

# **Audit Committee Agenda**

26 October 2016

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

# **CITY OF BUSSELTON**

# MEETING NOTICE AND AGENDA – 26 OCTOBER 2016

# TO: THE MAYOR AND COUNCILLORS

**NOTICE** is given that a meeting of the Audit Committeewill be held in the Meeting Room One, Community Resource Centre 21 Cammilleri Street, Busselton on Wednesday, 26 October 2016, commencing at 9.30am.

The attendance of Committee Members is respectfully requested.

MIKE ARCHER

**CHIEF EXECUTIVE OFFICER** 

19 October 2016

# **CITY OF BUSSELTON**

# AGENDA FOR THE AUDIT COMMITTEE MEETING TO BE HELD ON 26 OCTOBER 2016

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# 1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

# 2. <u>ATTENDANCE</u>

**Apologies** 

**Approved Leave of Absence** 

Nil

- 3. PUBLIC QUESTION TIME
- 4. <u>DISCLOSURE OF INTERESTS</u>
- 5. **CONFIRMATION OF MINUTES**
- 5.1 <u>Minutes of the Audit Committee Meeting held 10 March 2016</u>

# **RECOMMENDATION**

That the Minutes of the Audit Committee Meeting held 10 March 2016 be confirmed as a true and correct record.

### 6. REPORTS

# 6.1 <u>CITY OF BUSSELTON 2015/2016 ANNUAL FINANCIAL REPORT, AUDITORS REPORT AND MANAGEMENT LETTER</u>

**SUBJECT INDEX:** Financial Operations

STRATEGIC OBJECTIVE: An organisation that is managed effectively and achieves positive

outcomes for the community.

**BUSINESS UNIT:** Finance and Corporate Services

**ACTIVITY UNIT:** Financial Services

**REPORTING OFFICER:** Manager Financial Services - Kim Dolzadelli

**AUTHORISING OFFICER:** Director, Finance and Corporate Services - Cliff Frewing

**VOTING REQUIREMENT:** Simple Majority

ATTACHMENTS: Attachment A 2015/2016 Annual Financial Report Including Auditors

Report<sup>↓</sup>

Attachment B Management Letter !

### **PRÉCIS**

The 2015/16 Annual Financial Statement, Auditors Report and Management Letter has been received from Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants, and is provided to Committee Members with the Agenda documents.

Pursuant to its Instrument of Appointment, it is relevant that the Audit Committee considers the 2015/16 Annual Financial Statement, Auditors Report and Management Letter and where appropriate, makes recommendation/s in respect of these reports.

### **BACKGROUND**

Pursuant to Section 7.9 of the Local Government Act (the 'Act'), an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, to prepare a report thereon and forward a copy of that report to:

- (a) The Mayor or President
- (b) The Chief Executive Officer; and
- (c) The Minister

Furthermore, in accordance with Regulation 10 (4) of the Local Government (Audit) Regulations, where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the Act.

The Management Report provides an overview of the audit process and outcomes, whilst also identifying any matters that, whilst generally not material in relation to the overall audit of the financial report, are nonetheless considered relevant to the day to day operations of the City.

### STATUTORY ENVIRONMENT

Matters pertaining to the financial audit of a local government authority are detailed within:

- Local Government Act 1995 Section 7.12A.
- Local Government (Financial Management) Regulations 1996.
- Local Government (Audit) Regulations 1996 Regulation 16.

### **RELEVANT PLANS AND POLICIES**

Not applicable.

### **FINANCIAL IMPLICATIONS**

Not applicable.

## **Long-term Financial Plan Implications**

Nil

### STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – 'Open and Collaborative Leadership' and more specifically Community Objective 6.3 - 'An organisation that is managed effectively and achieves positive outcomes for the community'.

### **RISK ASSESSMENT**

Not applicable.

### **CONSULTATION**

Not applicable.

### **OFFICER COMMENT**

The Audit Committee should note the following Auditors comments that:

# "Opinion

In our opinion, the financial report of the City of Busselton:

- i. Gives a true and fair view of the City of Busselton's financial position as at 30 June 2016 and of its performance for the financial year ended 30 June 2016;
- ii. Comp[lies with Australian Accounting Standards; and
- iii. Is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

# **Statutory Compliance:**

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

- i. There are no matters that in our opinion indicate significant adverse trends in financial position or the financial management practices of the city.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our Audit.
- iii. The asset consumption ratio and asset renewal ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit."

