

City of Cockburn Financial Report

As detailed above, the mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations 1996* requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

i. Impairment of Assets

In accordance with Australian Accounting Standards the City's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

j. Trade and Other Payables

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

k. Employee Benefits

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

Short-term employee benefits

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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

City of Cockburn Financial Report

Other long-term employee benefits

The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position. Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

I. Borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on 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 reporting date.

Borrowing Costs

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 until such time as the asset is substantially ready for its intended use or sale.

m. Provisions

Provisions are recognised when: The Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is

City of Cockburn Financial Report

recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

n. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the City, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

o. Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(p) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement.

p. Investment in Associates

An associate is an entity over which the City has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the City's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

City of Cockburn Financial Report

Profits and losses resulting from transactions between the City and the associate are eliminated to the extent of the City's interest in the associate.

When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

q. Rates, Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

r. Superannuation

The Council is a member of the Western Australian Local Government Superannuation Plan (WALGSP). This is a Defined Contributions Plan and Council contributes at the rate of 10.5% for the Superannuation Guarantee Charge, plus additional matching contributions of up to 4% where agreed.

s. Rounding Off Figures

All figures shown in this annual financial report, other than a rate in the dollar, are displayed rounded to the nearest dollar but summed to two decimal places.

t. Comparative Figures

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

u. Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is

City of Cockburn Financial Report

classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on the City's intentions to release for sale.

v. Budget Information

Budget figures shown in the financial statements have been disclosed as per the legislative requirements. Where necessary, budget information has been recast to comply with current presentation requirements. Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

w. New Accounting Standards and Interpretations for Application in Future Periods

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.

Management's assessment of the new and amended pronouncements that are relevant to the City, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	Title	Issued / Compiled	Applicable⁽¹⁾	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it's not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this standard will depend on the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.

Notes: (1) Applicable to reporting periods commencing on or after the given date.

**City of Cockburn
Financial Report**

	Title	Issued / Compiled	Applicable⁽¹⁾	Impact
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.</p>
(iv)	AASB105B Income of Not-for Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> • Assets received below fair value; • Transfers received to acquire or construct non-financial assets; • Grants received; • Prepaid rates; • Leases entered into at below market rates; and • Volunteer services <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the City's operations.</p>

Notes: (1) Applicable to reporting periods commencing on or after the given date.

City of Cockburn Financial Report

x. Adoption of New and Revised Accounting Standards

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

- | | | |
|------|--|----------------|
| (i) | AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities. | 1 January 2017 |
| (ii) | AASB 2016-7 Amendments to Accounting Standards – Deferral of AASB 15 for Non-for-Profit Entities. | 1 January 2017 |

y. Intangible Assets

Easements

The Council has determined that under AASB 138 Intangible Assets, easements are valued on an historical cost basis, because it is unlikely that an active market in easements exists to allow for fair value measurement. Due to acquisition of easements at NIL values, no easements have been included in the financial report.

z. Provision for Restoration, Rehabilitation and Site Monitoring Costs

The City complies with the full provision method for accounting provisions in respect of restoration, rehabilitation and site monitoring costs. Charges are made to expenses based on the estimated costs of restoring, rehabilitating and monitoring the landfill site. The rate charge is reviewed annually and is based on an estimated cost per tonne. The cost per tonne is arrived at after taking into account a standard engineering cost per cubic metre of landfill, the density of the waste and the most recent aerial surveys. Engineering rates differ according to the nature of the obligation to provide the service.

aa. Future capping Expenditure

The liability for estimated future capping expenditure is provided for through a rehabilitation provision on a phase-by-phase basis and 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 also capitalised as part of the rehabilitation asset and is amortised on a straight-line basis. Changes

**City of Cockburn
Financial Report**

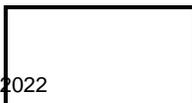
in estimates are recognised prospectively with corresponding adjustments to the provision and associated costs.

bb. Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and fair value less costs to sell. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intention to release for sale.



**City of Cockburn
Financial Report**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT			
2a. Revenue and Expenses			
	Actual 2017/18	Budget 2017/18	Actual 2016/17
The net result includes:	\$	\$	\$
(i) CHARGING AS AN EXPENSE			
<u>Auditors Remuneration</u>			
Audit of financial statements	30,000	30,000	29,000
Audit of project - acquittals	883	10,445	13,332
	30,883	40,445	42,332
<u>Depreciation</u>			
Buildings	5,987,676	5,350,032	5,360,475
Plant and Machinery	3,221,086	2,999,255	2,872,152
Furniture Equipment	361,032	203,364	142,509
Computer Equipment	982,607	250,320	211,278
Infrastructure - Roads	11,069,610	11,087,508	10,735,077
Infrastructure - Drainage	2,532,594	2,524,704	2,444,452
Infrastructure - Footpaths	1,369,401	1,208,220	1,169,810
Infrastructure - Parks Equipment	3,772,152	3,701,592	3,583,931
Infrastructure - Marina	945,815	974,184	945,815
	30,241,974	28,299,179	27,465,498
<u>Amortisation</u>			
Infrastructure - Landfill	1,390,921	1,120,764	1,391,018
<u>Interest Expenses</u>			
Debentures (refer Note 22)	726,777	816,699	966,490
<u>Rental Charges</u>			
Operating Leases	933,245	761,793	606,372
<u>Other Expenses</u>			
Members Travelling Expenses	8,106	10,000	11,853
RRRC Funding Payment	1,667,547	1,658,623	1,574,225
Aust Perform Rights Assoc Fees	6,701	3,188	4,027
Contribution - ESL	-	55,900	55,660
Contribution - SMRC	751,044	140,064	331,760
Customer Refunds	-	-	6,683
Study Fees Contributed	64,414	90,000	76,723
Donations	1,033,690	1,338,250	984,928
Landfill Levy	3,569,403	3,778,615	2,989,955
Mayoral Allowance	88,864	88,864	81,459
Reimbursement - Management Agreements	-	6,100	-
Licensing Expenses	103,011	191,119	100,261
Deputy Mayoral Allowance	22,251	22,216	22,216
Contribution to Operating Costs	14,000	14,000	14,000
Waste Levy Offset – Gateways Landfill Charges	83,356	120,000	95,264
Public Liability Excess	-	-	6,036
Insurance Excess	20,325	-	-
ESL Levy - Council Properties	123,042	80,291	116,125
Vehicle to ESL - Free of Charge	-	-	30,625
Fuel Issues	779,482	770,206	757,056
Educator Service Fee Recoup	367,275	52,000	327,056
Parent Service Fee recoup	292,980	585,262	222,305
Minor Other Expenses	1,415	2,100	2,051
	8,996,907	9,006,798	7,810,268
(ii) CREDITING AS REVENUE			
Grants/Contributions towards Assets	11,455,693	11,336,931	11,063,443
Increase/(Decrease) in Equity - SMRC Joint Venture	(5,669,422)	-	499,833
<u>Interest Earnings</u>			
Interest received on Reserve Funds	2,258,709	1,829,128	2,329,289
Interest received on Other Funds	2,808,203	2,913,840	2,828,243
	5,066,912	4,742,968	5,157,532

To make the City of Cockburn the most attractive place to live, work, visit and invest in, within the Perth metropolitan area.

The City of Cockburn has adopted the program/activity structure outlined in Schedule 1 of the Local Government (Financial Management) Regulations. The City has incorporated the allocation of internal service provision costs throughout the various programs/activities.

Council operations as disclosed in this budget encompass the following service orientated programs/activities:

The collection of general-purpose revenue including rates and penalties, general-purpose grants and interest on investments. This provides the funding for much of the City's programs/activities.

The administration and operation of facilities and services to the elected members of Council. Also includes other corporate type costs that are not related to the specific service areas covered under the other programs.

Provision of community safety services including supervision of various by-laws, animal and dog control, a security patrol service, fire prevention and voluntary emergency services.

The provision of environmental health services including food quality and pest control.

The provision of support services to families and children, the aged and disabled and senior citizens. The provision of pre- schools and services and facilities for the youth.

Refuse collection, recycling and disposal, the operation of the Henderson Landfill site, protection of the environment, administration of the town planning scheme and maintenance of bus shelters.

The provision and operation of community halls and recreation centres, parks and ovals, beach reserves and swimming areas and library facilities. The development and provision of arts and cultural events.

This program includes road, drainage and footpath construction and maintenance. The provision and maintenance of streetscapes is also included, as is the purchase of heavy plant and the operations of the council works depot

Activities associated with the control of building activity within the city and the provision of facilities and services that encourage tourism.

Includes private works and engineering overheads and plant operating costs (both of which are allocated to the City's works program).

City of Cockburn

Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT		
3. Cash & Cash Equivalents		
	Actual 2017/18	Actual 2016/17
	\$	\$
Cash at Bank	762,182	2,896,742
Cash on Hand	29,212	22,500
Term Deposits	139,747,691	112,476,840
	138,691,393	113,819,242
Restricted	118,034,611	100,602,935
Unrestricted	20,656,782	13,216,307
	138,691,393	113,819,242
Cash/Investment Backed Reserves		
Council Funded	90,881,570	82,590,191
Externally Funded	12,141,558	9,424,250
Development Contribution Plans	16,033,299	13,508,629
Sub-total (refer note 14)	119,056,427	105,523,070
Less:		
Funds held in current & non-current investments (refer note 4)	(1,021,816)	(4,920,136)
	118,034,611	100,602,935
TOTAL RESTRICTED CASH	118,034,611	100,602,935

City of Cockburn

Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT		
4a. Financial Assets		
	Actual	Actual
	2017/18	2016/17
CURRENT	\$	\$
Held to Maturity Investments maturing within 12 mths of reporting period (refer note 3)	-	3,841,492
NON CURRENT		
Held to Maturity Investments maturing later than 12 mths from reporting period (refer note 3).		
Mortgage-Backed securities	1,021,816	1,078,644
Available for Sale Financial Assets		
Investment in WALGA Local Government House Trust *	123,734	123,808
	<u>1,145,550</u>	<u>1,202,453</u>
All held to maturity Investments are restricted in nature (see note 3).		
*) This note discloses the equity the City has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House.		
The total contribution by all Councils towards the cost of the WALGA building was \$582,000. There are 620 units in the Local Government House Unit Trust, 8 of which are held by the City of Cockburn.		
4b. Assets Gifted to Other Parties		
Public Open Space on Lot 8010 Spearwood Ave Beelihar - gifted to the State	351,750	-
Road Reserve on Lot 42-44 Frankland Ave - gifted to the State	330,000	-
Road Reserve on 12 Packham North Ocean Crescent - gifted to the State	59,308	-
Operation Centre sewerage infrastructure on and around 54 Wellard St - gifted to Water Corporation	-	1,295,940
A portion of Cockburn ARC - gifted to Fremantle Football Club	-	13,270,445
	<u>741,058</u>	<u>14,566,385</u>
5. Interests in Joint Ventures		
NON CURRENT		
Joint Venture in SMRC	923,569	6,592,991
	<u>923,569</u>	<u>6,592,991</u>
Refer note 17 for further detail on SMRC Joint Venture		

City of Cockburn

Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT		
6. Trade & Other Receivables		
	Actual	Actual
	2017/18	2016/17
CURRENT	\$	\$
Rates Outstanding	2,082,764	2,122,054
Rubbish Charges Outstanding	88,904	92,994
Sundry Debtors	3,694,999	3,866,702
GST Receivable	525,731	813,159
Other Receivables	1,847,691	1,576,840
	8,240,088	8,471,749
NON CURRENT		
Rates Outstanding - Pensioners	958,125	858,657
	958,125	858,657
7. Other Assets		
	Actual	Actual
	2017/18	2016/17
CURRENT	\$	\$
Prepayments	282,233	911,565
	282,233	911,565
8. Inventories		
	Actual	Actual
	2017/18	2016/17
	\$	\$
Fuel Depot	35,600	21,782
	35,600	21,782

City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

9a. Property, Plant and Equipment

	Actual 2017/18	Actual 2016/17
	\$	\$
LAND		
At Independent Valuation 2017	82,632,800	82,632,800
Addition after Valuation	1,478,827	-
	<u>84,111,627</u>	<u>82,632,800</u>
BUILDINGS		
At Independent Valuation 2017	909,548,238	909,548,238
Addition after Valuation	9,885,124	-
LESS Disposal after Valuation	(12,190,288)	-
LESS Impairment	-	(8,200,000)
LESS Accumulated Depreciation	(77,223,093)	(89,035,377)
	<u>215,120,020</u>	<u>217,312,860</u>
FURNITURE AND EQUIPMENT		
At Management Valuation 2016	3,185,311	3,185,311
Addition after Valuation	638,150	-
LESS Accumulated Depreciation	(1,675,855)	(1,314,823)
	<u>2,147,607</u>	<u>1,870,488</u>
COMPUTER EQUIPMENT		
At Management Valuation 2016	1,930,150	1,930,150
Addition after Valuation	4,337,469	-
LESS Accumulated Depreciation	(1,713,998)	(731,391)
	<u>4,553,621</u>	<u>598,759</u>
PLANT AND MACHINERY		
At Management Valuation 2016	24,251,028	24,251,028
Addition after Valuation	3,967,809	-
Disposal after Valuation	(4,425,997)	-
LESS Accumulated Depreciation	(8,915,945)	(8,948,401)
	<u>14,877,074</u>	<u>15,302,627</u>
WORK IN PROGRESS		
At cost	15,604,079	10,505,535
	<u>15,604,079</u>	<u>10,505,535</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT		
Gross Book Value	429,539,019	425,433,062
LESS Impairment	-	(8,200,000)
LESS Accumulated Depreciation	(89,528,571)	(94,029,792)
NET BOOK VALUE	<u>336,010,448</u>	<u>328,223,270</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown at cost, given they were acquired at arm's length and any accumulated depreciation reflects the usage of service potential. It is considered the recorded written down value approximates fair value. At the end of each intervening 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 which requires property, plant and equipment to be shown at fair value.

9b. Movements in Carrying Amounts - Property, Plant & Equipment

The following table reconciles the carrying amount at the beginning and end of the current financial year for each class of non-current assets:

	2017/18										
Asset Classification	Carrying amount at beginning of the year	Work in Progress Opening	Capital Spend 2017-18	Gifted Development Assets	add: add: add / less) Revaluation increments/ (decrements)	less: Work in Progress Closing	Disposals & Write Offs	less: impairment (Losses)/ Reversals	less: Depreciation	less: Depreciation	Carrying amount at end of the year
Freehold Land	82,632,800	804,344	674,483	-	-	-	-	-	-	-	84,111,627
Buildings	217,312,860	6,473,284	13,104,344	-	(15,592,500)	(190,289)	-	(5,987,676)	(94,035)	(5,987,676)	215,120,020
Furniture & Equipment	1,870,689	19,421	414,049	204,680	-	-	-	-	-	(94,035)	2,147,607
Computer Equipment	598,759	8,206,486	1,840,776	-	(11,376)	-	-	(882,607)	-	(882,607)	4,553,621
Plant & Machinery	15,302,627	-	3,967,809	-	-	-	(1,176,275)	-	(8,221,086)	-	14,877,074
Work in Progress	10,505,535	(10,505,535)	-	-	-	15,604,078	-	-	-	-	15,604,079
	<u>328,223,270</u>	-	<u>19,501,463</u>	<u>204,680</u>	-	-	<u>(1,366,565)</u>	-	<u>(10,552,401)</u>	-	<u>336,010,448</u>
2016/17											
Asset Classification	Carrying amount at beginning of the year	Work in Progress Opening	Capital Spend 2016-17	Gifted Development Assets	add: add: add / less) Revaluation increments/ (decrements)	less: Work in Progress Closing	Disposals & Write Offs	less: impairment (Losses)/ Reversals	less: Depreciation	less: Depreciation	Carrying amount at end of the year
Freehold Land	82,632,800	1,420,690	836,995	-	(11,284,737)	(804,344)	(5,348,815)	-	-	-	82,632,800
Buildings	128,484,273	71,987,940	33,899,309	1,691,000	436,032	(6,473,284)	(173,823)	(8,200,000)	(94,035)	(5,348,815)	217,312,860
Furniture & Equipment	274,162	-	1,758,457	-	-	(18,421)	-	-	-	(142,509)	1,870,689
Computer Equipment	810,037	2,264,706	943,781	-	(3,206,486)	-	-	-	-	(211,278)	598,759
Plant & Machinery	11,523,089	-	7,825,137	-	-	-	(1,173,447)	-	(8,221,086)	-	15,302,627
Work in Progress	75,273,276	(75,273,276)	-	-	-	10,505,535	-	(8,200,000)	-	-	10,505,535
	<u>311,975,396</u>	-	<u>44,863,651</u>	<u>1,691,000</u>	<u>(10,828,715)</u>	-	<u>(7,091,347)</u>	<u>(8,200,000)</u>	<u>(8,596,814)</u>	-	<u>328,223,270</u>

	Actual 2016/17	
	\$	
At Management Valuation 2018	594,938,786	-
At Management Valuation 2017	-	577,410,638
LESS Accumulated Depreciation	(228,475,503)	(225,730,964)
At Management Valuation 2018	261,722,434	-
At Management Valuation 2017	-	253,243,593
LESS Accumulated Depreciation	(50,034,407)	(49,134,423)
At Management Valuation 2018	66,251,275	-
At Management Valuation 2017	-	65,378,280
LESS Accumulated Depreciation	(24,383,670)	(24,310,042)
At Management Valuation 2017	71,471,710	71,471,710
Addition after Valuation	12,877,929	-
LESS Accumulated Depreciation	(29,039,205)	(25,267,053)
At Independent Valuation 2017	36,108,000	36,108,000
Addition after Valuation	307,217	-
LESS Accumulated Amortisation	(15,423,602)	(14,338,561)
At Independent Valuation 2016	52,608,256	52,608,256
LESS Accumulated Depreciation	(1,891,629)	(945,815)
At cost	23,282,380	23,581,605
Gross Book Value	1,119,367,946	1,079,802,082
LESS Accumulated Depreciation	(349,428,016)	(339,712,858)

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at 20m's length and any accumulated depreciation reflects the stage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 which requires infrastructure to be shown at fair value.