The Auditor's Management Report provides an overview of the approach undertaken in respect of the annual audit process, and the associated outcomes of the audit. The Management Report also identifies any findings that, whilst generally not material in relation to the overall audit of the financial report, are considered relevant to the day to day operations of the City.

As part of the 2015/16 Financial Audit, the Auditor made two findings:

- a) A finding relating to the application of fair value for furniture and equipment; and
- b) A finding relating to excessive leave balances for key personnel;

The review of the City of Busselton's application of fair value for the furniture and equipment asset class for the year ended 30 June 2016 identified that one asset's value was incorrectly posted and another asset was incorrectly flagged for depreciation purposes. The Implications of this is the risk of a material misstatement in respect to the value of Councils furniture and equipment assets, and also the overstatement of depreciation on the same class of asset. An audit recommendation was made that all revaluation inputs are independently reviewed to ensure that they are correct, with a reasonableness analysis undertaken to ensure any significant movements are also correct. Although we acknowledge that a discrepancy did occur a reasonableness analysis is done on a regular basis to identify any major variances prior to finalising the year end books. Based on this finding our processes have been enhanced to ensure that variances of this nature do not reoccur. Furthermore, the two items as identified above have now been amended in the City's financial assets register.

The finding in relation to excessive leave balances of key personnel is acknowledged and while processes were put in place following similar findings over the last few years, including a process of regular reporting on outstanding leave balances, the ability to clear leave balances particularly within some teams has been somewhat limited due to circumstances beyond the City's control. Despite these circumstances, the City has continued to adopt an approach of endeavouring to achieve an overall reduction in long outstanding leave balances while still meeting the needs of the organisation at a particularly busy time, which often involves input from key employees. It should be noted it is an issue in relation to a few key personnel only, the City does not generally have a problem with excessive leave balances. This issue will obviously be the subject of continual review prior to and at next year's financial audit.

# **CONCLUSION**

The City achieved an unqualified audit for the financial year ending 30 June 2016.

Whilst the Auditor has reported two audit findings in the Management Report, the Auditor has rated these as minor (i.e. not of primary concern however still warranting action being taken). Officers have addressed these minor issues as shown above.

# **OPTIONS**

The Audit Committee may determine to make specific recommendations in relation to the audit findings and the actions identified by management in addressing these. Given the relatively minor nature of the issues that have arisen and the actions which are proposed or are underway, officers do not think specific resolutions are necessary.

### TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable.

### **OFFICER RECOMMENDATION**

That the City of Busselton Audit Committee recommends to Council that the 2015/16 Annual Financial Report including Auditors Report be accepted.



**Financial Report** 

For the year ended

30 June 2016

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

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**Financial Report** 

For the Year Ended 30<sup>th</sup> June 2016

### **LOCAL GOVERNMENT ACT 1995**

### LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

### STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Busselton being the annual financial report and other information for the financial year ended 30th June 2016 are in my opinion properly drawn up to present fairly the financial position of the City of Busselton at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 11 day of cables 2016

Mike Archer Chief Executive Officer

#### 6.1 Attachment A

# City of Busselton

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# Statement of Comprehensive Income by Nature or Type

	Note	2016 Actual \$	2016 Budget \$	2015 Actual \$
Revenue				
Rates	24	39,160,121	38,998,079	36,435,431
Operating Grants, Subsidies and Contributions	30	4,423,460	3,580,496	5,725,267
Fees and Charges	29	15,251,233	15,099,480	14,577,884
Interest Earnings	2(a)	2,841,229	2,039,550	2,364,597
Other Revenue	_	2,434,572	534,090	472,824
		64,110,615	60,251,695	59,576,003
Expenses				
Employee Costs		(26,408,789)	(26,322,721)	(25,741,782)
Materials and Contracts		(13,698,936)	(15,183,305)	(13,607,132)
Utility Charges		(2,249,459)	(2,321,370)	(2,085,357)
Depreciation on Non-Current Assets	2(a)	(14,998,644)	(14,636,430)	(12,088,317)
Interest Expenses	2(a)	(1,325,698)	(1,340,955)	(1,051,214)
Insurance Expenses		(663,483)	(737,370)	(695,850)
Other Expenditure		(776,601)	(1,111,672)	(1,109,427)
		(60,121,610)	(61,653,823)	(56,379,079)
		3,989,005	(1,402,128)	3,196,924
Non-Operating Grants, Subsidies and Contributions	30	25,422,452	37,417,983	61,822,972
Profit on Asset Disposals	22	30,164	16,007	85,916
Loss on Asset Disposals	22	(1,308,366)	(68,867)	(211,848)
		24,144,250	37,365,123	61,697,040
NET RESULT		28,133,255	35,962,995	64,893,964
Other Comprehensive Income				
Items that will not be reclassified subsequently to profi	it or loss			
Changes on revaluation of non-current assets	14	385,926	0	145,830,571
Total Other Comprehensive Income		385,926	0	145,830,571
TOTAL COMPREHENSIVE INCOME	-	28,519,181	35,962,995	210,724,535

This statement is to be read in conjunction with the accompanying notes.

## Attachment A

# City of Busselton

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# Statement of Comprehensive Income by Program

	Note	2016 Actual	2016 Budget	2015 Actual
Revenue	2(a)	\$	\$	\$
General Purpose Funding		43,820,266	42,915,167	42,167,938
Governance		430,927	169,880	198,630
Law, Order & Public Safety Health		822,046	718,090 328720	708,304
Education and Welfare		404,319 7,302	6,050	376,631 6,227
Housing		458,980	443,080	432,770
Community Amenities		8,790,126	8,319,190	8,305,459
Recreation and Culture		3,237,226	3,336,485	3,256,492
Transport		3,713,761	1,596,040	1,591,747
Economic Services		1,959,981	2,074,008	2,067,241
Other Property and Services		465,681	344,985	464,564
	_	64,110,615	60,251,695	59,576,003
Expenses Excluding Finance Costs	2(a)	,,	,,	,,
General Purpose Funding		(944,226)	(975,565)	(1,179,899)
Governance		(4,532,519)	(4,580,336)	(4,300,889)
Law, Order & Public Safety		(2,657,626)	(2,761,526)	(2,540,537)
Health		(1,182,719)	(1,204,125)	(1,168,389)
Education and Welfare		(151,388)	(142,760)	(147,878)
Housing		(968,378)	(1,262,757)	(1,035,254)
Community Amenities		(10,008,939)	(10,896,423)	(11,376,752)
Recreation and Culture		(16,211,662)	(17,557,082)	(15,228,810)
Transport		(17,616,017)	(16,492,412)	(13,874,578)
Economic Services		(3,385,038)	(3,540,444)	(3,482,871)
Other Property and Services	_	(1,137,400)	(899,438)	(992,008)
		(58,795,912)	(60,312,868)	(55,327,865)
Finance Costs	2(a)	/··		
Governance		(772,808)	(772,808)	(720,244)
Recreation and Culture		(487,093)	(487,093)	(272,456)
Transport		(47,410)	(47,410)	(55,030)
Economic Services		(3,044)	(3,044)	(3,484)
Other Property and Services	_	(15,343)	(30,600)	(1.051.314)
Non-Operating Grants, Subsidies & Contributions	30	(1,325,698)	(1,340,955)	(1,051,214)
Law, Order & Public Safety	30	135,344	0	109,270
Health		16,845	0	14,887
Community Amenities		70,000	70,000	387,543
Recreation and Culture		11,571,642	12,585,148	5,045,148
Transport		13,628,621	24,752,835	56,266,124
Other Property and Services		0	10,000	0
	_	25,422,452	37,417,983	61,822,972
Profit / (Loss) on Disposal of Assets	22			
Governance		(1,005,595)	0	(45,070)
Law, Order & Public Safety		6,349	(9,550)	(7,088)
Health		(3,389)	(1,500)	(768)
Community Amenities		(12,851)	(1,973)	17,939
Recreation and Culture		(195,840)	(9,264)	(21,198)
Transport		(54,494)	(28,192)	(68,813)
Economic Services		(890)	2,400	(2,063)
Other Property and Services	_	(11,492)	(4,781)	1,129
		(1,278,202)	(52,860)	(125,932)
NET RESULT		28,133,255	35,962,995	64,893,964
Other Comprehensive Income	ofit or loss			
Items that will not be reclassified subsequently to pr Changes on revaluation of non-current assets	ofit or ioss 14	385,926	0	145,830,571
Total Other Comprehensive Income		385,926	0	145,830,571
TOTAL COMPREHENSIVE INCOME	_	28,519,181	35,962,995	210,724,535
	_	20,313,101	35,332,333	220,, 24,000

This statement is to be read in conjunction with the accompanying notes.