The following table reconciles the carrying amount at the beginning and end of the current financial year for each class of non-current assets:

	2017/18									
	Carrying amount at beginning of the year	Work in Progress Opening	odf: Capital Spend 2017-18	odf: Gifted Development Assets	less: Work in Progress Closing	odf / (less) Revaluation increments/ (decrements)	less: Disposals & Write Offs	less: Impairment (Losses)/ Reversals	less: Depreciation/ Amortisation	less:
Roads Infrastructure	351,679,674	10,572,494	10,208,029	5,883,687	(15,940,104)	14,929,212	-	-	(11,069,810)	
Drainage Infrastructure	204,129,270	501,744	794,477	5,265,511	(796,159)	4,339,438	-	-	(2,532,594)	
Footpaths Infrastructure	41,062,238	505,159	876,253	814,486	(574,361)	553,032	-	-	(1,360,401)	
Parks Equipment	46,204,658	11,667,709	6,752,793	-	(5,342,374)	-	-	-	(3,772,152)	
Refuse Site Infrastructure	21,769,439	528,499	208,401	-	(629,723)	-	-	-	(3,085,041)	
Marina Infrastructure	51,662,441	-	-	-	-	-	-	-	(945,815)	
Work in Progress	23,581,605	(23,581,605)	-	-	23,282,381	-	-	-	-	

	2016/17									
	Carrying amount at beginning of the year	Work in Progress Opening	odf: Capital Spend 2017-18	odf: Gifted Development Assets	less: Work in Progress Closing	odf / (less) Revaluation increments/ (decrements)	less: Disposals & Write Offs	less: Impairment (Losses)/ Reversals	less: Depreciation/ Amortisation	less:
Roads Infrastructure	410,433,627	12,428,713	14,500,745	4,135,423	(10,572,494)	(68,511,262)	-	-	(10,735,077)	
Drainage Infrastructure	196,855,604	398,315	536,058	3,339,514	(507,744)	5,951,874	-	-	(2,444,452)	
Footpaths Infrastructure	40,824,214	393,030	925,121	-	(505,159)	594,842	-	-	(1,169,810)	
Parks Equipment	46,396,918	7,266,490	7,709,222	901,827	(11,467,709)	963,841	-	-	(3,583,931)	
Refuse Site Infrastructure	22,823,280	378,147	256,587	-	(528,499)	(74,919)	-	-	(1,085,138)	
Marina Infrastructure	-	-	-	52,608,256	-	-	-	-	(945,815)	
Work in Progress	20,884,694	(20,884,695)	-	-	23,581,605	-	-	-	-	



City of Cockburn

Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT		
11. Rehabilitation Assets		
	Actual	Actual
	2017/18	2016/17
NON CURRENT		
Post closure rehabilitation assets	16,517,533	16,517,533
Less: Accumulated amortisation	(611,760)	(305,880)
	<u>15,905,773</u>	<u>16,211,653</u>
Movements in carrying amounts of post closure rehabilitation assets during the financial year are shown as follows.		
	Actual	Actual
	2017/18	2016/17
	\$	
Opening balance at 1 July	16,211,653	16,517,533
Increase / (decrease) in provision resulting from the remeasurement of the estimated future cash flows	-	-
Amortisation	(305,880)	(305,880)
Closing Balance at 30 June	<u>15,905,773</u>	<u>16,211,653</u>
12a. Trade & Other Payables		
	Actual	Actual
	2017/18	2016/17
CURRENT	\$	\$
Creditors	5,525,506	7,360,147
Accrued Expenses	2,748,371	1,380,819
Income Received in Advance	1,020,338	597,526
GST Payable	1,222,049	42,514
	<u>10,516,264</u>	<u>9,381,006</u>
12b. Borrowings		
	Actual	Actual
	2017/18	2016/17
CURRENT	\$	\$
Fixed Loan – Secured by charge over General Funds (PPSA Security Interest)	<u>2,500,000</u>	<u>2,500,000</u>
NON CURRENT		
Fixed Loan – Secured by charge over General Funds (PPSA Security Interest)	<u>17,500,000</u>	<u>20,000,000</u>
Additional detail on borrowings is provided in Note 22.		

**City of Cockburn
Financial Report**

NOTES TO THE ACCOUNTS.

13. Provisions

	Actual 2017/18	Actual 2016/17
	\$	\$
CURRENT EMPLOYEE BENEFITS RELATED PROVISIONS		
Employees Annual Leave	2,967,798	2,984,332
Employees Long Service Leave	2,269,834	2,132,812
Employees On-Costs	1,493,314	1,479,270
	6,730,946	6,596,413
NON-CURRENT EMPLOYEE BENEFITS RELATED PROVISIONS		
Employees Long Service Leave	1,759,854	1,696,012
Employees On-Costs	262,967	253,427
	2,022,821	1,949,439
NON-CURRENT OTHER PROVISIONS		
Provision for Site Rehabilitation	17,513,346	17,008,153
	17,513,346	17,008,153
TOTAL PROVISIONS	26,267,113	25,554,006
ANALYSIS OF TOTAL PROVISIONS		
Current	6,730,946	6,596,413
Non-Current	19,536,167	18,957,592
	26,267,113	25,554,006

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Site Rehabilitation \$	Total \$
Opening balance as at 30 June 2017	4,144,905	4,400,947	17,008,153	25,554,006
Provisions made	1,823,874	318,420	505,193	2,647,487
Amounts used	(3,000,981)	(689,680)	-	(3,690,661)
Balance at 30 June 2018	2,967,798	4,029,688	17,513,346	24,510,832
	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Site Rehabilitation \$	Total \$
Opening balance as at 30 June 2016	3,312,104	3,988,241	16,517,533	23,817,879
Provisions made	3,450,039	911,434	490,620	4,852,092
Amounts used	(2,617,238)	(498,727)	-	(3,115,965)
Balance at 30 June 2017	4,144,905	4,400,947	17,008,153	25,554,006

City of Cockburn Financial Report

Annual Leave Liabilities

Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2017/18	2016/17
Within 12 months of the end of the reporting period	2,280,180	2,405,721
More than 12 months after the end of the reporting period	687,718	1,623,967
	2,967,798	4,029,688

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

Long Service Leave Liabilities

Unconditional long service leave provisions are classified as current liabilities as the City of Cockburn does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the City of Cockburn has an unconditional right to defer settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2017/18	2016/17
Within 12 months of the end of the reporting period	2,609,004	2,451,508
More than 12 months after the end of the reporting period	1,420,684	1,949,439
	4,029,688	4,400,947

The provision for long service leave is calculated at the present value as the City of Cockburn does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Employee On-Cost Provision

The settlement of annual leave and long service leave liabilities give rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

**City of Cockburn
Financial Report**

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Employee Costs' in the Statement of Comprehensive Income. The related liability is included in 'Employees On-Costs' provision.

	2017/18	2016/17
Carrying amount at start of period	1,732,697	1,090,856
Additional (reversal of) provisions recognised	23,584	641,841
	<u>1,756,281</u>	<u>1,732,697</u>



**City of Cockburn
Financial Report**

NOTES TO THE ACCOUNTS.

14. Reserves

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
1. Staff Payments & Entitlements			
Opening Balance	1,947,631	2,118,183	2,115,293
Transfer from Accumulated Surplus - Interest	35,725	45,068	45,778
Transfer from Accumulated Surplus	125,000	125,000	119,822
Transfer to Accumulated Surplus	(398,625)	(172,000)	(333,262)
	1,709,732	2,116,251	1,947,631
2. Plant & Vehicle Replacement			
Opening Balance	7,371,172	7,096,929	8,252,372
Transfer from Accumulated Surplus - Interest	184,817	105,975	165,730
Transfer from Accumulated Surplus	3,661,516	3,038,000	2,966,421
Transfer to Accumulated Surplus	(1,862,834)	(2,328,292)	(4,013,350)
	9,354,672	7,912,612	7,371,172
3. Information Technology			
Opening Balance	290,055	-	379,658
Transfer from Accumulated Surplus - Interest	5,035	8,082	7,747
Transfer from Accumulated Surplus	100,000	100,000	100,000
Transfer to Accumulated Surplus	(188,525)	(48,744)	(197,350)
	206,565	59,338	290,055
4. Major Building Refurbishment			
Opening Balance	11,573,486	11,482,745	9,828,567
Transfer from Accumulated Surplus - Interest	259,922	133,850	224,591
Transfer from Accumulated Surplus	1,500,000	1,500,000	1,620,328
Transfer to Accumulated Surplus	(240,000)	-	(100,000)
	13,093,407	13,116,595	11,573,486
5. Waste & Recycling			
Opening Balance	13,165,896	12,366,302	23,846,752
Transfer from Accumulated Surplus - Interest	268,858	348,847	329,115
Transfer from Accumulated Surplus	1,646,594	1,472,079	1,271,022
Transfer to Accumulated Surplus	(945,146)	(447,508)	(12,280,992)
	14,136,202	13,739,720	13,165,896
6. Land Development and Investment Fund			
Opening Balance	4,177,766	4,794,906	6,348,831
Transfer from Accumulated Surplus - Interest	83,436	251,777	101,680
Transfer from Accumulated Surplus	359,212	3,010,000	11,141,607
Transfer to Accumulated Surplus	(863,798)	(310,000)	(13,414,353)
	3,756,615	7,746,683	4,177,766
7. Roads & Drainage Infrastructure			
Opening Balance	13,987,382	13,446,390	8,159,206
Transfer from Accumulated Surplus - Interest	309,299	64,880	246,952
Transfer from Accumulated Surplus	2,041,646	1,500,000	5,754,502
Transfer to Accumulated Surplus	(892,103)	(2,433,333)	(173,277)
	15,446,223	12,577,937	13,987,382

City of Cockburn

Financial Report

NOTES TO THE ACCOUNTS.

14. Reserves

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
8. Naval Base Shacks			
Opening Balance	1,077,675	1,115,536	935,871
Transfer from Accumulated Surplus - Interest	21,510	22,969	21,428
Transfer from Accumulated Surplus	75,363	75,363	120,376
Transfer to Accumulated Surplus	(96,534)	(65,000)	-
	1,078,013	1,148,868	1,077,675
9. Community Infrastructure			
Opening Balance	13,210,265	12,278,153	12,096,036
Transfer from Accumulated Surplus - Interest	314,659	109,782	264,703
Transfer from Accumulated Surplus	2,356,082	3,632,000	4,504,636
Transfer to Accumulated Surplus	(1,001,173)	(3,330,000)	(3,655,111)
	14,879,832	12,689,935	13,210,265
10. Insurance			
Opening Balance	328,198	312,051	488,961
Transfer from Accumulated Surplus - Interest	18,042	8,090	9,737
Transfer from Accumulated Surplus	925,580	-	14,500
Transfer to Accumulated Surplus	(9,000)	(50,000)	(185,000)
	1,262,819	270,141	328,198
11. Greenhouse Action Fund			
Opening Balance	349,919	-	901,331
Transfer from Accumulated Surplus - Interest	8,839	10,330	16,195
Transfer from Accumulated Surplus	200,000	200,000	1,450,000
Transfer to Accumulated Surplus	(138,325)	-	(2,017,608)
	420,432	210,330	349,919
12. Aged and Disabled Asset Replacement			
Opening Balance	223,193	173,575	326,947
Transfer from Accumulated Surplus - Interest	4,684	8,628	5,285
Transfer from Accumulated Surplus	-	-	68,129
Transfer to Accumulated Surplus	(36,874)	(39,000)	(177,168)
	191,003	143,203	223,193
13. Welfare Projects Employee Entitlements			
Opening Balance	459,203	503,743	479,810
Transfer from Accumulated Surplus - Interest	10,052	9,223	10,971
Transfer from Accumulated Surplus	252,888	-	15,671
Transfer to Accumulated Surplus	(14,012)	-	(47,249)
	708,130	512,966	459,203
14. HWRP Post Closure Management & Contaminated Sites			
Opening Balance	2,359,654	2,270,475	2,322,695
Transfer from Accumulated Surplus - Interest	49,551	47,780	52,361
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	(85,000)	-	(15,401)
	2,324,206	2,318,255	2,359,654

City of Cockburn

Financial Report

NOTES TO THE ACCOUNTS.

14. Reserves

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
15. Municipal Elections			
Opening Balance	155,198	156,894	34,213
Transfer from Accumulated Surplus - Interest	3,839	2,681	984
Transfer from Accumulated Surplus	120,000	120,000	120,000
Transfer to Accumulated Surplus	(200,000)	(200,000)	-
	79,037	79,575	155,198
16. Welfare Redundancies			
Opening Balance	41,748	41,622	40,825
Transfer from Accumulated Surplus - Interest	886	797	923
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	-
	42,634	42,419	41,748
17. Port Coogee Special Maintenance - SAR			
Opening Balance	1,246,841	1,325,764	1,400,129
Transfer from Accumulated Surplus - Interest	31,633	26,794	29,760
Transfer from Accumulated Surplus	351,247	274,000	256,936
Transfer to Accumulated Surplus	(211,591)	-	(439,984)
	1,418,130	1,626,558	1,246,841
18. Port Coogee Waterways - SAR			
Opening Balance	112,477	117,533	-
Transfer from Accumulated Surplus - Interest	3,287	8,685	3,629
Transfer from Accumulated Surplus	56,000	56,000	188,590
Transfer to Accumulated Surplus	(79,742)	(79,742)	(79,742)
	92,022	102,476	112,477
19. Community Surveillance			
Opening Balance	1,097,742	969,084	1,245,490
Transfer from Accumulated Surplus - Interest	23,183	22,594	27,369
Transfer from Accumulated Surplus	200,000	200,000	200,000
Transfer to Accumulated Surplus	(416,967)	(369,115)	(375,117)
	903,958	822,563	1,097,742
20. Waste Collection			
Opening Balance	2,437,627	2,543,307	2,641,530
Transfer from Accumulated Surplus - Interest	46,756	63,366	50,763
Transfer from Accumulated Surplus	79,349	1,000,000	1,027,352
Transfer to Accumulated Surplus	(471,435)	(421,200)	(1,282,018)
	2,092,296	3,185,473	2,437,627
21. Family Day Care Accumulation Fund			
Opening Balance	8,482	8,295	8,295
Transfer from Accumulated Surplus - Interest	180	-	187
Transfer from Accumulated Surplus	44,025	-	-
Transfer to Accumulated Surplus	(22,012)	-	-
	30,675	8,295	8,482

City of Cockburn

Financial Report

NOTES TO THE ACCOUNTS.

14. Reserves

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
22. Underground Power - Service Charge			
Opening Balance	-	222,504	222,504
Transfer from Accumulated Surplus - Interest	-	-	5,029
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	(227,532)
	-	222,504	-
23. Naval Base Shack Removal			
Opening Balance	526,838	501,724	461,814
Transfer from Accumulated Surplus - Interest	11,162	10,217	10,533
Transfer from Accumulated Surplus	-	-	54,693
Transfer to Accumulated Surplus	(10,000)	-	(202)
	528,000	511,941	526,838
24. Environmental Offset			
Opening Balance	298,185	299,286	291,595
Transfer from Accumulated Surplus - Interest	6,327	7,691	6,590
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	-
	304,512	306,977	298,185
25. Bibra Lake Management Plan			
Opening Balance	589,288	554,320	985,439
Transfer from Accumulated Surplus - Interest	12,503	10,648	16,491
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	(25,000)	(412,642)
	601,791	539,968	589,288
26. Restricted Grants & Contributions			
Opening Balance	3,585,466	301,769	2,230,479
Transfer from Accumulated Surplus - Interest	-	-	-
Transfer from Accumulated Surplus	4,025,329	-	3,514,786
Transfer to Accumulated Surplus	(3,077,858)	-	(2,159,798)
	4,532,938	301,769	3,585,466
27. CIHCF Building Maintenance			
Opening Balance	4,621,068	4,573,192	3,323,192
Transfer from Accumulated Surplus - Interest	109,672	-	84,023
Transfer from Accumulated Surplus	1,439,494	1,450,000	1,288,333
Transfer to Accumulated Surplus	(19,422)	-	(74,479)
	6,150,813	6,023,192	4,621,068
28. Cockburn ARC Building Maintenance			
Opening Balance	500,000	1,419,762	10,880,762
Transfer from Accumulated Surplus - Interest	10,608	53,000	125,909
Transfer from Accumulated Surplus	1,500,000	-	8,300,000
Transfer to Accumulated Surplus	-	-	(18,806,671)
	2,010,608	1,472,762	500,000

City of Cockburn

Financial Report

NOTES TO THE ACCOUNTS.

14. Reserves

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
29. Carry Forward Projects			
Opening Balance	3,974,994	710,429	4,020,698
Transfer from Accumulated Surplus - Interest	-	-	-
Transfer from Accumulated Surplus	5,419,903	-	6,584,183
Transfer to Accumulated Surplus	(5,776,505)	-	(6,629,887)
	3,618,392	710,429	3,974,994
30. Port Coogee Marina Assets Replacement			
Opening Balance	-	-	-
Transfer from Accumulated Surplus - Interest	423	-	-
Transfer from Accumulated Surplus	300,000	-	-
Transfer to Accumulated Surplus	(15,000)	-	-
	285,423	-	-
31. Port Coogee Waterways - WEMP			
Opening Balance	2,296,993	1,937,180	-
Transfer from Accumulated Surplus - Interest	47,424	40,372	35,418
Transfer from Accumulated Surplus	45,000	-	2,464,768
Transfer to Accumulated Surplus	(626,266)	(203,192)	(203,192)
	1,763,151	1,774,360	2,296,993
32. Cockburn Coast SAR			
Opening Balance	-	-	-
Transfer from Accumulated Surplus - Interest	1	-	-
Transfer from Accumulated Surplus	896	-	-
Transfer to Accumulated Surplus	-	-	-
	897	-	-
33. Development Contribution Plans (DCP) - Community Infrastructure			
Opening Balance	5,964,447	9,715,696	10,361,258
Transfer from Accumulated Surplus - Interest	184,299	220,238	218,853
Transfer from Accumulated Surplus	5,749,609	5,000,000	4,644,522
Transfer to Accumulated Surplus	(6,184,101)	(8,463,452)	(9,260,186)
	5,714,253	6,472,482	5,964,447
34. Development Contribution Plans (DCP) - Various			
Opening Balance	7,544,182	8,330,102	6,497,765
Transfer from Accumulated Surplus - Interest	192,100	77,827	156,723
Transfer from Accumulated Surplus	2,980,077	1,017,736	1,003,258
Transfer to Accumulated Surplus	(397,314)	(96,955)	(113,563)
	10,319,045	9,328,710	7,544,182
35. Public Open Space (POS) Cash in Lieu			
Opening Balance	-	55,125	5,471,641
Transfer from Accumulated Surplus - Interest	-	108,937	53,833
Transfer from Accumulated Surplus	-	-	96,000
Transfer to Accumulated Surplus	-	-	(5,621,474)
	-	164,062	-

City of Cockburn

Financial Report

NOTES TO THE ACCOUNTS.

14. Reserves

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
SUMMARY CASH BACKED RESERVES			
Opening Balance	105,523,070	101,742,576	126,599,957
Transfer from Accumulated Surplus - Interest	2,258,709	1,829,128	2,329,289
Transfer from Accumulated Surplus	35,554,811	23,770,178	58,890,433
Transfer to Accumulated Surplus	(24,280,163)	(19,082,533)	(82,296,609)
TOTAL CASH BACKED RESERVES	119,056,427	108,259,349	105,523,070
RESERVES OTHER			
Asset Revaluation Reserve			
Opening Balance	503,528,001	568,241,909	575,432,360
Revaluation net increments made during the year	19,821,682	-	(71,904,359)
TOTAL RESERVES OTHER	523,349,683	568,241,909	503,528,001
TOTAL RESERVES	642,406,110	676,501,258	609,051,071

City of Cockburn Financial Report

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

1. Staff Payments & Entitlements

This Reserve provides for payment of various staff entitlements including separation, bonus, awards and other payments made to Staff either through contractual or statutory entitlement, other than leave liabilities already provided for within the City's net asset position.