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# **Statement of Financial Position**

	Note	2016 Actual \$	2015 Actual \$
Current Assets			
Cash and Cash Equivalents	3	115,850,156	119,604,734
Investments	4	0	0
Trade and Other Receivables	5	3,605,606	2,653,873
Inventories	6	20,420	20,270
Total Current Assets		119,476,182	122,278,877
Non-current Assets			
Other Receivables	5	377,570	424,866
Property, Plant and Equipment	7	102,761,049	96,040,305
Infrastructure	8	454,520,922	432,664,125
Total Non-current Assets		557,659,541	529,129,296
Total Assets		677,135,723	651,408,173
Current Liabilities			
Trade and Other Payables	10	7,808,826	9,880,193
Current Portion of Long Term Borrowings	11	1,940,629	1,823,987
Provisions	12	4,131,585	3,824,143
Total Current Liabilities		13,881,040	15,528,323
Non-current Liabilities			
Long Term Borrowings	11	27,083,214	28,173,844
Provisions	12	612,334	666,052
Total Non-current Liabilities		27,695,548	28,839,896
Total Liabilities		41,576,588	44,368,219
Net Assets		635,559,135	607,039,954
Equity		200.004.1=2	267 765 005
Retained Surplus	42	399,021,159	367,765,985
Reserves – Cash Backed	13	46,024,063	49,145,982
Revaluation Surplus  Total Equity	14	190,513,913 635,559,135	190,127,987 <b>607,039,954</b>
rotal Equity		053,539,155	007,039,934

This statement is to be read in conjunction with the accompanying notes.

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# Statement of Changes in Equity

		Retained Surplus	Reserves Cash Backed	Revaluation Surplus	Total Equity
	Note	\$	\$	\$	\$
Balance as at 1 July 2014		323,883,018	28,134,985	44,297,416	396,315,419
Changes in Accounting Policy		0	0	0	0
Correction of Errors		0	0	0	0
Restated Balance		323,883,018	28,134,985	44,297,416	396,315,419
Comprehensive Income					
Net Result		64,893,964	0	0	64,893,964
Changes on Revaluation of Non-Current Assets	14	0	0	145,830,571	145,830,571
Total Comprehensive Income		64,893,964	0	145,830,571	210,724,535
Transfer from / (to) Reserves		(21,010,997)	21,010,997	0	0
Balance as at 30 June 2015		367,765,985	49,145,982	190,127,987	607,039,954
Construction to the construction of the constr					
Comprehensive Income  Net Result		28,133,255	0	0	28,133,255
Changes on Revaluation of Non-Current Assets	14	20,133,233	0	385,926	385,926
Total Comprehensive Income	14	28,133,255	0	385,926	28,519,181
Total comprehensive income		20,133,233	U	363,920	20,519,101
Transfer from / (to) Reserves		3,121,919	(3,121,919)	0	0
Balance as at 30 June 2016		399,021,159	46,024,063	190,513,913	635,559,135

This statement is to be read in conjunction with the accompanying notes.

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# **Statement of Cash Flows**

	Note	2016 Actual	2016 Budget	2015 Actual
<b>Cash Flows from Operating Activities</b>		\$	\$	\$
Receipts				
Rates		39,065,485	39,098,079	37,329,430
Operating Grants, Subsidies and Contributions		4,029,813	3,680,496	6,014,802
Fees & Charges		14,974,816	15,170,346	14,727,590
Interest Earnings		2,841,229	2,039,550	2,364,597
Goods and Services Tax		5,793,551	4,000,000	9,626,890
Other Revenue		3,954,850	1,554,090	134,063
•		70,659,744	65,542,561	70,197,372
Payments		(25.440.255)	(25 502 040)	(25.050.427)
Employee Costs		(26,140,265)	(26,593,010)	(25,058,437)
Materials and Contracts		(12,544,346)	(15,822,273)	(13,198,823)
Utility Charges		(2,249,459)	(2,321,370)	(2,085,357)
Insurance Expenses		(663,483)	(737,370)	(695,850)
Interest Expenses		(1,325,698)	(1,340,955)	(1,051,214)
Goods and Services Tax		(10,434,279)	(8,218,076)	(5,032,750)
Other Expenditure		(1,046,777)	(2,198,279)	(2,747,789)
		(54,404,307)	(57,231,333)	(49,870,220)
Net Cash Provided by (used in) Operating Activities	15(b)	16,255,437	8,311,228	20,327,152
Cash Flows from Investing Activities				
Payment for Purchase of Property, Plant &				
Equipment		(11,625,495)	(34,208,343)	(8,036,596)
Payment for Construction of Infrastructure		(20,290,808)	(69,787,195)	(15,621,094)
Advances to Community Groups		0	0	(30,000)
Non-Operating Grants, Subsidies and Contributions		12,236,044	24,363,332	53,071,923
Proceeds from Sale of Assets		569,723	592,200	955,956
Net Cash Provided by (used In) Investing Activities		(19,110,536)	(79,040,006)	30,340,189
		(25)225,555)	(10)010,0000	00,010,200
Cash Flows from Financing Activities				
Repayment of Debentures		(1,823,987)	(1,823,986)	(1,409,527)
Proceeds from Self Supporting Loans		74,508	74,508	68,340
Proceeds from New Debentures		850,000	850,000	24,530,000
Net Cash Provided By (used In) Financing Activities		(899,479)	(899,478)	23,188,813
Net Increase (Decrease) in Cash Held		(3,754,578)	(71,628,256)	73,856,154
Cash at Beginning of Year		119,604,734	119,604,734	45,748,580
Cash and Cash Equivalents at the End of the Year	15 (a)	115,850,156	47,976,478	119,604,734
cash and cash Equivalents at the End of the Teal	15 (a)	113,030,130	47,570,470	110,004,734

This statement is to be read in conjunction with the accompanying notes.

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# **Rate Setting Statement**

	Note	2016	2016	2015
	Note	2016	2016	2015
		Actual	Budget	Actual
Not consider a state of financial construction (	(- (:-i+)	\$	\$	\$
Net current assets at start of financial year – surplus /	(deficit)	756,540	756,540	1,393,215
Decree (control of the control of th		756,540	756,540	1,393,215
Revenue from operating activities (excluding rates)		F 400 700	4 254 706	C 1 45 551
General Purpose Funding		5,109,780	4,351,786	6,145,551
Governance		431,109	169,880	199,769
Law, Order & Public Safety Health		831,178	718,090	721,028
Education and Welfare		404,319	328,720 6,050	376,630
		7,302	443,080	6,227
Housing		458,980	8,320,100	432,770
Community Amenities Recreation and Culture		8,790,126 3,252,517	, ,	8,335,952
Transport			3,342,571	3,278,343
Economic Services		3,718,678	1,602,651	1,610,327
		1,960,269	2,076,408	2,067,241
Other Property and Services	_	466,036	344,985	465,695
Franco ditare franco ananctina activities		25,430,294	21,704,321	23,639,533
Expenditure from operating activities General Purpose Funding		(044.226)	(07E ECE)	(1 170 900)
		(944,226)	(975,565)	(1,179,899)
Governance		(6,311,104)	(5,353,144)	(5,067,341)
Law, Order & Public Safety Health		(2,660,411)	(2,771,076)	(2,560,349)
Education and Welfare		(1,186,108)	(1,205,625)	(1,169,157)
		(151,388)	(142,760)	(147,878)
Housing Community Amenities		(968,378)	(1,262,757)	(1,035,254)
Recreation and Culture		(10,021,790)	(10,899,306)	(11,389,305)
Transport		(16,909,886) (17,722,838)	(18,059,525) (16,574,625)	(15,544,315) (14,017,002)
Economic Services		(3,389,260)	(3,543,488)	(3,488,419)
Other Property and Services		(1,164,588)	(934,819)	(992,009)
Other Property and Services	-	(61,429,977)	(61,722,690)	(56,590,928)
Operating activities excluded from budget		(61,429,977)	(61,722,690)	(56,590,928)
(Profit) on disposal of assets	22	(20.164)	(16,007)	(OF 016)
Loss on disposal of assets	22	(30,164) 1,308,366	68,867	(85,916) 211,848
Movement in deferred pensioner rates	22	(35,251)	00,007	(15,600)
Movement in employee benefit provisions		253,724	(253,479)	682,668
Depreciation and amortisation on assets	2(a)	14,998,644	14,636,430	12,088,317
Movement in non-cash contributions	15(e)	(12,996,614)	(13,124,650)	(8,834,492)
Movement Other	13(6)	337,099	(13,124,030)	(1,385,803)
Movement other	_	3,835,804	1,311,161	2,661,022
		3,033,004	1,311,161	2,001,022
Amount Attributable to Operating Activities	-	(31,407,339)	(37,950,668)	(28,897,158)
Amount Attributable to Operating Activities	-	(31,407,333)	(37,530,008)	(20,037,130)
Investing Activities				
Non-operating grants, subsidies and contributions		25,422,452	37,417,983	61,822,972
Proceeds from disposal of assets	22	569,723	592,200	955,956
Purchase of property, plant and equipment	7	(11,750,763)	(34,068,804)	(8,080,300)
Purchase and construction of infrastructure	8	(20,290,808)	(69,887,195)	(15,621,094)
Amount attributable to investing activities	_	(6,049,396)	(65,945,816)	39,077,534
Amount attributable to investing activities		(0,045,550)	(03,343,010)	33,077,334