Anticipated date of use: ongoing.

2. Plant & Vehicle Replacement

This Reserve provides for the orderly replacement of plant and vehicles. Annual transfers into this Reserve are based on the estimated depreciation charge for plant each year. Funds are drawn as required to meet annual plant replacement costs.

Anticipated date of use: ongoing.

3. Information Technology

This Reserve is used to provide for the capital cost of upgrading/replacement of Council's computer hardware and software.

Anticipated date of use: ongoing.

4. Major Building Refurbishment

This Reserve provides funding for future major refurbishment of Council buildings as they become necessary. Annual transfers are usually made to this Reserve from any end of year surplus.

Anticipated date of use: ongoing.

5. Waste & Recycling

This Reserve provides funding for capital costs associated with the development and management of a waste disposal site. Transfers to this Reserve are made based on planned future capital funding requirements for waste management.

Anticipated date of use: majority by the time the landfill closes in 2040.

6. Land Development and Investment Fund

This Reserve is to accommodate and facilitate the purchase, development and disposal of land under the Council's land development strategies with the ability to loan funds on an interest payable basis to other reserve accounts of the City.

Anticipated date of use: ongoing.

7. Roads & Drainage Infrastructure

The purpose of this Reserve is to provide for the renewal and refurbishment of roads and drainage infrastructure and for the provision of matching funds for Federal & State Government road grants.

Anticipated date of use: ongoing.

8. Naval Base Shacks

This Reserve provides funds for the development & refurbishment of the Naval Base shacks site. It will also fund rehabilitation costs when the Park reverts back to the State Government. Annual transfers to this Reserve are fully funded by part of the lease income derived from the shacks.

Anticipated date of use: ongoing.

9. Community Infrastructure

This Reserve funds the provision of community and recreation facilities within the City as the need arises. The requirement for these facilities over the next five to ten years is significant due to the rapid rate of development within the city and the associated population growth.

Anticipated date of use: ongoing.

City of Cockburn Financial Report

10. Insurance

This Reserve is used to minimise and smooth annual budgetary impacts from the City's performance based insurance schemes, including deductibility levels.

Anticipated date of use: ongoing.

11. Greenhouse Action Fund

This Reserve will be used to purchase carbon offsets and fund projects to support energy efficiency, waste management and renewable energy installations.

Anticipated date of use: ongoing.

12. Aged and Disabled Asset Replacement

This Reserve is fully funded from the operating government grants received by the services and has no budgetary impact on Municipal funds.

Anticipated date of use: ongoing.

13. Welfare Projects Employee Entitlements

This Reserve is fully funded from the operating government grants received by the services and has no budgetary impact on Municipal funds.

Anticipated date of use: ongoing.

14. HWRP Post Closure Management & Contaminated Sites

This Reserve is required to cover any costs associated with clean-up & remediation works at contaminated sites within the district as enforced by the Contaminated Sites Act.

Anticipated date of use: ongoing.

15. Municipal Elections

This Reserve provides funding to cover election expenses during election years to smooth out annual budgetary impacts.

Anticipated date of use: ongoing.

16. Welfare Redundancies

This Reserve was created for the purpose of covering potential future redundancy costs for grant funded services, as funding agreements do not usually allow for these costs.

Anticipated date of use: ongoing.

17. Port Coogee Special Maintenance - SAR

This Reserve is used to manage funds raised through the specified area rate (SAR) for the Port Coogee development. These funds are required for the specialised maintenance requirements of the development.

Anticipated date of use: ongoing.

18. Port Coogee Waterways - SAR

This Reserve is used to manage funds raised through the specified area rate (SAR) for the Port Coogee development on land directly adjacent to the waterways. These funds are required for the maintenance of the waterways surrounding Port Coogee marina and associated infrastructure.

Anticipated date of use: ongoing.

19. Community Surveillance

This Reserve funds activities in relation to Community Surveillance.

Anticipated date of use: ongoing.

20. Waste Collection

This reserve provides funding for future capital requirements related to the Waste Collection service.

Anticipated date of use: ongoing.

City of Cockburn Financial Report

21. Family Day Care Accumulation Fund

This Reserve is fully funded from the operating government grants received by the services and has no budgetary impact on Municipal funds.

Anticipated date of use: ongoing.

22. Underground Power – Service Charge

This Reserve is used for managing funds raised through prescribed service charges for the undergrounding of power within the district.

Anticipated date of use: ongoing.

23. Naval Base Shack Removal

Established for the purposes of the future removal of leasehold dwellings at Reserve 24308, Naval Base. All funds raised are to be accounted for on a property lease by lease basis, and not on who paid the actual payment at the time of the payment. Funds raised will be reimbursed to leaseholders when dwelling is removed and the site rehabilitated to its prior state.

Anticipated date of use: no certain date for rehabilitation.

24. Environmental Offset

This Reserve is used to manage funds required to undertake environmental rehabilitation of land associated with road construction as approved by the relevant government agency.

Anticipated date of use: ongoing.

25. Bibra Lake Management Plan

This Reserve is used to manage funding to implement the Bibra Lake Management Plan as adopted by Council.

Anticipated date of use: ongoing.

26. Restricted Grants & Contributions

This Reserve is used to quarantine monies received for restricted purposes across financial years.

Anticipated date of use: ongoing.

27. CIHCF Building Maintenance

This Reserve is used to manage funding for major building maintenance of the Cockburn Integrated Health and Community Facility (CIHCF).

Anticipated date of use: ongoing.

28. Cockburn ARC Building Maintenance

This Reserve is used to manage funding for the major building maintenance of the Cockburn ARC recreation facility.

Anticipated date of use: ongoing.

29. Carry Forward Projects

This reserve is used to manage municipal funding for incomplete projects carried forward to the following financial year.

Anticipated date of use: ongoing.

30. Port Coogee Marina Assets Replacement

This Reserve provides for the replacement of marina infrastructure assets. Funding is provided from pen fees to reflect estimated depreciation costs.

Anticipated date of use: ongoing.

City of Cockburn Financial Report

31. Port Coogee Waterways - WEMP

This Reserve is used to manage the funds paid by the developer of the Port Coogee marina development in accordance with the Waterways Environmental Management Plan (WEMP). The funds will be used to maintain and manage the marina waterways.

Anticipated date of use: ongoing.

32. Cockburn Coast SAR

This Reserve is used to manage funds raised through the specified area rate (SAR) providing funding to ensure that the parks and public areas (including custom street lighting) within the Cockburn Coast Development are maintained in accordance with the higher standards agreed to between the City and the Developer.

Anticipated date of use: ongoing.

33. Development Contribution Plan (DCP) – Community Infrastructure

This reserve is used to account for funds generated from the Community Infrastructure Development Contributions Scheme (DCP13) established under the City's Town Planning Scheme No. 3.

Anticipated date of use: ongoing.

34. Development Contribution Plans (DCP) – Various

This Reserve is used for the management of contributions and costs with respect to Development Contribution Areas as established by and in accordance with Town Planning Scheme 3.

Anticipated date of use: ongoing.

35. Public Open Space (POS) Cash in Lieu

This Reserve is no longer used from 2017/18. All funds have been transferred to the City's trust account.

**City of Cockburn
Financial Report**

NOTES TO THE ACCOUNTS.		
15. REVALUATION SURPLUS		
	Actual 2017/18	Actual 2016/17
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
Land		
Opening Balance	107,394,794	118,679,531
Revaluation Increment/(Decrement)	-	(11,284,737)
	107,394,794	107,394,794
Buildings		
Opening Balance	22,861,653	22,405,632
Revaluation Increment/(Decrement)	-	456,022
	22,861,653	22,861,653
Roads Infrastructure		
Opening Balance	171,628,693	240,139,955
Revaluation Increment/(Decrement)	14,929,212	(68,511,262)
	186,557,905	171,628,693
Drainage Infrastructure		
Opening Balance	148,810,441	142,858,567
Revaluation Increment/(Decrement)	4,339,438	5,951,874
	153,149,879	148,810,441
Landfill Infrastructure		
Opening Balance	2,598,696	2,673,635
Revaluation Increment/(Decrement)	-	(74,939)
	2,598,696	2,598,696
Footpath Infrastructure		
Opening Balance	27,781,245	27,186,403
Revaluation Increment/(Decrement)	553,032	594,842
	28,334,277	27,781,245
Parks Infrastructure		
Opening Balance	22,452,479	21,488,638
Revaluation Increment/(Decrement)	-	963,841
	22,452,479	22,452,479
TOTAL REVALUATION SURPLUS	523,349,683	503,528,001
SUMMARY OF REVALUATION SURPLUS		
Opening Balance	503,528,001	575,432,360
Revaluation net increment/(decrement) made during the year	19,821,682	(71,904,359)
TOTAL REVALUATION SURPLUS	523,349,683	503,528,001

**City of Cockburn
Financial Report**

NOTES TO THE ACCOUNTS			
16. Notes to Statement of Cash Flows			
	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
16a			
Reconciliation of Net Cash Provided by/(Used in) Operating Activities to Change in Net Assets Resulting from Operations.			
Net Result	32,718,585	23,897,352	71,913,380
Add (Less) non-cash items:			
Depreciation	30,241,974	28,299,179	27,465,498
Amortisation	1,390,921	1,120,764	1,391,018
Provision for Site Rehabilitation	505,193	-	490,620
(Profit)/Loss on Sale of Assets	(284,526)	(1,561,715)	(5,412,388)
Impairment charge provision	-	-	3,200,000
Assets Gifted to Other Parties	741,058	-	14,566,385
Decrease/(Increase) in Joint Venture Investment	5,669,496	-	(497,115)
Recognition of Gifted Subdivision Assets	(12,168,364)	-	(62,676,020)
Less: Grants & Contributions for the Development of Assets	(20,190,018)	(17,354,667)	(16,695,283)
Change in Assets and Liabilities:			
(Increase)/Decrease in Rates Debtors & Deferred Rates	(60,178)	-	(573,416)
(Increase)/Decrease in Sundry Debtors	459,132	-	7,198,041
(Increase)/decrease in Accrued Investment Income	(270,851)	-	(274,568)
(Increase)/Decrease in Stock on Hand	(13,818)	-	19,320
Increase/(Decrease) in Creditors & Accruals	712,446	(42,686)	(14,822,444)
(Increase)/Decrease in Rubbish Debtors	4,090	-	17,536
Increase/(Decrease) in Employee Provision	207,914	(7,744)	1,245,507
Increase/(Decrease) on Income Received in Advance	422,812	-	597,526
(Increase)/Decrease in Prepayments	629,332	-	(195,569)
NET CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES	40,715,198	34,350,483	26,958,027
16b			
Reconciliation of Cash			
For the purpose of the Statement of Cash Flows, the entity considers cash to include Cash on Hand and in Banks and investments in Money Market Instruments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows: -			
Cash at Bank	762,182	5,902,438	2,896,742
Cash on Hand	29,212	23,000	22,500
Term Deposits	137,900,000	108,071,703	110,900,000
Cash & Cash Equivalents at end of Reporting Period	138,691,393	113,997,141	113,819,242
16c			
Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Credit Card limit	250,000		250,000
Credit Card Balance at Balance Date	(77,769)		(81,359)
Total Amount of Credit Unused	172,231		168,641

City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

17. Investment in Joint Venture - SMRC

The City is currently a member of the Southern Metropolitan Regional Council (SMRC), a regional local government established in 1991 pursuant to the Local Government Act with membership currently consisting of five local governments. In May 2018, Council determined to withdraw from the SMRC effective 30 June 2019 and gave 12 months notice. Equity interests will be adjusted in 2018-19 in accordance with the establishment agreement and to be determined at the time.

Equity contributions for participating local government members are based on published Australian Bureau of Statistics (ABS) population statistics, which when updated, change the future contribution ratios for members. The City of Cockburn's equity contribution ratio for SMRC was 37.29% at 30 June 2018, with the accumulated share of SMRC equity to date representing 34.19% of net adjusted assets (excluding office building and RRRRC assets and liabilities, and loan receivables from members). The City's accumulated equity in the office building represents 35.19% of the adjusted net assets (excluding loan receivables from members).

The Regional Resource Recovery Centre (RRRC) project was established by the SMRC in 1998 for the management of municipal household waste and originally consisted of five local government participants. The City was a participant in the RRRRC project up until its withdrawal from 30 June 2017 (see details below) and its previous share of equity has now been eliminated. However, it has a separate waste supply agreement to continue supplying the RRRRC with municipal waste (excluding recyclables and greenwaste) up until 30 June 2021 at the prevailing gate fees.

	2017/18 Actual \$ (audited)	2016/17 Actual \$ (audited)
Statement of Comprehensive Income - SMRC		
Revenues from Ordinary Activities	23,783,690	27,424,549
LESS: Expenses from Ordinary Activities	(29,135,978)	(29,723,652)
LESS: Borrowing Cost Expense	(840,103)	(959,038)
Net Profit or (Loss)	(6,192,391)	(3,258,141)
Statement of Financial Position - SMRC		
Current Assets	14,364,529	22,283,135
Non-Current Assets	42,681,696	43,446,716
Total Assets	57,046,225	65,729,851
Current Liabilities	9,326,121	18,886,083
Non-Current Liabilities	16,216,134	9,513,395
Total Liabilities	25,542,255	28,399,478
Net Assets	31,503,970	37,330,373
<i>The City's share in the net assets of the SMRC (excluding equity) Equity Ratio</i>	923,569	6,592,991
Represented by Share of Joint Venture entity's Financial		
Current Assets	927,780	6,414,370
Non-Current Assets	823,392	11,817,202
Total Assets	1,751,172	18,231,572
Current Liabilities	185,191	6,872,233
Non-Current Liabilities	642,412	4,766,348
Total Liabilities	827,603	11,638,581
Net Assets	923,569	6,592,991
Net Increase/(Decrease) in Equity - SMRC Joint Venture	(5,669,422)	499,833

City of Cockburn's withdrawal from the Regional Resource Recovery Centre (RRRC) Project

The City withdrew from the RRRRC Project Participants' Agreement, effective 30 June 2017 following a 12 month notice period. The City's withdrawal triggered a requirement under the RRRRC Project Participant's Agreement to prepare an amended business plan for the Project, having regard to the effect of the City's withdrawal. The Deed of Variation to the Project Participant's Agreement also required the SMRC to determine the City's proportional entitlement to any net surplus or deficit on the basis of a notional winding up of the Project. However, any assets and liabilities relating to RRRRC Loan Borrowings were excluded from the notional winding up calculation.

The SMRC facilitated the preparation of an amended business plan based on the notional winding up of the RRRRC Project at 30 June 2017. After review and negotiation, the City agreed to pay a proportional liability of \$365,988 as per the Notional Winding Up Report. It was also required to pay \$150,532 towards the cost of preparing the amended business plan triggered by the City's withdrawal. The City's equity share in the assets of the RRRRC was adjusted during 2017-18 following the acceptance of the amended business plan by the City and the determination of the impact from the notional winding up on the City's equity share.

In accordance with the RRRRC Project Participants' Agreement, the City will continue to be responsible for its share of RRRRC borrowing repayments until these are fully repaid. The equity contribution ratio for the RRRRC was 42.97% (at time of withdrawal) and this will apply to future borrowing repayments. The City will also be entitled to any proportional equity in the assets acquired from the related borrowing, as valued when the borrowing is fully repaid.

**City of Cockburn
Financial Report**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

18. Contingent Liabilities

(a) Regional Resource Recovery Centre (RRRC) - Lending Facility

The City was a participant in the RRRC Joint Venture, until its withdrawal effective 30 June 2017. The project was established through the Southern Metropolitan Regional Council (SMRC) and involves the cities of Canning, Cockburn, Fremantle, Melville and the Town of East Fremantle in the development of a waste processing plant and a recyclable and green waste facility at Canning Vale.

The capital construction of the RRRC facility was funded by borrowings from Western Australian Treasury Corporation (WATC). A \$40 million lending facility was initially set up for this purpose (repayable over a term of 20 years) and this facility has since been extended to a total of \$55 million. The SMRC administer the borrowings with the project participants making quarterly contributions equal to the repayment costs of these borrowings.

The City guaranteed by way of agreement its share of the loan liability to the SMRC and the WATC. Whilst the City has now withdrawn as a participant in the joint venture, this guarantee remains in place until the lending facility is fully repaid.

The City's estimated share of the project funding is based on population percentages as derived from the Australian Bureau of Statistics census. These are now revised yearly over the life of the lending facility with the City's share for the 2017/18 year being 42.97%.

As at 30th June 2018, the balance outstanding against the lending facility stood at \$16,482,637 with the City's share of this liability being \$7,082,589 (42.97%).

The City's annual contribution towards the repayment of interest and principal on the lending facility is currently around \$1.67 million (approx. \$35 per household).

(b) SMRC Administration Building - Lending Facility

As a SMRC participant, Council has guaranteed by way of security to the Western Australian Treasury Corporation, a charge over its' general funds for its' share of any outstanding debenture borrowings provided for the SMRC administration building at 9 Aldous Place Booragoon. This facility has a limit of \$2 million.

As at 30th June 2018, the balance outstanding against this facility stood at at \$1,800,000 with Council's share of this liability being \$671,220 (using the current cost/profit sharing percentage of 37.29%).

(C) Claim for Injurious Affection - land at 870 North Lake Rd

The owners of 870 North Lake Rd (Otago Pty Ltd) have made application to the State Administrative Tribunal (SAT) for an order, under s176(1) of the PD Act, claiming that their land is injuriously affected to the value of \$3,932,535 by the City's Local Planning Scheme No.3, including by operation of Development Area Structure Plan. The City disagrees and argues strongly that the land is not injuriously affected. Proceedings for determination of the application were stalled in SAT, awaiting the decision of the Court of Appeal on a similar matter (Scutti v City of Wanneroo). The Court of Appeal have recently handed down its decision, which did not go in favour of the City of Wanneroo. However, the City's legal position is that the decision's application is very limited and not necessarily applicable to the Otago matter. The City has contacted the applicant with our view and the matter currently remains with the SAT process, awaiting further direction.

City of Cockburn

Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

19. Capital & Leasing CommitmentsCapital Commitments

At the reporting date, Council had the following commitments remaining for major purchases:

	2017/18	2016/17
	\$	\$
Contracted for:		
Capital expenditure projects	10,384,193	5,772,499
Plant & equipment purchases	78,282	800,924
	10,462,474	6,573,423

Operating Leasing Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial report

	Actual 2017/18	Actual 2016/17
	\$	\$
Payable:		
Not later than 1 year	767,631	672,405
Later than 1 year but not later than 5 years	1,288,587	870,010
Later than 5 years	7,663	-
	2,063,881	1,542,415

City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT						
20a. Assets Classified by Function						
<i>Total Assets Classified by Function and Activity</i>						
	Actual 2017/18		Actual 2016/17			
	\$		\$			
General Purpose Funding	60,060,582		52,901,714			
Governance	28,063,877		28,570,090			
Law, Order and Public Safety	1,782,638		2,018,520			
Health	1,870,783		1,883,193			
Education and Welfare	3,124,572		2,530,174			
Community Amenities	45,984,876		40,974,561			
Recreation and Culture	136,340,506		106,298,632			
Transport	645,257,471		630,293,449			
Economic Services	1,853,249		1,866,912			
Other Property and Services	347,794,157		352,906,834			
Total	1,272,132,710		1,220,244,078			
20b. Disposal of Assets						
	Net Book Value		Sale Price		Profit/Loss	
	Actual	Budget	Actual	Budget	Actual	Budget
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
<i>BY FUNCTION</i>						
Education and Welfare	-	-	-	13,000	-	13,000
Recreation and Culture	190,288	-	-	-	(190,288)	-
Transport	650,734	556,392	974,834	432,500	324,100	(123,892)
Other Property and Services	525,541	1,459,893	676,256	3,132,500	150,715	1,672,507
Total	1,366,564	2,016,285	1,651,090	3,578,000	284,526	1,561,715
<i>BY ASSET CLASSIFICATION</i>						
Land	-	996,897	-	2,760,000	-	1,763,103
Buildings	190,288	-	-	-	(190,288)	-
Plant and Equipment	1,176,275	1,019,388	1,651,090	818,000	474,814	(201,388)
Total	1,366,564	2,016,285	1,651,090	3,578,000	284,526	1,561,715

City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

20c. Control Over Contributions

Funding Bodies	Purpose	Function	Opening Balance (1) 1/07/16	Received (2) 2016/17	Expended (3) 2016/17	Closing Balance (1) 30/06/17	Received (2) 2017/18	Expended (3) 2017/18	Closing Balance 30/06/18
Alcoa Kwinana Refinery	Operating grant for delivering services	Recreation & Culture	10,000			10,000			10,000
City of Armadale Contribution	Operating grant for delivering services	Transport					18,182		18,182
Community Sports and Recreation	Capital grant for park construction	Recreation & Culture		200,000	28,280	171,720	200,000	371,720	
Department Child Protection	Operating grant for delivering services	Education & Welfare		79,121		79,121			79,121
Department Child Protection and Family Support	Operating grant for delivering services	Education & Welfare					349,839	351,920	
Department Local Government and Communities	Operating grant for delivering services	Education & Welfare	46,038	463,981	469,551	40,469	-	-	38,388
Department of Attorney General	Operating grant for delivering services	Education & Welfare							
Department of Child Protection	Operating grant for delivering services	Education & Welfare		191,511	145,104	46,408	129,457	126,621	49,243
Department Of Communities Child Protection and Family Support	Operating grant for delivering services	Education & Welfare	42,774	218,272	207,008	54,038	275,139	236,090	93,086
Department of Corrective Services	Operating grant for delivering services	Education & Welfare	2,734	13,870	16,604				
Department of Education , Employee & Workplace	Operating grant for delivering services	Education & Welfare							
Department of Education and Training	Operating grant for delivering services	Education & Welfare	15,146	4,396,925	4,409,833	2,238	745,354	695,608	51,984
Department of Environment Regulation	Operating grant for delivering services	Community Amenities					449,930	391,480	58,450
Department of Fire and Emergency Services	Operating grant for delivering services	Law, Order & Public Safety							
Department of Health	Operating grant for delivering services	Education & Welfare	86	1,739,237	1,684,325	54,998	1,930,564	1,929,994	155,569
Department of Infrastructure and Regional Development	Capital grant for roads construction	Transport		1,961,436		1,961,436	3,754,058	3,714,532	2,000,962
Department of Local Government	Capital grant for park construction	Other Property & Services					160,000		160,000
Department of local government, sport and cultural industries	Capital grant for park construction	Other Property & Services					65,000	60,238	4,763
Department of Parks & Wildlife Community & Regional Parks	Operating grant for delivering services	Other Property & Services		100,000		100,000		6,535	93,465
Department of Social Services	Operating grant for delivering services	Education & Welfare		330,809	282,806	97,186	673,870	655,844	115,211
Department of Sports and Recreation	Operating grant for delivering services	Recreation & Culture					250,619	182,903	67,716
Department of Transport	Operating grant for coastal and adaptation study	Other Property & Services						20,496	48,648
Developer Contribution - Terranovis Pty Ltd	Developer contribution for park construction	Other Property & Services	125,615	176,237	232,708	69,144			162,883
Disability Services Commission	Operating grant for delivering services	Education & Welfare		447,623	339,961	107,662	651,002	464,452	294,212
Disability Services Commission	Developer contribution for building construction	Education & Welfare	2,257		2,257				
Fremantle Ports	Operating grant for delivering services	Recreation & Culture	5,019	10,000	4,000	11,019	10,000	11,818	9,201
Government of Western Australia Mental Health Commission	Operating grant for delivering services	Education & Welfare					14,800	1,855	12,945
Healthway	Operating grant for delivering services	Education & Welfare		5,000	5,000				
Hope Community Services	Operating grant for delivering services	Education & Welfare		55,807	55,807				
Hope Community Services Incorporated	Operating grant for delivering services	Education & Welfare					111,614	96,593	15,021
Main Roads WA	Capital grant for roads construction	Transport	1,618,415	2,887,801	4,210,019	296,197	1,580,106	1,467,708	408,594
Medicare Australia	Operating grant for delivering services	Education & Welfare							
Ngala and Parenting Research Centre	Operating grant for delivering services	Education & Welfare	1,111	7,920	7,559	1,471	13,200	6,617	8,054
Office Of Emergency Management	Operating grant for delivering services	Law, Order & Public Safety					59,000	53,250	5,750
Private contributions	Operating grant for delivering services	Education & Welfare	231,762	405,186	157,820	479,127	95,251	43,181	531,197
Public Transport Authority of WA	Capital grant for building construction	Transport					49,966	13,202	36,764
South Lake Ottey Family and Community Centre	Operating grant for delivering services	Other Property & Services					54,580	51,892	2,688
State Emergency Management Committee	Operating grant for delivering services	Law, Order & Public Safety	11,156	25,000	34,833	1,323	-	-	1,323
State Natural Resource Management Office	Operating grant for delivering services	Other Property & Services	10,000	9,091	9,091	909	-	-	909
WA Local Government Association	Operating grant for delivering services	Transport		1,000		1,000	-	-	1,000
Western Australian Local Government Association (WALGA)	Capital grant for building construction	Recreation & Culture	59,182	27,273	86,455				
Grand Total			2,230,479	13,744,009	12,389,022	3,585,466	11,804,413	10,854,550	4,535,329

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**City of Cockburn
Financial Report**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT			
21. FINANCIAL RATIOS			
	2018	2017	2016
Current Ratio	1.479	1.432	1.211
Asset Sustainability Ratio	0.705	1.442	1.399
Debt Service Cover Ratio	10.370	9.533	20.631
Operating Surplus Ratio	0.008	0.078	0.049
Own Source Revenue Coverage Ratio	0.957	0.971	1.003
Asset Consumption Ratio	0.691	0.689	0.714
Asset Renewal Funding Ratio	0.707	0.729	0.741
The above ratios are calculated as follows:			
Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$		
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$		
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$		
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$		
Own Source Revenue Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$		
Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of depreciable assets}}{\text{current replacement cost of depreciated assets}}$		
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$		



City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

22. Information on Borrowings

Loan Repayments

Particulars/Purpose	Principal 1 July 2017 \$	Interest Rate	Maturity Date	Principal Repayments		Principal 30 June 2018		Interest Repayments	
				Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation & Culture To assist fund the Cockburn Central West development	22,500,000	2.96%	27 June 2026	2,500,000	2,500,000	20,000,000	20,000,000	726,777	816,699
Total	22,500,000			2,500,000	2,500,000	20,000,000	20,000,000	726,777	816,699

Unspent Loans
There is no unspent loans as at 30 June 2018.



City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

23a. Statement of Rating Information

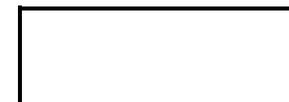
2017/18	NON-MINIMUM					MINIMUMS					TOTALS			
	Qty	Rateable value \$	Rate in \$	Yield \$	Budget 2017-2018	Qty	Rateable Value \$	Amount \$	Yield \$	Budget 2017-2018	Qty	Rateable Value \$	Yield \$	Budget 2017-2018
GRV														
Improved Commercial/Industrial	2,586	380,979,080	0.0768300	29,270,623	29,270,623	208	1,631,016	757	157,456	157,456	2,794	382,610,096	29,428,079	29,428,079
Improved Commercial - Caravan Park	2	1,778,244	0.0997500	177,380	177,380	-	-	757	-	-	2	1,778,244	177,380	177,380
Improved Residential	29,025	665,593,858	0.0731900	48,714,827	48,714,827	12,089	192,628,750	1,303	15,751,967	15,751,967	41,114	858,222,608	64,466,794	64,466,794
Vacant	1,580	43,328,010	0.0866000	3,752,206	3,752,206	1,529	10,406,660	753	1,151,337	1,151,337	3,109	53,734,670	4,903,543	4,903,543
UV														
Rural Vacant Land	52	70,654,000	0.0039800	281,203	281,203	2	184,000	922	1,844	1,844	54	70,838,000	283,047	283,047
Rural General	224	180,042,100	0.0025800	464,509	464,509	11	1,483,763	922	10,142	10,142	235	181,525,863	474,651	474,651
Total Rates Levied	33,469	1,342,375,292		82,660,748	82,660,748	13,839	206,334,189		17,072,746	17,072,746	47,308	1,548,709,481	99,733,494	99,733,494
Interim Rates - GRV & UV													1,715,445	1,984,466
Rates Received in Advance													(37,636)	-
Residential Improved - Concessions				(1,811,191)									(1,811,191)	(1,736,510)
Total General Rates	33,469	1,342,375,292		80,849,557	82,660,748	13,839	206,334,189		17,072,746	17,072,746	47,308	1,548,709,481	99,600,112	99,981,449

2016/17	NON-MINIMUM					MINIMUMS					TOTALS			
	Qty	Rateable value \$	Rate in \$	Yield \$	Budget 2016-2017	Qty	Rateable Value \$	Amount \$	Yield \$	Budget 2016-2017	Qty	Rateable Value \$	Yield \$	Budget 2016-2017
GRV														
Improved Commercial/Industrial	2,445	196,647,518	0.0755000	14,846,888	14,823,920	210	1,432,033	744	156,240	156,240	2,655	198,079,551	15,003,128	14,980,160
Large Comm & Industrial - improved	53	123,257,530	0.0805800	9,932,092	9,932,092			744			53	123,257,530	9,932,092	9,932,092
Jandakot Airport - Standard	1	15,391,137	0.0755000	1,162,031	1,162,031			744			1	15,391,137	1,162,031	1,162,031
Jandakot Airport - Major	1	25,416,000	0.0805800	2,048,021	2,048,021			744			1	25,416,000	2,048,021	2,048,021
Improved Commercial - Caravan Park	2	1,778,244	0.0950000	168,933	168,933			744			2	1,778,244	168,933	168,933
Improved Residential	27,694	629,618,828	0.0725000	45,647,365	45,612,066	11,861	184,144,548	1,281	15,193,941	15,215,718	39,555	813,763,376	60,841,308	60,827,783
Vacant	1,621	41,300,307	0.0939100	3,878,511	3,892,341	1,394	8,295,404	744	1,037,136	1,037,136	3,015	49,595,711	4,915,647	4,929,477
UV														
Rural Vacant Land	55	78,174,000	0.0039100	305,660	282,044	2	184,000	906	1,812	1,812	57	78,358,000	307,472	283,856
Rural General	260	211,502,100	0.0025300	535,100	544,790	15	2,560,763	906	13,590	9,966	275	214,062,863	548,690	554,756
Total Rates Levied	32,132	1,323,085,664		78,524,602	78,466,238	13,482	196,616,748		16,402,719	16,420,872	45,614	1,519,702,412	94,927,323	94,887,109
Interim Rates - GRV & UV													2,877,008	2,369,726
Rates Received in Advance													152,341	-
Residential Improved - Concessions				(1,619,510)									(1,619,510)	(1,556,835)
Total General Rates	32,132	1,323,085,664		76,905,092	78,466,238	13,482	196,616,748		16,402,719	16,420,872	45,614	1,519,702,412	96,337,163	95,700,000

23b. Specified Area Rates

2017/18	Rate in \$	Basis of Rate	Qty	Rateable Value \$	Yield \$	Interim Rate Revenue \$	Budget 2017-2018 \$	Applied to Costs \$	Budget Applied to Costs \$
Port Coogee Special Maintenance	0.01221	GRV	807	26,161,700	319,434	39,481	274,000	358,915	206,342
Port Coogee Waterways	0.01221	GRV	54	3,845,100	46,949	1,383	56,000	48,332	79,742
Cockburn Coast Maintenance	0.01221	GRV	-	-	-	896	-	896	-
Total Specified Area Rates			861	30,006,800	366,383	41,760	330,000	408,143	286,084

2016/17	Rate in \$	Basis of Rate	Qty	Rateable Value \$	Yield \$	Interim Rate Revenue \$	Budget 2017-2018 \$	Applied to Costs \$	Budget Applied to Costs \$
Port Coogee Special Maintenance	0.012	GRV	770	21,907,640	262,892	10,594	274,000	273,485	175,919
Port Coogee Waterways	0.012	GRV	56	4,106,800	49,282	(9,831)	56,000	39,451	56,000
Total Specified Area Rates			826	26,014,440	312,173	763	330,000	312,936	231,919



**City of Cockburn
Financial Report**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

24. Interest Charges, Administration Fees and Instalments

	Interest Rate	Admin Fee	Actual 2017/18	Actual 2016/17
	%	\$	\$	\$
Administration Fee		5.00	241,853	270,113
Penalty Interest	7.00	-	231,312	229,449
Instalment Interest	3.50	-	422,033	349,316
			895,198	848,878

Payment by Instalments

Council offered instalment payment options of either two or four payments. The first instalment (inclusive of any arrears) had to be paid in full by the due date. Failure to pay the first instalment by the due date resulted in the forfeiture of the instalment payment option. Ratepayers had the following options for paying their rates:

(a) Pay in full by 2 September 2017

(b) Pay in four instalments due:

1. 25 August 2017
2. 27 October 2017
3. 5 January 2018
4. 9 March 2018

Administration Fees

The Rates Instalment Fee is \$5 per instalment.

Special Payment Arrangements

Ratepayers who were unable to pay their account in full or according to the instalment plans offered were able to make special payment arrangements to extinguish their debt. Penalty interest was applied at the rate of 7% to any outstanding balance.

Instalment Interest

The Local Government Act allows for interest to be charged on overdue amounts. The Council charged interest at the rate of 3.5% on outstanding rates for the year under review. This charge covered the opportunity cost of lost income on investment that would otherwise be received had the instalment options not been exercised. The maximum rate of interest allowed to be imposed on outstanding amounts under S6.45(4)(e) of the Local Government Act is 5.5%

Penalty Interest - Rates

Penalty interest was levied where payment in full or the first instalment was not received within thirty-five days of the issue of the rate notice. The rate charged was 7% on the daily balance. The maximum rate of interest allowed to be imposed on overdue rates and service charges under S6.51(1) of the Local Government Act is 11%.

Penalty Interest - FESA

The Minister for Emergency Services deemed the penalty interest rate for 2017/18 to be 7% on outstanding balances. Interest was levied where payment in full or the first instalment was not received within thirty-five days of the issue of the rate notice.

**City of Cockburn
Financial Report**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

25. GRANT REVENUE

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:			
<i>By Nature or Type:</i>			
Operating Grants, Subsidies and Contributions	12,800,692	11,382,351	13,752,463
Non-Operating Grants, Subsidies and Contributions	11,455,693	11,336,931	11,063,443
	<u>24,256,385</u>	<u>22,719,282</u>	<u>24,815,906</u>
<i>By Program:</i>			
General Purpose Funding	7,058,056	7,180,091	9,901,179
Governance	601,319	80,000	2,202,389
Law Order & Public Safety	298,023	250,730	972,425
Recreation & Culture	10,995,485	9,563,087	6,951,752
Transport	5,303,502	5,645,374	4,788,161
	<u>24,256,385</u>	<u>22,719,282</u>	<u>24,815,906</u>

26. Fees and Charges

	Actual 2017/18	Actual 2016/17
	\$	\$
General Purpose Funding	444,674	778,231
Governance	11,830	18,586
Law Order & Public Safety	546,800	651,096
Health	307,069	303,848
Education & Welfare	1,576,171	1,480,154
Community Amenities	9,780,262	9,907,490
Recreation & Culture	11,472,294	3,767,169
Transport	223,806	217,574
Economic Services	1,813,712	2,039,149
Other Property & Services	2,524,127	3,189,998
	<u>28,700,746</u>	<u>22,353,295</u>

27. Number of Employees

	Actual 2017/18	Actual 2016/17
	No.	No.
Number of full-time equivalent (FTE) employees as at balance date:	478	497

28. Superannuation

	Actual 2017/18	Actual 2016/17
	\$	\$
Contributory	713,769	708,621
S.G. Occupational	4,681,399	4,303,471
	<u>5,395,169</u>	<u>5,012,092</u>

City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

29. Financial Risk Management

Council's activities expose it to a variety of risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management 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 the finance area under policies approved by the Council.

	Carrying Value		Est. Fair Value	
	Actual 2017/18	Actual 2016/17	Actual 2017/18	Actual 2016/17
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	138,691,393	113,819,242	138,691,393	113,819,242
Held-to-maturity investments	1,021,816	4,920,136	1,021,816	4,920,136
Available for Sale Financial Assets	123,734	123,808	123,734	123,808
Receivables *	8,672,483	8,517,248	8,672,483	8,517,248
	<u>148,509,426</u>	<u>127,380,433</u>	<u>148,509,426</u>	<u>127,380,433</u>
Financial Liabilities				
Borrowings	20,000,000	22,500,000	15,713,388	17,250,175
Payables *	9,294,215	9,338,484	9,294,215	9,338,484
	<u>29,294,215</u>	<u>31,838,484</u>	<u>25,007,602</u>	<u>26,588,659</u>

* The amount excludes the GST receivable from/payable to ATO (statutory receivable/payable)

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings, Held-to-Maturity Investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Available for sale financial assets – estimated to the carrying value which is based on independent valuation.

(a) Cash & Cash Equivalents

Financial assets at fair value through profit or loss

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers. Council has an investment policy and the policy is subject to review by Council.

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 of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

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

Council also seeks advice from an independent adviser before placing any cash and investments.