This Statement is to be read in conjunction with the accompanying notes.

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# **Rate Setting Statement (Continued)**

	Note	2016 Actual \$	2016 Budget \$	2015 Actual \$
Financing Activities				
Advances to community groups	23(a)	0	0	(30,000)
Repayment of advances to community groups	23(a)	74,508	74,508	68,340
Repayment of debentures	23(a)	(1,823,987)	(1,823,986)	(1,409,527)
Proceeds from new debentures	23(a)	850,000	850,000	24,500,000
Proceeds from self-supporting loans	23(a)	0	0	30,000
Transfers to reserves (restricted assets)		(21,871,964)	(11,292,332)	(84,394,120)
Transfers from reserves (restricted assets)		22,695,781	77,524,913	15,789,084
Amount attributable to financing activities		(75,662)	65,333,103	(45,446,223)
Surplus(deficiency) before general rates		(37,532,397)	(38,563,381)	(35,265,847)
Total amount raised from general rates	24(a)	38,710,486	38,563,381	36,022,387
Net current assets at 30 June c/fwd. – surplus / (deficit)	24(b)	1,178,089	0	756,540

This statement is to be read in conjunction with the accompanying notes.

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### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and 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 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 which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### 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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 21 to these financial statements.

### (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.

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### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Cash and Cash Equivalents

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

Bank overdrafts are reported as short term borrowings in current liabilities in 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.

#### (e) Inventories

### General

Inventories are measured 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.

### Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Finance costs and holding charges incurred after development is completed are expensed.

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 sale is classified as current except where it is held as non-current based on the Council's intentions to release for 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 were amended and the measurement of non-current assets at Fair Value became mandatory.

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### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Fixed Assets (Continued)

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 2015 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 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.

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### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Fixed Assets (Continued)

### Land under roads (Continued)

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

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, 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

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a 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 useful 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:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

### Fixed Assets:

Land	0	Years
Buildings - General	40	Years
Buildings – Geographe Leisure Centre	10 - 20	Years
Furniture and Fittings – Basic Items	10	Years
Furniture and Fittings – EDP Network	3	Years
Heavy Plant and Equipment	3 – 10	Years
Light to Medium Vehicles	3 - 5	Years
Light Mobile Plant	2	Years
Tools	10	Years

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### Attachment A

### City of Busselton

### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fixed Assets (Continued) Depreciation(Continued)

#### Infrastructure:

Roads	15 - 60	Years
Bridges	40 - 60	Years
Car Parks	20 - 40	Years
Footpaths & Cycle ways	20 - 40	Years
Parks, Gardens & Reserves & Community Facilities	5 - 50	Years
Storm water Drainage	25 - 90	Years
Regional Airport & Industrial Park	12 - 40	Years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

### Capitalisation threshold

Expenditure on items of equipment under \$1,000 is not capitalised. Rather, it is recorded on an asset inventory

### (g) 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 or liability. 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 or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) 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).

### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Fair Value of Assets and Liabilities (Continued)

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:

#### 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 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.

2015/2016 Annual Financial Report Including Auditors Report

# City of Busselton

### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Fair Value of Assets and Liabilities (Continued)

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 are 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

#### (h) 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 amounts 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 are classified as "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

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# 2015/2016 Annual Financial Report Including Auditors Report

### City of Busselton

### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Financial Instruments (Continued)

#### (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 and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

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

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the City has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

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

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

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.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

### (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.

### Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Financial Instruments (Continued)

### Impairment (Continued)

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

### De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the City no longer has any significant continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### (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 represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

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### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Employee Benefits

### 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. The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

### Other long-term employee benefits

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 re-measurements 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.