	Actual 2017/18	Actual 2016/17
	\$	\$
Impact of a 10% movement in price of investments:		
- Equity	102,182	492,014
- Statement of Comprehensive Income	102,182	492,014

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

- Equity	1,398,369	1,315,379
- Statement of Comprehensive Income	1,398,369	1,315,379

(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – 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 payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

Ageing Analysis of Receivable

	Carrying Amount	Not Past due & not impaired	Up to 1 Month	1 - 3 Months	3 Months to 1 Year	1 - 5 Years	More than 5 Years
	\$	\$	\$	\$	\$	\$	\$
2017/18							
Receivables*	8,672,483	3,349,448	1,450,482	271,826	2,630,482	970,245	-
	<u>8,672,483</u>	<u>3,349,448</u>	<u>1,450,482</u>	<u>271,826</u>	<u>2,630,482</u>	<u>970,245</u>	<u>-</u>

City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

29. Financial Risk Management

2016/17

Receivables*	8,517,248	1,975,001	1,985,875	852,670	2,845,044	858,657	-
	8,517,248	1,975,001	1,985,875	852,670	2,845,044	858,657	-

* The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

(c) Payables & Borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017/18</u>					
Borrowings	2,500,000	10,000,000	7,500,000	24,578,000	20,000,000
Payables*	9,294,215	-	-	9,294,215	9,294,215
	11,794,215	10,000,000	7,500,000	33,872,215	29,294,215

2016/17

Borrowings	2,500,000	10,000,000	10,000,000	27,159,750	22,500,000
Payables*	9,338,484	-	-	9,338,484	9,338,484
	11,838,484	10,000,000	10,000,000	36,498,234	31,838,484

* The amount of payables excludes the GST payable to the ATO (statutory payable)

(d) Liquidity Risk and Interest Rate Risk Exposure

The following table summarises the liquidity risk and interest rate risk for the City, together with the effective interest rates as at 30th June 2018.

Interest Rate Exposure

	Weighted Average Effective Interest Rate %	Carrying Amount \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non-Interest Bearing \$	Nominal Amount \$
<u>2017/18</u>						
Financial Assets						
Cash & Cash Equivalents	2.69	138,691,393	137,900,000	791,393	-	138,691,393
Direct Securities	2.49	1,021,816	1,021,816	-	-	1,021,816
Available for sale Financial Asset		123,734	-	-	123,734	123,734
Receivables	2.72	8,672,483	-	958,125	7,714,358	8,672,483
Total		148,509,426	138,921,816	1,749,518	7,838,092	148,509,426
Financial Liabilities						
Borrowings	3.69	20,000,000	20,000,000	-	-	20,000,000
Accounts Payable		9,294,215	-	-	9,294,215	9,294,215
Deposits/Bonds	1.50	-	-	-	-	-
Total		29,294,215	20,000,000	-	9,294,215	29,294,215

City of Cockburn
Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

29. Financial Risk Management

<u>2017/18</u>	Carrying Amount	Maturity Dates			
		Up to 1 month	1 - 3 Months	3 Months to 1 Year	More than 1 Year
	\$	\$	\$	\$	\$
Financial Assets					
Cash & Cash Equivalents	138,691,393	14,267,295	32,866,238	91,557,860	-
Direct Securities	1,021,816	-	-	-	1,021,816
Available for sale Financial Asset	123,734	-	-	-	123,734
Receivables	8,672,483	8,672,483	-	-	-
Total	148,509,426	22,939,778	32,866,238	91,557,860	1,145,550
Financial Liabilities					
Borrowings	20,000,000	-	-	2,500,000	17,500,000
Accounts Payable	9,294,215	6,314,389	1,611,202	991,659	376,965
Deposits/Bonds	-	-	-	-	-
Total	29,294,215	6,314,389	1,611,202	3,491,659	17,876,965

The following table provides comparatives as at 30th June 2017:

<u>2016/17</u>	Weighted Average Effective Interest Rate %	Interest Rate Exposure				Nominal Amount \$
		Carrying Amount \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non-Interest Bearing \$	
Financial Assets						
Cash & Cash Equivalents	2.90	113,819,242	110,900,000	2,919,242	-	113,819,242
Direct Securities	2.61	4,920,136	1,078,644	-	3,841,492	4,920,136
Available for sale Financial Asset		123,808	-	-	123,808	123,808
Receivables	2.48	8,517,248	-	858,657	7,658,590	8,517,248
Total		127,380,433	111,978,644	3,777,899	11,623,890	127,380,433
Financial Liabilities						
Borrowings	3.66	22,500,000	22,500,000	-	-	22,500,000
Accounts Payable		9,338,484	-	-	9,338,484	9,338,484
Deposits/Bonds	1.50	-	-	-	-	-
Total		31,838,484	22,500,000	-	9,338,484	31,838,484

<u>2016/17</u>	Carrying Amount	Maturity Dates			
		Up to 1 month	1 - 3 Months	3 Months to 1 Year	More than 1 Year
	\$	\$	\$	\$	\$
Financial Assets					
Cash & Cash Equivalents	113,819,242	2,919,242	-	-	-
Direct Securities	4,920,136	-	-	3,841,492	1,078,644
Available for sale Financial Asset	123,808	12,307,089	45,113,382	55,056,369	-
Receivables	8,517,248	8,517,248	-	-	-
Total	127,380,433	23,743,578	45,113,382	58,897,861	1,078,644
Financial Liabilities					
Borrowings	22,500,000	-	-	2,500,000	20,000,000
Accounts Payable	9,338,484	6,663,244	2,078,647	933	597,526
Deposits/Bonds	-	-	-	-	-
Total	31,838,484	6,663,244	2,078,647	2,499,067	20,597,526

**City of Cockburn
Financial Report**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

30. Elected Members Remuneration

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
The following fees, expenses and allowances were paid to councillors and the mayor:			
Meeting Fees	320,437	329,318	336,490
Vehicle Mileage Claims	8,106	10,000	11,853
Mayoral/Deputy Mayoral Allowances	111,115	111,080	103,675
Communication Expenses	42,129	35,000	37,955
	<u>481,787</u>	<u>485,398</u>	<u>489,973</u>

31. Economic Dependency

A significant portion of Council's revenue is received by way of grants from the State and Federal Government.

	Actual 2017/18	Budget 2017/18	Actual 2016/17
	\$	\$	\$
The total of grant revenue from Government sources	24,256,385	22,719,282	24,815,906

32. Events after the Reporting Date

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the City's operations in future financial years
- the results of those operations in future financial years; or
- the City's state of affairs in future financial years.

33. Major Land Transactions

The City did not participate in any major land transactions during the 2017/18 financial year.

34. Trading Undertakings and Major Trading Undertakings

The City did not participate in any trading undertakings or major trading undertakings during the 2017/18 financial year.

35. Trust Funds

Funds held at balance date over which the City has no control and which are not included in the financial statements are as follows

	Opening Balance 1		Closing Balance 30	
	July 2017	Amounts Received	Amounts Paid	June 2018
	\$	\$	\$	\$
Bonds and Deposits	5,385,113	1,998,629	(1,549,298)	5,834,444
Public Open Space	5,845,276	661,375	(501,739)	6,004,913
	<u>11,230,389</u>	<u>2,660,004</u>	<u>(2,051,037)</u>	<u>11,839,357</u>

City of Cockburn Financial Report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Note 36 – Fair Value Measurement

The City of Cockburn measures the following assets at fair value on a recurring basis after initial recognition:

- Available for sale financial asset
- Land and Buildings
- Plant & Machinery
- Computer Equipment
- Furniture and Equipment
- Roads
- Footpaths
- Drainage
- Landfill Infrastructure
- Parks Equipment
- Marina Infrastructure

The following table provides the fair values of the City of Cockburn's assets measured and recognized on a recurring basis after initial recognition and their categorization within the fair value hierarchy:

Recurring Fair Value Measurements

Non-Financial Assets - 30 June	Note	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Land	9(b)	-	84,111,627	-	84,111,627
Buildings	9(b)	-	-	215,120,020	215,120,020
Furniture and Equipment	9(b)	-	-	2,147,807	2,147,807
Computer Equipment	9(b)	-	-	4,153,841	4,153,841
Plant & Machinery	9(b)	-	14,873,074	-	14,873,074
Roads	10(b)	-	-	366,263,283	366,263,283
Footpaths	10(b)	-	-	41,867,605	41,867,605
Drainage	10(b)	-	-	211,708,027	211,708,027
Landfill Infrastructure	10(b)	-	-	20,791,575	20,791,575
Parks Equipment	10(b)	-	-	55,310,434	55,310,434
Port Coogee Marina	10(b)	-	-	50,716,627	50,716,627
Total		-	98,984,701	968,079,219	1,067,063,920

Non-Financial Assets - 30 June 2017	Note	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Land	9(b)	-	82,632,800	-	82,632,800
Buildings	9(b)	-	-	217,312,861	217,312,861
Furniture and Equipment	9(b)	-	-	1,870,689	1,870,689
Computer Equipment	9(b)	-	-	598,759	598,759
Plant & Machinery	9(b)	-	15,302,627	-	15,302,627
Roads	10(b)	-	-	351,679,674	351,679,674
Footpaths	10(b)	-	-	41,062,238	41,062,238
Drainage	10(b)	-	-	204,129,170	204,129,170
Landfill Infrastructure	10(b)	-	-	21,769,439	21,769,439
Parks Equipment	10(b)	-	-	46,204,658	46,204,658
Port Coogee Marina Infrastructure	10(b)	-	-	51,662,441	51,662,441
Total		-	97,935,427	936,289,929	1,034,225,356

City of Cockburn Financial Report

36 (a). Transfers Policy

The policy of the City of Cockburn is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period. There was a transfer of Level 3 for recurring fair value measurements during the year.

36 (b). Highest and Best Use

All assets have been valued at their highest and best use, that being their current use.

36 (c). Valuation techniques used to derive fair values:

The fair values of financial and non-financial assets that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council specialised buildings assets, which are of a specialist nature and where there is no active market for the assets.

The following table summarises the valuation inputs and techniques used to determine the fair value for each asset class.

Asset	Level of Valuation Input	Fair Value at 30 June 2018 (\$)	Valuation Technique(s)	Inputs Used
Land	2	84,111,627	Market Approach	Price per square metre
Buildings	3	215,120,020	Market Approach Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Furniture & Equipment	3	2,147,807	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Computers & Equipment	3	4,153,841	Cost Approach	Make, size, year of manufacture and condition
Plant & Machinery	2	14,873,074	Market Approach	Make, size, year of manufacture and condition
Roads	3	366,263,283	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Footpaths	3	41,867,605	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Drainage	3	211,708,027	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount

**City of Cockburn
Financial Report**

Asset	Level of Valuation Input	Fair Value at 30 June 2018 (\$)	Valuation Technique(s)	Inputs Used
Landfill	3	20,791,575	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Parks Equipment	3	55,310,434	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Port Coogee Marina Infrastructure	3	50,716,627	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Total		1,067,063,920		

Recurring Fair Value Measurements

The City's Infrastructure assets were revalued as at 30 June 2018 by Management Valuation. These were valued on the basis that the entity intended to retain these assets for a continuous use for the purposes of the enterprise and for the foreseeable future. The management had regard to assessing the value of the assets in their existing use and ensuring the highest and best use, noting that the current use of an asset is presumed to be its highest and best use unless market or other factors suggest a different use would maximise its value.

The following methods were used to determine the fair value measurements.

Land

Where there is an active and liquid market as evidenced by sales transactions of similar property types, a Market Approach by way of Direct Comparison or Income methods can be utilised, and are accepted valuation methodologies under AASB13. If a Market Approach is adopted, the valuation is deemed to be a Level 2 input.

Direct Comparison method which is considered a Level 2 input on the Fair Value Hierarchy, involves the analysis of sales evidence and comparisons with the subject land taking into account matters such as area, location and other general site characteristics. We note the Direct Comparison approach has been utilised in our assessment for all Land Assets, however the fair value measurement has been either a Level 2 or 3, depending on assumptions as to:

- Whether the land is subject to restrictions as to use and/or sale;
- Whether there is no active market.

If these assumptions apply to the land, we have measured the expected Fair Value as a Level 3. However if an active market could be established and there were no unreasonable restrictions as to use and/or sale, we have deemed the measurement to be a Level 2. Land carrying a Community or Park Recreation zoning, land that is utilised for Community uses (and not zoned 'Community'), access strips, or due to its general characteristics land that has no observable active market, have been assessed as a Level 3.

The valuation techniques used to measure fair value maximised the use of observable data where it was available and relied as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

For assets valued under Level 3, the unobservable input is the rate per square metre applied to the asset.

Buildings

Where there is an active and liquid market as evidenced by sales transactions of similar property types, the Market

City of Cockburn Financial Report

Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the building valuation is deemed to be a Level 2 input.

Direct Comparison and Summation methods involve the analysis of sales evidence and comparisons with the subject taking into account matters such as method of construction, size, condition, age, land area and location. The land value is subtracted from the Market Value of the property to measure the asset Fair Value.

The Income approach is applied to income producing properties and includes the capitalisation of net income method, or for multi-income stream assets, a discounted cash flow approach. The capitalisation method involves capitalising the estimated net income of the property at an appropriate capitalisation rate (net yield) that has been determined through the analysis of sales evidence.

Due to the predominantly specialised nature of Local Government Assets, most of the buildings valuations have been undertaken on a Cost Approach (Depreciated Replacement Cost) valuation, an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

- Where there is no depth of market as determined for the Council assets, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.
- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied. The conditions assessed are considered a Level 3 input.
- In determining the level of accumulated depreciation, in some instances residual values have been factored into the calculations, which is the value at the time the asset, is considered to be no longer available. The residual values applied are considered a Level 3 input.

While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

Landfill Infrastructure

Where there is an active and liquid market as evidenced by sales transactions of similar property types, the Market Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the asset valuation is deemed to be a Level 2 input.

The Fair Value should represent the highest and best use of the asset, i.e. the use of the asset that is physically possible, legally permissible, financially feasible, and which results in the highest value. Opportunities that are not available to the agency or entity are not considered. In this case we have assumed the current use is the highest and best use due to the specialist nature of the assets.

Due to the predominantly specialised nature of Local Government Assets, the landfill valuations have been undertaken on a Cost Approach (Depreciated Replacement Cost), an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

- Where there is no depth of market as determined for the Council assets, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.
- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied. The conditions assessed are considered a Level 3 input.
- In determining the level of accumulated depreciation for major assets, we have disaggregated into significant components which exhibit different patterns of consumption (useful lives). Residual value is also factored which is the value at the time the asset is considered to be no longer available. The condition assessment is applied on a component basis.
- While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other

City of Cockburn Financial Report

unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics.

The landfill infrastructure assets were segregated into Storage, Monitoring, Water Supply, Fixed Plant, Plant & Equipment and Site works; Water supply and Site works assets were further componentized. Unit rates and lump sums were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's Construction Handbook and quotations, these rates were reviewed by council staff. Raw Costs were increased up to 27% depending on project complexity to allow for project overheads including survey, environmental and investigation costs, engineering design, planning and project management.

A site inspection was carried out as part of the valuation process. However none of the sub-surface assets were inspected due to their inaccessible nature.

Plant & Machinery, Computer Equipment and Furniture & Equipment

These classes of assets were revalued in June 2016 through a management review in order to comply with the mandatory requirements of Reg. 17A of the Local Government (Financial Management) Regulations. The additions since that time are shown at cost and given their level of currency, it is deemed the written down values approximate fair values.

Plant and Machinery assets are generally valued using the market approach based on comparable sales and relevant industry market price reference guides, and have been classified as being valued at Level 2 of the fair value hierarchy. The most significant inputs into this valuation approach are the make, size, year of manufacture and condition.

Level 3 valuation inputs were used to determine the fair value of the City's furniture and equipment. The valuation methodology was determined having regard to the lack of a market and sales evidence, and the level of specialisation of the assets.

Infrastructure Assets (Roads, Footpaths, Drainage, Signs, and Lighting & Fences)

In accordance with AASB13 and legislative requirements, the City carried out internal management revaluations of its Roads, Footpaths, Drainage, Signs, and Lighting & Fences infrastructure assets as at 30 June 2018. These valuations were completed using the Cost Approach (Depreciated Replacement Cost), an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input.

The valuations were coordinated, developed and prepared in-house and formed by establishing unit rates for infrastructure replacement that consider labour, overhead costs and materials.

The unit rates are agreed by reviewing multiple sources as outlined below:

- Current contract rates from the City of Cockburn's contract management system.
- Internal knowledge from key operational stakeholders.
- Current charge out rates for internal labour activities.
- Rawlinson Construction workbook 2014.

The Condition profile of the City's infrastructure assets is measured using a 1 to 5 rating. This rating affects the remaining life of the asset and has been considered in preparing the valuations.

Road surface and footpath data is considered to have an accuracy level of 95% and all roads and footpaths have been segmented from intersection to intersection. The data recorded against each section includes surface area, surface type, date of construction and condition. The City undertook a full road surface and footpath condition assessment audit with Opus during late 2016.

Data is held for all storm water drainage assets including pits, pipes and sumps, and the pit type, pipe material and length and sump size and material. Where the construction year is unknown, this was assumed to be the same year as the road construction date. The data held for the storm water infrastructure is considered to have 85% accuracy. To improve this accuracy level and to validate the City's database an audit of the City's pits and pipes storm water assets

City of Cockburn Financial Report

was commissioned in 2013 and was completed within two years. A condition assessment audit of the entire sump fencing was undertaken in 2012 by the Asset Services team, which also clarified any uncertainty of the material types. Sump fencing was included in the revaluation of Fences.

Marina Infrastructure & Parks Equipment.

The Marina Infrastructure was revalued by AssetVal in 2016. The Infrastructure asset is due to be revalued along with Landfill Infrastructure, Land and Building revaluation in 2019/20.

The City will perform a formal Audit on all Parks Hard Equipment in 2018/19.

36 (d) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- Borrowings

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Liabilities				
Borrowings	12(b)	2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

**City of Cockburn
Financial Report**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

37. Related Party Transaction

Key Management Personnel (KMP) Compensation Disclosure

	Actual 2017/18	Actual 2016/17
The total remuneration for KMP of the City during the year are as follows:		
Short-term employee benefits	1,314,040	1,790,243
Post-employment benefits	112,078	159,432
Other long-term benefits	327,429	313,136
	<u>1,753,547</u>	<u>2,262,811</u>

Short-Term Employee Benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect of fees and benefits paid to elected members may be found at note 30.

Post-Employment Benefits

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

Other Long-Term Benefits

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

Related Parties

The City's main related parties are as follows:

i. Key Management Personnel

Any person(s) having authority and responsibility for planning, direct and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Entities Subject to Significant Influence by the City

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

iii. Joint Venture Arrangements Accounted for Under the Equity Method

The interest in the joint venture arrangements is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture arrangements, refer to Note 17.

Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

	Actual 2017/18	Actual 2016/17
Associated Companies/Individuals:		
Sale of goods and services	-	-
Purchase of goods and services	-	-
Joint Venture Entities:		
Waste disposal payments made to Southern Metropolitan Regional Council	6,420,874	7,637,856
Amounts Outstanding from Related Parties:		
Trade and other receivables	-	-
Loans to associated entities	-	-
Loans to key management personnel	-	-
Amounts Payable to Related Parties:		
Trade and other payables	-	-
Loans from associated entities	-	-

**City of Cockburn
Financial Report**

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

38. Opening & Closing Funds used in the Rate Setting Statement

	2017/18 (30 June 2018 Carried Forward)	2017/18 (1 July 2017 Brought Forward)	2016/17 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) - Rate Setting Statement	11,967,494	6,643,985	6,643,985
Comprises:			
Cash and Cash Equivalents	138,691,393	115,396,082	115,396,082
Financial Assets - Current	-	3,841,492	3,841,492
Trade & Other Receivables	8,240,088	6,894,909	6,894,909
Other Assets	282,233	911,565	911,565
Inventories	35,600	21,782	21,782
	147,249,315	127,065,830	127,065,830
Less:			
Trade & Other Payables	(10,516,264)	(9,381,006)	(9,381,006)
Provisions	(6,730,946)	(6,596,413)	(6,596,413)
	(17,247,210)	(15,977,419)	(15,977,419)
Net Current Assets	130,002,105	111,088,411	111,088,411
Less:			
Restricted Financial Assets - Reserve Funds	(110,905,097)	(97,962,610)	(97,962,610)
Committed Financial Assets (unspent grants & contributions)	(8,151,330)	(7,560,460)	(7,560,460)
	(119,056,427)	(105,523,070)	(105,523,070)
Add:			
Restricted Financial Assets held in Non Current Investments	1,021,816	1,078,644	1,078,644
Surplus/(Deficit)	11,967,494	6,643,985	6,643,985

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2017 Brought Forward position used in the 2018 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2017 audited financial report.



Certified Practising Accountants



City of Cockburn

External Audit Plan For the Year Ending 30 June 2018

11 May 2018

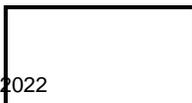


Table of Contents

1. Purpose of the Audit	1
2. Scope of the Audit.....	1
3. Financial Reporting Responsibilities	2
4. Audit Approach	3
5. Significant Risks Identified	5
6. Impact of Fraud on the Financial Report	9
7. Audit Engagement Team.....	10
8. Communications Plan and Timetable	11
9. Independence	11
10. Disclaimer.....	11

1. Purpose of the Audit

The purpose of this audit plan is to summarise our external audit approach in relation to the statutory audit of the City of Cockburn for the financial year ending 30 June 2018.

Our Audit Plan has been prepared to inform the officers and the Audit Committee of the City of Cockburn about our responsibilities as external auditors and how we plan to discharge them.

The plan focuses on:

- Documenting our audit approach, including:
 - audit process;
 - approach to auditing key financial statement risk issues; and
 - completion;
- Presenting our audit engagement team;
- Highlighting relevant independence and governance matters;
- Providing a preliminary assessment of timing;

Our audit approach is focused on assessing and responding to the risk of misstatement in the financial statements.

We are committed to audit quality and the requirements of independence based on Macri Partners' and the accounting profession's strict rules and policies. We have made our initial assessment of potential threats to independence and have adopted appropriately robust safeguards to address those risks and protect independence.

2. Scope of the Audit

We have been contracted by the Office of the Auditor General to conduct an independent audit of the financial report in order to enable the Auditor General to express an opinion on the financial report to the ratepayers of the City of Cockburn.

Our audit will be conducted in accordance with Australian Auditing Standards with the objective of reducing the level of material misstatement in the financial statements to an acceptably low level. These standards have been fully updated and revised to improve their clarity and in some cases this is accompanied by additional audit requirements. We are required to comply with them for the audit of the 2017/18 financial report.

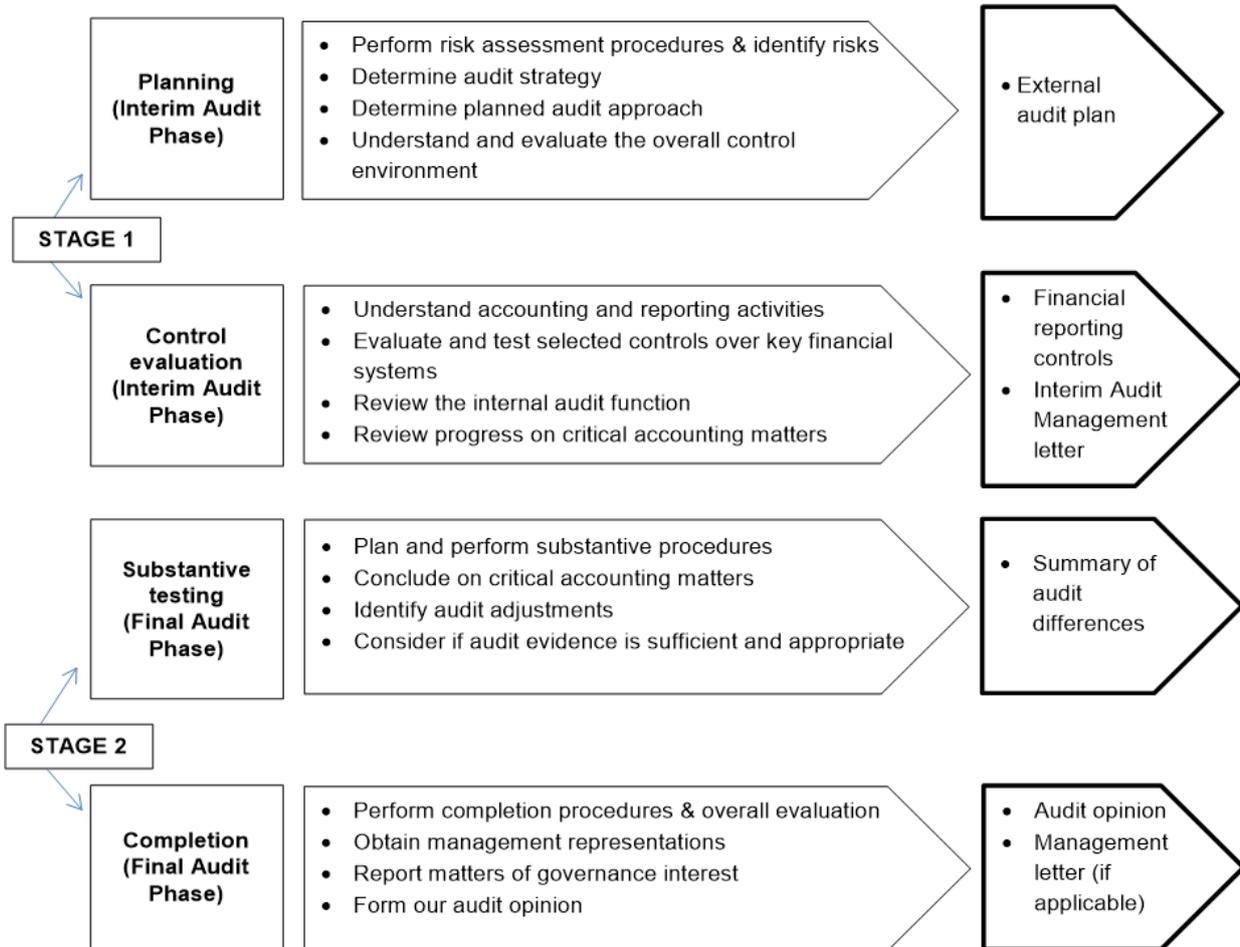
We plan and perform our audit to be able to provide reasonable assurance that the financial report is free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

3. Financial Reporting Responsibilities

Management	External Audit	Audit Committee
<ul style="list-style-type: none"> • Prepare annual financial report and notes in accordance with Australian Accounting Standards, Local Government Act 1995 (as amended) and Regulations under the Act • Design, implement and maintain effective internal control over financial reporting processes • Risk management • Exercise sound judgement in selecting and applying critical accounting policies • Safeguard assets • Prevent, detect and correct errors • Prevent and detect fraud • Provide representations to external auditors • Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial report • Confirm the effective operations of financial reporting controls and disclosures in the annual financial report 	<ul style="list-style-type: none"> • Conduct audit in accordance with professional standards and applicable financial reporting framework (i.e. Auditing Standards and Australian Accounting Standards) • Express an opinion on whether the annual financial report presents a true and fair view in accordance with Australian Accounting Standards, Local Government Act 1995 (as amended) and Regulations under the Act • Plan and perform the audit to obtain reasonable assurance (not absolute assurance) as to whether the accounts are free of material misstatements, whether caused by error or fraud • Maintain audit independence 	<ul style="list-style-type: none"> • Create a culture of honesty and ethical behaviour; set the proper tone and emphasise fraud prevention • Oversee management, including ensuring that management establishes and maintains internal control to provide reasonable assurance regarding integrity and reliability of financial reporting • Oversee management activities which ensure appropriate risk management and controls are in place for monitoring risk and compliance with policies, procedures and laws • Review the Council's performance • Liaise with the external auditors to facilitate external audit • Review annual financial report and recommend approval to the Council

4. Audit Approach

Our objective is to provide an independent auditor’s opinion on the financial report of the City of Cockburn for the year ending 30 June 2018. Our audit methodology is split into two stages and is applied uniquely to City of Cockburn’s circumstances. It involves the following activities.



Our audit procedures will focus on those areas of the City of Cockburn’s activities that are considered to represent the key audit risks identified in our planning memorandum and through discussions with management and the Audit Committee during the course of our audit.

Internal Control Environment

In accordance with the Australian Auditing standards, we will perform a review of the design and operating effectiveness of the Council's significant financial recording and reporting processes. Our audit will be designed to obtain a degree of audit comfort from independent testing of management's internal controls. This approach of understanding and evaluating controls is risk-based and structured on a foundation of the Council having a strong control environment.

Our audit approach will also be based on understanding and evaluating your internal control environment and where appropriate validating these controls, if we wished to place reliance on them. This work will be supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

A Report on Control Findings for the 2017/2018 financial year will be provided to management after the interim audit, outlining our findings, significant deficiencies and our recommendations on where improvements can be made. We will be revisiting this report on audit control findings to check if management's responses have been implemented during the year as agreed.

Key Financial Statement Processes

The following areas will be covered for risk assessment during the interim audit:

- Treasury management cycle – Bank reconciliations and investment of surplus funds
- Procurement and Payments cycle – Purchases, Payments and Creditors Management
- Revenue cycle – Rates and ESL, Other revenue (fees and charges, etc.) and Debtors Management
- Payroll cycle
- Fraud risk assessment - Journals
- IT Controls assessment

Compliance Matters

An examination of some compliance matters (including registers, minutes and other legislative matters) under:

- Part 6 of the Local Government Act 1995 (as amended);
- the Local Government (Financial Management) Regulations 1996 (as amended); or
- applicable financial controls of any other written law

will be carried out and any non-compliance matters identified will be reported in our Interim Audit Management Report for management information. Non-compliance matters are also required to be reported in our Independent Auditor's Report.

Audit Requirements Schedules

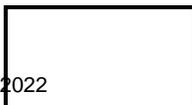
To assist the Council in gathering and collating the necessary information for our final audit visit, we will forward an Audit Requirements Schedule in June 2018. As the requested information will form the basis of our audit working papers, the information will be required to be made available to us at the commencement of our audit visit. This will assist us in delivering an efficient audit and minimising interruptions to the Council's staff.

5. Significant Risks Identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that, therefore, occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty".

In this section, we outline the significant risks of material misstatement, which we have identified.

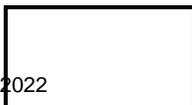
Risk of Material Misstatement	Financial Statement Impact and Consequence	Planned Audit Approach
1. Fair Value Assessment and Revaluation of Infrastructure Asset Classes		
<p>Regulation 17A of the LG (Financial Management) Regulations 1996 requires Infrastructure and all other assets to be measured at fair value for the year ending 30 June 2018, which may be based on significant estimations and use of valuer/management's judgements and assumptions. The Council will be having its infrastructure and all other asset classes revalued this financial year.</p>	<p>The value of infrastructure and other assets may be materially misstated.</p> <p>The accuracy of the asset revaluation surplus and/or impairment expense may be materially misstated.</p>	<p>Review the basis of the asset revaluations (at fair value) undertaken and in doing so consider:</p> <ul style="list-style-type: none"> • the judgements, assumptions and data used; • the reasonableness of any estimation techniques applied; and • the appropriateness of valuations undertaken including the expertise of City of Cockburn's valuer. <p>➤ We will review other significant additions and disposals of assets during the year.</p> <p>➤ Review appropriateness of depreciation against the estimated useful life in the Council's accounting policies</p> <p>➤ Perform procedures to obtain assurance that valuations have been appropriately recorded in the fixed asset register and general ledger.</p>



Risk of Material Misstatement	Financial Statement Impact and Consequence	Planned Audit Approach
2. Development Contributions and Gifted Assets		
<p>The City receives a significant amount of payments, in-kind works, services or facilities and gifted assets.</p> <p>Development contributions are payments or in kind works provided by developers towards the supply of infrastructure to support new land developments. They are collected mainly by using Development Contributions Plans (DCPs), voluntary agreements and planning and building permit processes.</p>	<p>Revenue from contributions (cash/non cash) may be materially misstated due to the failure to correctly recognise and measure recognition of assets in accordance with the applicable accounting standards.</p>	<ul style="list-style-type: none"> ➤ Obtain an understanding of and assess the controls over the recording of development contribution revenue in the City's financial statements and collection of development contributions ➤ Ensure that the recognition of contributed and gifted assets is performed consistently and in accordance with Australian Accounting Standards AASB 116 <i>Property, Plant and Equipment</i> and AASB 13 <i>Fair Value Measurement</i>
3. Risk of Fraud through Management Override of Controls		
<p>Australian Auditing Standard ASA 240 – <i>The auditor's responsibility to consider fraud in an audit of financial statements</i> requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.</p> <p>In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>Assertions, account balances and operating results may be materially misstated.</p>	<p>We will assess the processes in place to prevent and detect fraud. Auditing Standard ASA 240 imposes specific audit procedures, including:</p> <ul style="list-style-type: none"> ➤ Testing a sample of journals recorded in the general ledger and other adjustments made in preparation of the financial statements ➤ Reviewing material accounting estimates for bias ➤ Reviewing significant unusual transactions outside the normal course of business



Risk of Material Misstatement	Financial Statement Impact and Consequence	Planned Audit Approach
4. Revenue Recognition		
<p>In accordance with Australian Auditing Standard ASA 240 – <i>The auditor’s responsibility to consider fraud in an audit of financial statements</i>, we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period.</p> <p>The standard allows the presumption to be rebutted but, given a local government’s range of revenue sources, we have concluded that there are insufficient grounds for rebuttal. This does not imply that we suspect actual or intended manipulation, but that we continue to deliver our audit work with appropriate professional scepticism.</p>	<p>Budgetary pressures and performance targets may influence the revenue recognition.</p> <p>Revenue may be materially misstated due to the failure to correctly recognise and measure it in accordance with the applicable accounting standards.</p>	<ul style="list-style-type: none"> ➤ Substantiate verification of cut-off procedures to mitigate the risk of income being recognised in the wrong period. ➤ In addition, undertake a range of substantive procedures including: <ul style="list-style-type: none"> • testing receipts to ensure they have been recognised in the correct year; • testing adjustment journals; and • obtaining direct confirmation of year-end bank balances and testing bank reconciliations to the general ledger. ➤ Assess whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>
5. Financial Ratios		
<p>The Department of Local Government, Sport and Cultural Industries (DLGSCI) launched a website www.mycouncil.wa.gov.au where all key financial ratios for every Council are reported to allow the public to view the financial health score of local governments.</p>	<p>There may be a higher level of scrutiny of the results in the financial statements and the key financial ratios.</p> <p>The financial ratios may not be calculated in accordance with legislative requirements.</p>	<ul style="list-style-type: none"> ➤ Check the calculations of the financial ratios ➤ Assess the reasonableness of explanations provided for any significant variations.



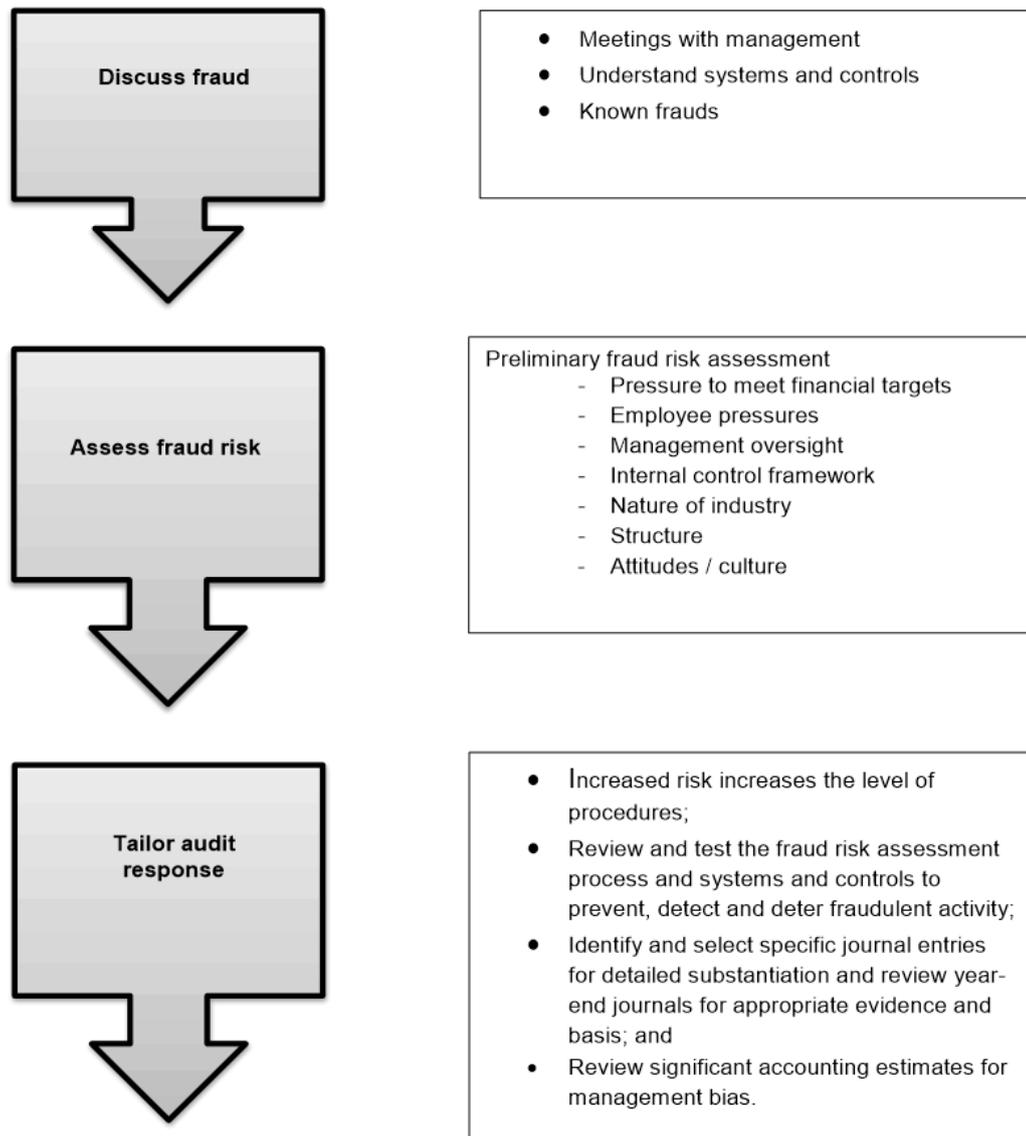
Risk of Material Misstatement	Financial Statement Impact and Consequence	Planned Audit Approach
6. Provision for Site Rehabilitation		
<p>The Henderson landfill accepts general rubbish and green waste.</p> <p>The obligation for the Council to recognise and maintain the provision for site rehabilitation arises because of the significant costs involved in rehabilitating the sites.</p>	<p>High degree of complexity involved in the calculation</p>	<ul style="list-style-type: none"> ➤ Review the estimates and assumptions in the model developed by the Council for estimating total expenditure over the landfill discounted to net present value ➤ Review of depreciation/amortisation charge for reasonableness ➤ Ensure that the provisions have been correctly calculated according to: <ul style="list-style-type: none"> • Accounting Standard 137 <i>Provisions, Contingent Assets and Contingent Liabilities</i> • UIG Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>
7. Changes to Local Government (Financial Management) Regulations that have been signalled by DLGSCI		
<ul style="list-style-type: none"> • Introduction of a \$5,000 asset capitalisation threshold - if mandated, local governments would need to expense existing assets below \$ 5,000. Associated with this, DLGSCI proposes that those assets below \$ 5,000 that are portable and attractive be included in a separate register. • Replacement of valuation dates for classes of assets with a requirement for assets to be at fair value and revalued every 3 to 5 years. • Proposed change to the wording of the Statement by Chief Executive Officer. 	<p>Impact on the expense and property, plant and equipment balances.</p>	<ul style="list-style-type: none"> ➤ Monitor the progress of these proposed regulatory changes and work with your management as and when the changes are implemented.