### **Sick Leave Scheme**

The provision for employee's entitlements under the sick leave scheme represents the estimated cash flows to be made by the employer resulting from the employee's service to balance date in accordance with the relevant clause of the City of Busselton's Enterprise Agreement 2014.

Clause 34 of the City of Busselton's Enterprise Agreement 2014 states that; "Those employees who commenced employment with the City prior to 22 August 2003 will continue to be entitled to 15% of the monetary value of their accrued sick leave on resignation, retirement or redundancy, as negotiated in the City of Busselton Certified Enterprise Bargaining Agreement 1997 (sub-clause 17.18(2))".

# (I) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

### (m) Provisions

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

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

### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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) 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.

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.

### (p) 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(o) for a description of the equity method of accounting.

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### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Interests in Joint Arrangements (Continued)

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 18.

### (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 2(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 operations for the current reporting period.

### (r) Superannuation

The City contributes to a number of Superannuation Funds on behalf of employees. All funds to which the City contributes are defined contribution plans.

### (s) 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 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 sale where it is held as non-current based on the City's intentions to release for sale.

### (t) Rounding Off Figures

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

### (u) Comparative Figures

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

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

### (v) Budget Comparative Figures

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

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# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Bonds and Deposits

Attachment A

Deposits and bonds received by the City of Busselton, and duly refunded where appropriate are processed via the Municipal fund.

The City's audit committee has considered the requirements of the Accounting Standards and has determined that the concept of control has been met. Council Resolution C1004/115 states that the City continues the accounting treatment for deposits and bonds as part of the Municipal fund. Additionally, the deposits and bonds shall be brought to account as part of the restricted cash in the Municipal fund.

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) 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 assessments of the new and amended pronouncements that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	Title	Issued/ Compiled	Applicable <sup>(1)</sup>	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 is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	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 upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	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 onto their 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 once AASB 16 is adopted.  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.

# 2015/2016 Annual Financial Report Including Auditors Report

# City of Busselton

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# Notes to and Forming Part of the Financial Report

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

	Title	Issued/ Compiled	Applicable <sup>(1)</sup>	Impact		
(iv)	AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations.  [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: Join' Arrangements to require the acquirer of ar interest (both initial and additional) in a join operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles or business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.		
				Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the City's financial statements.		
(v)	AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.		
				Given the City currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.		
(vi)	AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15.  It will require changes to reflect the impact of AASB 15.		

### Attachment A

### City of Busselton

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

	Title	Issued/ Compiled	Applicable <sup>(1)</sup>	Impact
(vii)	AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101  [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.  This Standard also makes editorial and
				consequential amendments as a result of amendments to the Standards listed in the title column.  It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.
(viii)	AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities  [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities.  The Standard is expected to have a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

#### **Adoption of New and Revised Accounting Standards** (y)

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.

These new and revised standards were:

(i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

(ii)AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit **Public Sector Entities** 

<sup>&</sup>lt;u>Notes:</u>
<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

#### Attachment A 6.1

	Financial Report				
	For the Year Ended 30 <sup>th</sup> June	e 2016			
Notes to and Forming Part of the Financial Report					
		2016 Actual \$	2015 Actual \$		
2.	Revenue and Expenses				
(a)	Net Result				
	The Net Result includes:				
	(i) Charging as an Expense:				
	Auditors Remuneration				
	- Audit of Financial Report	26,973	20,53		
	- Other Services	1,520	5,76		
		28,493	26,29		
	Depreciation				
	Buildings	1,959,778	1,929,65		
	Furniture and Fittings	486,953	557,88		
	Plant and Equipment	1,647,838	1,496,88		
	Infrastructure - Roads	4,617,224	3,379,54		
	Infrastructure - Bridges	561,416	211,17		
	Infrastructure - Car Parks	286,923	75,39		
	Infrastructure - Stormwater Drainage	618,752	549,13		
	Infrastructure - Regional Airport & Industrial Park	122,342	111,97		
	Infrastructure - Other Infrastructure	4,697,418	3,776,67		
		14,998,644	12,088,31		
	Interest Expenses (Finance Costs)				
	Overdraft Interest	0	(		
	Debentures (refer Note 23(a))	1,325,698	1,051,21		
		1,325,698	1,051,21		
	Rental Charges				
	Operating Leases	516,254	482,11		
(ii) C	crediting as Revenue:				
	Significant Revenue				
	Transport	0	45,933,09		
	significant revenue in 2015 relates to the receipt of a Grant from the elopment of the Busselton Regional Airport.	e Government of Western Aus	tralia for the		