Additional risks may emerge over the course of the audit. These factors will be considered in our reporting to the City of Cockburn and the design of our audit procedures.



6. Impact of Fraud on the Financial Report

In accordance with Auditing Standard ASA 240 “*The Auditor’s responsibility to consider fraud in an Audit of a Financial Report*”, we will undertake specific procedures and report findings to the Council in respect of financial reporting fraud. The following diagram highlights the phases of our work on fraud.



We will be forwarding a Fraud and Error Assessment Form which is required to be completed by management and Audit Committee of the City of Cockburn prior to our final audit visit.

The form allows us to make enquiries of management and the Audit Committee, to obtain their understanding on the risk of fraud within their Council and to determine whether management have knowledge of fraud that has been perpetrated on or within the Council.

7. Audit Engagement Team

The audit team consists of the key members listed below:

Engagement Role	Name	Responsibilities
Audit Partner	Anthony Macri	Engagement leader responsible for the audit, including: <ul style="list-style-type: none"> liaison with the Chief Executive Officer and audit committee members reporting to the Office of the Auditor General in accordance with the contract recommending audit opinion to the Auditor General
Audit Manager	Suren Herathmudalige	Responsible for: <ul style="list-style-type: none"> key contact for operational audit matters ensuring delivery of interim and final audit timetables management of targeted work overall quality control of the audit engagement overall review of audit outputs
The Auditor General's Representative	Jordan Langford - Smith	Responsible for: <ul style="list-style-type: none"> overseeing the audit and for facilitating audit opinions

8. Communications Plan and Timetable

Auditing Standard **ASA 260 'Communication of audit matters with those charged with governance'** requires auditors to plan with those charged with governance the form and timing of communications with them. We have assumed that 'those charged with governance' are the Audit Committee.

Output	Timing
Interim Audit Field Work	28 May 2018 – 30 May 2018
Provide Interim Management Letter	On receipt of management responses to the draft Interim Management Letter.
Final Audit Field Work	1 October 2018 – 3 October 2018
Present the Audit Findings Report to the Audit Committee	October 2018 – November 2018 (Management to confirm)
Provide Audit Opinion on Financial Statements	October 2018 – November 2018 (Management to confirm)

9. Independence

Independence and Objectivity Confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the Audit Engagement Partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, this is the Council.

Confirmation Statement

We confirm that in our professional judgement, Macri Partners is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Engagement Partner and audit staff is not impaired.

10. Disclaimer

This audit plan has been prepared for the Audit Committee and management of the City of Cockburn only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the City of Cockburn.

MACRI PARTNERS

2018 FRAUD & ERROR
ASSESSMENT

CITY OF COCKBURN



MACRI PARTNERS

Explanatory Information

The purpose of this form is to contribute towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make enquiries of the Audit Committee under auditing standards.

Background

Under the Australian Auditing Standards, auditors have specific responsibilities to communicate with the Audit Committee.

Australian Auditing Standards ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and ASA 260 *Communication with Those Charged with Governance* now make it mandatory for auditors to make enquiries of management and those charged with governance (audit committees) regarding matters that are indicated in the template form. The enquiries with those charged with governance (audit committees) are made in part to corroborate the responses to the enquiries of management.

Respective Responsibilities

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit Committee's oversight to address fraud risk.

This form includes a series of questions on each area with provision for responses from both management and the Audit Committee.

We suggest that Management complete the relevant sections before submitting these responses to the Audit Committee.

The Audit Committee should consider whether these responses are consistent with its understanding, before completing the relevant sections applicable to them.

MACRI PARTNERS

Fraud and Error Assessment – Management CITY OF COCKBURN

FOR THE YEAR ENDING 30 JUNE 2018

1. Has management assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?

Response:

This risk is included within the City's corporate risk registers and after considering existing control measures, management has assessed the residual risk as being moderate.

2. What processes does management have in place to identify and respond to risks of fraud?

Response:

The City has a Fraud Prevention Policy. Fraud risk factors are addressed in the City's corporate risk registers. Controls include:

- *Fraud Control Plan*
- *Fraud Awareness / Management Program*
- *City of Cockburn Risk Management Strategy*
- *City of Cockburn Risk Register*
- *City of Cockburn Incident Discipline Process*
- *Code of Conduct for Staff*
- *Code of Conduct for Elected Members*
- *Public Interest Disclosure Act 2003 & Guidelines*

3. Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?

Response:

Overall, the level of fraud risk present at City of Cockburn is well managed and importantly fraud risks are currently rated Moderate and Low (i.e. there are currently no High or Extreme identified risks) in areas of Contract Management, Procurement, People and Planning. There is potential to further reduce the fraud risk profile of the City, and the City continues to initiate controls to ensure that the fraud risk profile is reduced.

4. Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?

Response:

Management considers that adequate internal controls (including segregation of duties) are in place and are operating effectively. These are reviewed annually in accordance with the City's risk management framework requirements and annual control reviews are conducted to validate the effectiveness of mitigation controls.

MACRI PARTNERS

5. Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (e.g. because of undue pressure to achieve financial targets such as a surplus position or better performance indicators)?

Response:

There is always the potential for inappropriate influence, but Management is confident the City's existing control environment reduces this risk to a low or moderate level.

6. What arrangements are in place to report fraud issues and risks to the Audit Committee?

Response:

All High and Extreme risks are reported to the Audit Committee three times a year (March, July & November), further to that the City uses a risk management system to monitor and review all operational and strategic risks. Whereby all responsible risk owners are assigned control actions for each risk, and a review timeframe is set in accordance to the City's risk appetite. The system generated automatic notification when controls are due for review, and escalates risk actions in accordance to the City's risk treatment criteria. In addition an annual control review is conducted to validate the effectiveness of mitigation controls.

7. How does the Council communicate and encourage ethical behaviour of its staff and contractors?

Response:

The City has a Code of Conduct for Staff that provides guidelines on ethical responsibility and accountability expectations. These are covered during staff inductions and reviewed during annual appraisals.

A Statement of Business Ethics has also been developed and implemented that outlines the integrity and ethical standards expected by the City from its employees, officers, suppliers and service providers when doing business. This is communicated to all new suppliers and contractors when being engaged.

8. How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?

Response:

The City has designated Public Information Disclosure (PID) Officers, and publishes the City Internal Procedures to provide a guideline for persons wishing to make a PID on the Intranet and Website. One significant issue was reported during the year and has been addressed and the City intends to develop a training and awareness program for staff to be more aware of their own responsibilities.

9. Are you aware of any related party relationships or transactions that could give rise to risks of fraud?

Response:

Management is not aware of any.

MACRI PARTNERS

10. Are you aware of any instances of actual, suspected or alleged, fraud, within the Council since 1 July 2017? If yes, provide details of what occurred and who was involved.

Response:

An incidence of suspected fraud relating to fake supplier quotations used in procurement transactions was uncovered during the year. The City's control environment enabled the suspected fraud to be identified and given an ongoing Police investigation, details need to remain confidential. .

11. Please advise if there have been any matters reported to the CCC (Corruption and Crimes Commission) by the City.

Response:

One matter was reported to the CCC during 2017-18, being the issue mentioned in the response to question 10. The CCC determined it would not investigate the matter and asked the City to refer it to the Police, which the City did.

Signature: _____
Name: _____
Position: CEO / Director Position
Date: _____

MACRI PARTNERS

Fraud and Error Assessment – Audit Committee CITY OF COCKBURN

FOR THE YEAR ENDING 30 JUNE 2018

The Australian Auditing Standards require us to consider the risk that fraud could occur within the Council. We are preparing to perform our Interim Audit risk assessment of your Council in relation to the audit for the year ending 30 June 2018. We would appreciate if you could briefly answer the following questions in the spaces provided, and return this signed letter.

1. Has the Council's management communicated to you its processes for identifying/responding to risks of fraud?

Response:

The management of the City has and does go through the processes and policies in relation to risks of fraud.

2. How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?

Response:

The Audit Committee receives reports from management on identifying risks of fraud. The Committee members have the right to ask and question the Officers and Auditors at any time.

3. Is the Audit Committee aware of any actual, suspected or alleged fraud? If yes, please provide details.

Response:

The Committee is aware of one employee who has been reported to the Crime and Corruption Commission and the WA Police Service in relation to a procurement matter. The Police have opened an active investigation into the matter.

The employee chose to resign rather than to participate in the City's investigation.

Signature: _____
 Name: _____
 Position: CHAIR _____
 Date: _____

MACRI PARTNERS

Examples of Circumstances that Indicate the Possibility of Fraud

The following are examples of circumstances that may indicate the possibility that the financial report may contain a material misstatement resulting from fraud.

Discrepancies in the accounting records, including:

- Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy.
- Unsupported or unauthorised balances or transactions.
- Last-minute adjustments that significantly affect financial results.
- Evidence of employees' access to systems and records inconsistent with that necessary to perform their authorised duties.
- Tips or complaints to the auditor about alleged fraud.

Conflicting or missing evidence, including:

- Missing documents.
- Documents that appear to have been altered.
- Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist.
- Significant unexplained items on reconciliations.
- Unusual balance sheet changes, or changes in trends or important financial statement ratios or relationships – for example receivables growing faster than revenues.
- Inconsistent, vague, or implausible responses from management or employees arising from enquiries or analytical procedures.
- Unusual discrepancies between the entity's records and confirmation replies.
- Large numbers of credit entries and other adjustments made to accounts receivable records.
- Unexplained or inadequately explained differences between the accounts receivable sub-ledger and the control account, or between the customer statements and the accounts receivable sub-ledger.
- Missing or non-existent cancelled cheques in circumstances where cancelled cheques are ordinarily returned to the entity with the bank statement.
- Missing inventory or physical assets of significant magnitude.
- Unavailable or missing electronic evidence, inconsistent with the entity's record retention practices or policies.
- Fewer responses to confirmations than anticipated or a greater number of responses than anticipated.
- Inability to produce evidence of key systems development and program change testing and implementation activities for current-year system changes and deployments.

Problematic or unusual relationships between the auditor and management, including:

- Denial of access to records, facilities, certain employees, customers, vendors, or others from whom audit evidence might be sought.
- Undue time pressures imposed by management to resolve complex or contentious issues.
- Complaints by management about the conduct of the audit or management intimidation of engagement team members, particularly in connection with the auditor's critical assessment of audit evidence or in the resolution of potential disagreements with management.
- Unusual delays by the entity in providing requested information.
- Unwillingness to facilitate auditor access to key electronic files for testing through the use of computer-assisted audit techniques.
- Denial of access to key IT operations staff and facilities, including security, operations, and systems development personnel.
- An unwillingness to add or revise disclosures in the financial report to make them more complete and understandable.
- An unwillingness to address identified deficiencies in internal control on a timely basis.

MACRI PARTNERS

Other

- Unwillingness by management to permit the auditor to meet privately with those charged with governance.
- Personal financial pressure
- Vices such as substance abuse and gambling
- Extravagant purchasing or lifestyle
- Real or imagined grievances against the organisation or management
- Increased stress, irritable, defensive and argumentative
- No vacations / sick leave / excessive overtime
- Dominant personality
- Protective of area of administration and missing documents and files from the staff's area
- Accounting policies that appear to be at variance with industry norms.
- Frequent changes in accounting estimates that do not appear to result from changed circumstances.
- Tolerance of violations of the entity's Code of Conduct.

13.3 (2018/MINUTE NO 0017) 2018 INTERIM AUDIT MANAGEMENT REPORT

Author(s)	N Mauricio
Attachments	<ol style="list-style-type: none"> Schedule of Matters Identified During Interim Audit (Draft) ↓ Interim Audit Coverage ↓

RECOMMENDATION

That the Committee receives the draft Matters Identified During Interim Audit Report for the year ended 30 June 2018, as shown in the attachment to the Agenda.

COMMITTEE RECOMMENDATION

MOVED Cr C Reeve-Fowkes SECONDED Mayor L Howlett

That the recommendation be adopted.

CARRIED 4/0

Background

Council is required to examine the report prepared by the External Auditor and is to determine if any matter raised in the report requires further action to be taken. The audit examination is designed primarily for the purpose of the auditor expressing an opinion on the 2017-18 financial statements of the City.

Council is required to meet with the Auditor of the Local Government at least once every year.

Submission

N/A

Report

The City's interim audit was conducted in May 2018 by the audit firm Macri Partners, under contract from the Office of the Auditor General (OAG). The 2017-18 financial year is the first year that the City's audit requirements fall under the responsibility of the OAG. Macri Partners have provided their findings and recommendations in the draft Matters Identified During Interim Audit Report (attached), which has been reviewed and approved by the OAG. It is expected that a signed final copy will be provided to the City, following its presentation and discussion at this meeting.



The City received an Interim Audit Coverage document (attached) that outlined the objective of the interim audit to review the accounting and internal control procedures in operation, as well as testing of transactions in the following key areas:

- Bank Reconciliations;
- Investments;
- Rates / ESL Levy;
- Receipting;
- Sundry Debtors;
- Purchase of Goods and Services and Payments;
- Creditors;
- Payroll;
- General Accounting (Journal Entries, etc.);
- IT Controls;
- Registers (Tender, etc.);
- Property, Plant & Equipment and Infrastructure;
- Development Contribution Plans and Gifted Assets; and
- Minutes Review.

The auditors also discussed progress on audit findings and recommendations reported by audit in the previous year's interim audit management letter and final Audit Completion Report. These were found to be adequately addressed.

The interim audit has resulted in 14 issues being raised in the auditor's management letter, with most recommendations made relating to improving internal controls, security and management oversight.

Below is a summary of the audit findings and the associated risk ratings as determined by the auditor:

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Approval of Investments	✓		
2. Variation of Contracts		✓	
3. Gross Rental Value (GRV) and Unimproved Value Revaluation Reconciliations		✓	
4. Monthly Debtor Reconciliations.			✓
5. Daily Revenue Reports		✓	
6. Passwords		✓	



7. Active Directory Audit		✓	
8. Excessive Leave		✓	
9. Payroll Master File		✓	
10. Overtime Payments		✓	
11. Fortnightly Payroll Reports		✓	
12. Disaster Recovery Plan Testing		✓	
13. Monthly Trust Bank Reconciliations			✓
14. Statement of Financial Activity			✓

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 mitigating action is not taken. It should be noted that management did not necessarily agree with the "Significant" rating given to the approval of investments, as argued in the management comments, but nonetheless has committed to strengthening controls that specifically address the audit finding and recommendation for this area.

Management comments have been provided for all of the 14 audit findings and where relevant, the actions the City will take to address any recommendations made (as attached).

All management responses where actions are committed to, will be recorded as risk control actions against the appropriate risk on the Risk Register in the Risk Management and Safety System. This will allow the City to track, monitor and review these actions in accordance with the City's Risk Framework and be able to respond to future audit on actions completed.

Strategic Plans/Policy Implications

Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes

Ensure sound long term financial management and deliver value for money



Budget/Financial Implications

The cost of external audit services is sufficiently covered within the City's annual budget.

Legal Implications

Local Government Act 1995 Sections 5.54, 6.4, 7.9 and 7.12A
Local Government (Audit) Regulations 1996 Regulations 9 and 10

Community Consultation

N/A

Risk Management Implications

The external audit function is a mandatory legislative requirement and an important component of the City's risk management framework. The interim audit seeks to identify issues that could lead to increased levels of financial and fraud risk for the City and makes appropriate recommendations to reduce the perceived level of risk. Council needs to be satisfied that management responses adequately address the identified or potential risks.

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil



ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Approval of Investments	✓		
2. Variation of Contracts		✓	
3. Gross Rental Value (GRV) and Unimproved Value Revaluation Reconciliations		✓	
4. Monthly Debtor Reconciliations.			✓
5. Daily Revenue Reports		✓	
6. Passwords		✓	
7. Active Directory Audit		✓	
8. Excessive Leave		✓	
9. Payroll Master File		✓	
10. Overtime Payments		✓	
11. Fortnightly Payroll Reports		✓	
12. Disaster Recovery Plan Testing		✓	
13. Monthly Trust Bank Reconciliations			✓
14. Statement of Financial Activity			✓

KEY TO RATINGS

The Ratings in this management letter 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. We give consideration 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).

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.

ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

- Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor - Those findings that are not of primary concern but still warrant action being taken.

DRAFT



ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

1. Approval of Investments

Finding

We noted that there is no documentary evidence to indicate that a delegate (such as the Manager Financial Services) has approved an investment prior to the investment being made.

We were advised that the Management Accountant consults the Manager Financial Services before requesting its investment advisor, FIIG Securities Ltd, to place investments on behalf of the City. The Management Accountant then includes the Manager Financial Services as a 'cc' in an email to the investment manager instructing them to purchase. However, there is no evidence of the initial consultation, being copied into an email is not evidence of approval, and there is a risk that the email recipient does not see the email and is therefore unaware of the investment.

Rating: Significant

Implication

There is a high risk of inappropriate investments being made, when investment decisions are not approved by an officer with a delegation to approve investments. This could subject the Council to financial loss.

Recommendation

The City should ensure that all investment decisions are approved by a delegated officer. Evidence of this approval, either electronic or manual, should be retained on file.

Management Comment:

Management questions the significant risk rating and the implication that Council could be subjected to financial loss. To defend this view, a summary of the investment process is provided.

All term deposit investments are placed on behalf of the City by its investment advisor FIIG Securities through a real time gross settlement (RTGS) Austraclear proxy service and using third party authority arrangements. No direct investments are able to be placed by the Management Accountant.

When surplus funds are available for investment, interest rate quotes are sought from FIIG, who also ensure that any instructed investment falls within Council policy limits (rating exposures, individual limits). FIIG also indicate which financial institutes the City has an account with, being a prerequisite for placement of funds. Investment with new institutions firstly requires formal documents to be executed by the delegated officers.

The Management Accountant requests the placement only after considering the City's cash flow requirements, the interest rates being offered and discussing his recommendation with the Manager Financial Services (delegated officer). All the communications with FIIG are via email with the delegated officer being Cc'd on all emails. The only potential risk to Council from the delegated officer not having been aware of a placement is the decision risk from the interest

ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

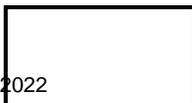
rate achieved. This is considered an extremely minor risk, given the natural tendency to choose the best interest rate available for the required term.

However, in order to address the audit concern, the placement process has been amended with an additional email between the Management Accountant and the delegated officer to confirm approval in writing before the instruction email to FIIG. However, the decision risk can never be totally eliminated regardless how the placement is determined.

Responsible Person: Nelson Mauricio

Completion Date: August 2018

DRAFT



ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

2. Variation of Contracts

Finding

We noted that there are no limits on the delegations for entering into contract variations.

Paragraph 21 A of the Local Government (Functions and General) Regulations 1996, allows local governments to make variations to the original contract price under certain specific circumstances. This is supported by the City's 'LGAES4' which delegates this authority to enter into contract variations to various officers. While this delegation stipulates that the variation must be within the budgeted allocation, there is no threshold on the amounts which can be approved.

Rating: Moderate

Implication

In the absence of a stipulated threshold for variations to contract, there is a greater risk that procurement rules (such as the requirement to call for tenders for purchases over \$ 150,000) are not complied with. For example, a contract for less than \$ 150,000 may be varied to being above \$ 150,000, without a tender being performed.

Recommendation

The City should review its purchasing policy and guidelines with a view to setting a threshold for variations to contracts in order to mitigate the above implication. Contract variations above the threshold specified in the purchasing policy should be approved by Council.

Management Comment:

Management doesn't necessarily agree with the audit implications and recommendation. Using the audit example above, if a contract is awarded below \$150,000 and subsequently sort to be varied above \$150,000, the appropriate delegated financial authority (DFA) is required to approve the purchase order amendment at the full value. This is then assessed for compliance and appropriateness by the Procurement team, before it is released or otherwise. Typically, these contracts are already in progress and it is not possible to call tenders retrospectively. A requirement to bring these types of contract variations before Council is both obstructive to efficient service delivery and considered an unnecessary use of the function of Council.

As a mitigating control used by the City, the Procurement team vets all proposed purchases approaching \$150,000 in value and assesses the likelihood of the tender threshold being breached. If deemed any risk, it is referred to a tender process.

In practice, most large building contracts have allowances for provisional sums and contingency amounts, enabling minor variations to be dealt with administratively. As it is these types of contracts most susceptible to variations, the effective use of these allowances by the City reduces the need for contract variations and constant referral to Council.

ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

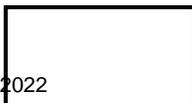
Council has purposely set a contract value threshold of \$650,000 within policy SES3 Procurement Evaluations for contract awards coming before Council. By extension, any contract varied above this value is also required to come before Council under the DFA provisions within policy SES3. These govern the requirement for committing budgeted expenditure and amending purchase orders.

In order to specifically address the audit concern raised, Council's delegated authority for contract variations (LGAES4) will be amended to explicitly limit contract variations to a total contract value of \$650,000. This will align with policy SES3 Procurement Evaluations, with any variations above this value continuing to be brought before Council (as is the current practice). Contract variations up to a value up to \$650,000 will continue being governed by existing policies and DFA requirements.

Responsible Person: Nelson Mauricio

Completion Date: December 2018

DRAFT



ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

3. Gross Rental Value (GRV) and Unimproved Value Revaluation Reconciliations**Finding**

We noted that whilst the major Gross Rental Value (GRV) rates revaluation reconciliation was performed, there was no evidence that the reconciliation was signed by the preparer and reviewed by an independent senior officer.

A major revaluation was carried out in April/May 2017 by the Valuer General's Office with the new valuation taking effect from July 2017. The rates reconciliation was performed by the Rates & Revenue Manager, reconciling the Valuer General's report to the year-end rating assessment value on the rates ledger in the financial system.

Rating: Moderate

Implication

Lack of review by an independent senior officer may lead to erroneous valuations entered in the rates system being undetected, resulting in incorrect rates being used.

Recommendation

We recommend that the City introduce a procedure to ensure that the major GRV revaluation reconciliation report is signed off by the preparer and reviewed by an independent senior officer.

Management Comment:

The triennial GRV revaluation data was reconciled by the Rates & Revenue Manager to ensure correctness and the Manager Financial Services was briefed on the outcomes and involved in the rates modelling. The rates modelling included direct comparisons to prior values to identify any anomalies. Each fortnightly interim GRV valuation schedule is processed using the City's automated processing system. This provides an additional safeguard that the valuation data being uploaded is correct.

Management is satisfied that no erroneous valuations were entered for rating purposes, but will ensure that future revaluation schedules uploaded are supported with evidence of independent review for audit purposes. For this purpose, a new digital (paperless) review process will be implemented.

Responsible Person: Chantelle D'Ascenzo, Rates & Revenue Manager

Completion Date: December 2018

ATTACHMENT A

CITY OF COCKBURN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
MATTERS IDENTIFIED DURING THE INTERIM AUDIT

4. Monthly Debtor Reconciliations**Finding**

During our testing, we noted three instances (out of 10 samples tested) where monthly rates debtor reconciliations were reviewed long after the month end. These instances relate to the months of November 2017 to December 2017 and January 2018.

Rating: Minor

Implication

Errors in rates balances may not be detected and rectified in a timely manner unless the monthly rates reconciliations are reviewed promptly.

Recommendation

The City should ensure that rates reconciliations are promptly reviewed by an independent officer.

Management Comment:

The debtor reconciliations are prepared and reviewed each and every month. Those found by audit to have been reviewed late were during a period where the City was developing and implementing a new digital (paperless) review process. The new process implemented ensures more efficient, prompt and transparent reviews of debtor reconciliations.

Responsible Person: N/A
Completion Date:

ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

5. Daily Revenue Reports

Finding

We noted that there were no reconciliations between the cash taken and the system generated "Daily Revenue Reports" prepared by the responsible officers at Front Counter, Senior Centre and Henderson Waste Recovery Park receipting sites.

Further, there was no evidence that an independent officer has reviewed the reports to ensure that all cash taken is correctly recorded.

Rating: Moderate

Implication

In the absence of such controls, misappropriations of cash may not be detected.

Recommendation

The City should ensure that the "Daily Revenue Reports" are reconciled to the relevant cash count sheets, banking slips and bank statements on a daily basis. These reconciliations should be independently reviewed and evidence of this review should be retained on file.

Management Comment:

Cash handling operations have greatly diminished in many of the City's revenue collecting centres, with card and online payments making up over 80% of payments. All of the three largest cash points (Administration Building, Henderson Waste Recovery Park and Cockburn ARC) have adequate cash verification regimes in place. An absence of material variances in the daily cash banking points to the adequacy of current controls.

Cash count summaries are reviewed and signed by front counter supervisors before being provided to the Revenue Team, which then form part of the banking documents. Whilst the Revenue Team only performs a perfunctory review of cash to 'Daily-Revenue-Reports', cash deposits are then reviewed and verified the next day as part of daily bank reconciliation processing. Bank reconciliations are then subject to independent review and sign off on a monthly basis.

The daily processes discussed above apply specifically to the Administration Building, where more significant amounts of cash are handled. The audit observation may perhaps relate to other cash handling centres, which have differing daily processes to those administered at the Administration Building. However, these are tailored to the individual business requirement and risk level. Management are therefore comfortable with the adequacy of control levels currently in place.

Responsible Person: N/A

Completion Date:

ATTACHMENT A

CITY OF COCKBURN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
MATTERS IDENTIFIED DURING THE INTERIM AUDIT

Passwords**Finding**

We noted that passwords for network access have not changed for over three years.

This matter was reported by the previous auditor Macri Partners in his management letter dated 28 June 2017. The management response then provided was as follows:

“ Information Services have as one of their 2017/18 strategic items to recommend a suite of policies and procedures designed to enhanced data and information security practices across the City. These documents will be a precursor to the City’s longer term strategic aim to achieve ISO9001 accreditation within Information Services.”

Rating: Moderate

Implication

A potential consequence of aged passwords is the vulnerability of the information technology systems to unauthorised access.

Recommendation

We recommend that the procedures in relation to passwords be reviewed to include periodic change of passwords for all users.

Management Comment:

The City has already commenced the process of establishing a password policy and plans to have this fully implemented by the end of the calendar year. The proposed policy will enforce password changes at least yearly and also contains a minimum password strength protocol.

Responsible Person: Brett Fellows, Manager Information Services

Completion Date: December 2018

ATTACHMENT A

CITY OF COCKBURN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
MATTERS IDENTIFIED DURING THE INTERIM AUDIT

6. Active Directory Audits**Finding**

We noted that an audit of Active Directory accounts has not been carried out to ensure only authorised and current accounts are active.

This matter was reported by the previous auditor Macri Partners in his management letter dated 28 June 2017. The management response then provided was as follows:

"The aforementioned suite of policy and procedure reviews/creations will address the checking of actual establishment data versus data held within Active Directory. It is not advisable to hold quarterly audits until this work is complete."

"Management will recommend this be raised as a priority project for the next financial year."

The 'City of Cockburn Active Directory Account Security' document recommends a regular audit of the Active Directory Accounts. It further recommends that the Human Resources Department supplies an accurate record of current City of Cockburn staff list to IT department on a quarterly basis.

Rating: Moderate

Implication

In the absence of such an audit, there is a risk of unauthorised access to the system. For example, dormant accounts of terminated may be used inappropriately to gain access.

Recommendation

The City should perform regular audits of the Active Directory Accounts against the current staff list from the Human Resources Department in line with the policies and procedures.

Management Comment:

An audit of the Active Directory will be carried out this calendar year.

Responsible Person: Brett Fellows, Manager Information Services
Completion Date: December 2018

ATTACHMENT A

CITY OF COCKBURN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
MATTERS IDENTIFIED DURING THE INTERIM AUDIT

7. Excessive Leave**Finding**

During our review of employee annual leave entitlement balances as at 15 May 2018, we noted that there were 37 staff with outstanding annual leave entitlements in excess of 8 weeks, to a maximum of 13 weeks.

The City's "Taking of Annual Leave and Long Service Leave" Policy (PSFCS20) stipulates that employees should have no more than eight weeks (304 hours) leave due to them at any given time.

Rating: Moderate

Implication

Excess annual leave entitlements may have adverse effects on the City including:

- key staff not being rotated, a preventive control against fraud;
- health and safety concerns with staff members not taking their annual entitlements;
- increase the City's costs given salary rises and increments over time.

Recommendation

We recommend that excessive employee annual leave balance be reviewed and appropriate measures taken to comply with the requirements under the City's Annual Leave policy.

Management Comment:

This issue has been a focus for the past few months. HR recently implemented a new, separate report to the executive that identified employees with 8+ weeks' annual leave and an email is sent to the employee direct. If no action is taken by the employee to decrease the balance to less than 8 weeks an email is then sent to the employee's manager. The manager is the required to put in place a plan that compels the employee to take annual leave.

Responsible Person: Cliff McKinley

Completion Date: ongoing

ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

8. Payroll Master File

Finding

We noted that there was no evidence that changes made to the payroll master file by the Payroll Team (such as changes to personnel, pay rates, bank account details) are reviewed by an independent senior officer.

Rating: Moderate

Implication

Without an independent review of changes to payroll data, there is an increased risk of inappropriate or fraudulent changes being made.

Recommendation

We recommend that a "payroll master file amendment report" be produced and reviewed by an independent senior officer on a regular basis in order to reduce the risk of unauthorised amendments. The report should only highlight changes to critical fields such as rate of pay, new employees, terminated employees and banking details.

Management Comment:

The number of amendments to the payroll master file is quite significant and to check these all would be onerous. However, the HR Manager will seek the production of a monthly report that details the amendments categorised into main groupings ie change in levels, change in increments, change in salary for non EA employees etc.

Responsible Person: Cliff McKinley

Completion Date: September 2018

ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

9. Overtime Payments

Finding

We noted that the parks and roads employees are paid an additional 0.25 hours of overtime (with superannuation) for the 15 minutes prior to their start time. However, there was no written documentation available to show authority for such payment of overtime with superannuation.

We were advised that this payment has been a long standing practice customarily brought forward from many years ago for operational efficiency.

Rating: Moderate

Implication

Without evidence of the validity and appropriateness of these payments, there is a high risk that employees may be overpaid.

Recommendation

The City should review this practice, and any decision to make additional payments should be appropriately justified and approved and formally documented in policies and procedures.

Management Comment:

This has been identified in the past and efforts to have the allowance removed have been unsuccessful. The payment should not be formalised in a policy as that would make the removal of the payment even more difficult. Discussions are ongoing with the E&W Director to identify if and when the payment could be removed.

Responsible Person: Cliff McKinley

Completion Date: ongoing

ATTACHMENT A

CITY OF COCKBURN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
MATTERS IDENTIFIED DURING THE INTERIM AUDIT

10. Fortnightly Payroll Reports**Finding**

We noted that there was insufficient evidence of the review of fortnightly payroll reports by business managers.

While fortnightly payroll reports are sent to the business managers for their review soon after the payroll reports are finalised, the business managers are only required to report back to the payroll department if there are problems with the information contained in the reports.

Rating: Moderate

Implication

Without evidence that business managers are properly reviewing payroll reports, there is a higher risk that errors in the payroll may go undetected.

Recommendation

The City should ensure that business managers review fortnightly payroll reports and report back to the payroll department, in a timely manner, to state that the review was performed and any findings associated with the review.

Management Comment:

A process will be implemented where the BU SMT members are required to review their Payroll Report and get back to the Manager HR with any concerns.

Responsible Person: Cliff McKinley

Completion Date: September 2018

ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

11. Disaster Recovery Plan Testing**Finding**

We noted that the Disaster Recovery Plan has not periodically been tested to ensure the continuity of data processing operations in the event of a major disaster or business disruption.

Rating: Moderate

Implication

If the Disaster Recovery Plan is not regularly tested, the City has less assurance that it can recover its computing and network facilities following a disaster or disruption in data processing capability.

Recommendation

We recommend that the City tests the Disaster Recovery Plan periodically and updates it as changes occur.

Management Comment

The City's increasing demand for services to be available 24/7 has impeded on DR Plan Testing. The city has changed much of its ICT infrastructure since the last DR Plan Test, so an audit on our DR and backup process needs to occur first (along with associated remediation work), before proper testing can occur.

Responsible Person: Brett Fellows, Manager Information Services

Completion Date: June 2019

ATTACHMENT A

CITY OF COCKBURN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

12. Monthly Trust Bank Reconciliations

Finding

Our review of the trust bank reconciliations revealed that there was no evidence of review by an independent senior officer.

Rating: Moderate

Implication

Lack of review by an independent senior officer may lead to erroneous or unusual reconciling items not being detected and investigated in a timely manner.

Recommendation

We recommend that trust bank reconciliations be reviewed by an independent senior officer to ensure any errors or unusual reconciling items are detected without any delay.

The bank reconciliation should be initialled and dated by the reviewer as evidence that the review has been performed timeously.

Management Comment:

The trust bank account has very few transactions (1-2 per month) and the bank reconciliation is a relatively straight forward process. It is prepared by the Senior Revenue Officer each month and reviewed by the Rates and Revenue Manager, before approving the funds adjustment journal between Municipal and Trust Bank Accounts.

Another form of review is completed by the Accounting Services Manager or Manager Financial Services before authorising the physical transfer of monies between bank accounts via NAB online banking.

The actual reconciliation document itself is now also independently reviewed by the Rates and Revenue Manager through a recently implemented dedicated workflow in the City's document management system (ECM). The approval is electronically recorded within the system and this continues a digital strategy within Finance to eliminate paper within its processes.

Responsible Person: N/A

Completion Date:

ATTACHMENT A

CITY OF COCKBURN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
MATTERS IDENTIFIED DURING THE INTERIM AUDIT

13. Statement of Financial Activity**Finding**

We noted the Statement of Financial Activity for the month of November 2017 was not presented until the ordinary meeting of Council held on 8 February 2018.

Regulation 34 (4)(a) of the Local Government (Financial Management) Regulations 1996 requires the monthly Statement of Financial Activity and the accompanying documents to be presented at an ordinary meeting of the council within 2 months after the end of the month to which the statement relates.

Rating: Minor

Implication

Delays in providing financial information to Council may reduce the effectiveness of their monitoring of the financial performance of the City.

Recommendation

The City should ensure that the Statement of Financial Activity is tabled within 2 months of month end.

Management Comment:

It is noted that the November 2017 statement was presented to Council 8 days after the statutory period requirement. This has been the case ever since Council stopped meeting in January. Whilst this minor delay is not considered to significantly hinder Council's oversight of the City's financial performance, a late item will be prepared and presented to the December meeting in future.

Responsible Person: Nelson Mauricio

Completion Date: December 2018

CITY OF COCKBURN INTERIM AUDIT AREAS



SUMMARY

Our examination of internal controls during interim audit for the year ending 30 June 2018 is carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the City of Cockburn. During this process, we carry out certain checks and tests to ensure that the policies and procedures established by the management and Council are being adhered to.

The interim audit is not intended to cover all aspects of the City's internal controls and accounting systems and is limited to those matters that arise from our normal audit procedures. To this end, we have designed audit programs to carry out our interim audit and we summarise below the areas which we normally cover:

- ✓ Bank Reconciliations
- ✓ Investments
- ✓ Rates / ESL Levy
- ✓ Receipting
- ✓ Sundry Debtors
- ✓ Purchase of Goods and Services and Payments
- ✓ Creditors
- ✓ Payroll
- ✓ General Accounting (Journal Entries, etc.)
- ✓ IT Controls
- ✓ Registers (Tender, etc.)
- ✓ Property, Plant & Equipment and Infrastructure
- ✓ Development Contribution Plans and Gifted Assets
- ✓ Minutes Review
- Other financial matters/issues requested by the management/audit committee
- Discuss progress on audit findings and recommendations reported by the Auditor in the previous:
 - interim audit management letter
 - final Audit Completion Report to the Audit Committee to check what action has been taken and audit implications.

Any significant issues arising during the course of the audit will be discussed and management report will be issued.



14. ENGINEERING & WORKS DIVISION ISSUES

Nil

15. COMMUNITY SERVICES DIVISION ISSUES

Nil

16. EXECUTIVE DIVISION ISSUES

Nil

17. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

18. NOTICES OF MOTION GIVEN AT THE MEETING FOR CONSIDERATION AT NEXT MEETING

Nil

19. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY MEMBERS OR OFFICERS

Nil

20. MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT DEBATE

Nil

21. CONFIDENTIAL BUSINESS

Nil

22. CLOSURE OF MEETING

The meeting closed at 6.41pm.