2016

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### Attachment A

### City of Busselton

### **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

2016

		Actual \$	Budget \$	Actual \$
2.	Revenue and Expenses (Continued)			
(a)	Net Result (Continued)			
	(ii) Crediting as Revenue (Continued):			
	Interest Earnings			
	Investments			
	- Reserve Funds	1,485,933	1,237,500	1,587,271
	- Restricted Funds	609,666	0	0
	- Other Funds	403,583	500,000	415,593
	- Other Interest Revenue (refer note 28)	342,047	302,050	361,733
		2.841.229	2 039 550	2 364 597

#### Statement of Objective

In order to discharge its responsibilities to the community, the City has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the City's vision, and for each of its broad activities / programs.

### **Community Vision**

The City of Busselton's vision is "A vibrant and cohesive community that protects its natural environment, meets the needs of its population and ensures that future development maintains the City's unique character, lifestyle and community values - The best place to be". In order to support its vision the City is committed to the values of honesty and integrity, a 'can do' attitude, openness, transparency and accountability, mutual respect in everything we do, and striving for excellence.

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

### **General Purpose Funding**

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

Activities: Rates, interest revenue and other general purpose Government grants together with any expenses incurred in realising these incomes.

### Governance

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

Activities: Administration and operation of facilities and services to members of Council; other costs that relate to strategic planning, policy making and assisting elected members and ratepayers on matters which do not concern other specific services of Council.

### Law, Order and Public Safety

Objective: To provide services to help ensure a safer and environmentally conscious community. Activities: Supervision and enforcement of various by-laws, fire prevention, animal control and emergency services. Council also provides assistance to surf lifesaving efforts.

# 2015/2016 Annual Financial Report Including Auditors Report

### City of Busselton

### **Financial Report**

### For the Year Ended 30<sup>th</sup> June 2016

### Notes to and Forming Part of the Financial Report

### 2. Revenue and Expenses (Continued)

### (b) Statement of Objective (Continued)

#### Health

**Objective:** To provide an operational framework for environmental and community health.

**Activities:** Inspections of food outlets and their control, noise control, waste disposal compliance, mosquitoes and stingers control.

### **Education and Welfare**

Objective: To provide services for the elderly, children and youth.

Activities: Annual donation relative to the operation of a Senior Citizen's Centre.

#### Housing

**Objective**: To provide and maintain elderly residents housing. **Activities**: The operation of three sets of aged persons homes.

#### **Community Amenities**

Objective: To provide services required by the community

**Activities**: Includes rubbish collection and disposal services, recycling initiatives, septic tank inspection services, urban stormwater drainage networks, environmental protection initiatives, operation of three cemeteries, town scaping facilities, as well as the administration of Council's Town Planning Scheme and associated policies and obligations.

### Recreation and Culture

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

**Activities**: Maintenance of halls, swimming areas and beaches, various reserves, recreation programs, the Busselton Jetty, the operation of the two Libraries, the maintenance and operation of the two Leisure Centres, and the employment of a Cultural Development Officer.

### Transport

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

**Activities:** Construction and maintenance of roads, bridges, drainage, footpaths, cycle ways, parking facilities, traffic signs and depot. Also includes cleaning of streets, maintenance of street trees, street lighting etc. Control and maintenance of a regional airport.

### **Economic Services**

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

**Activities**: The regulation and provision of tourism initiatives, the maintenance and operation of a Caravan park and the implementation of building controls. Provision of rural services including weed control, vermin control and standpipes.

### Other Property and Services

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

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

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#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

- 2. Revenue and Expenses (Continued)
- (c) Conditions Over Grants / Contributions

C.P.A. Infrastructure C.P.A. Community Facilities	Classified by activity	988,445	32.727	0	1,021,172	28,048	(22,465)	1,049,220
Vasse diversion drain C.P.A. infrastructure	Community amenities Transport	384,464 243,236	0	(660)	383,804 243,236	0	0 (22,465)	383,804 220,771
Government grants	Classified by activity	1,175,247	46,679,517	(918,184)	46,936,580	6,021,945	(1,807,285)	51,151,240
Contribution to works	Classified by activity	2,081,508	208,602	(66,149)	2,223,961	150,270	(203,272)	2,170,959
Grant / Contribution  Cash in lieu of parking	Function / Activity Transport	\$ 48,635	\$ 0	\$ 0	\$ 48,635	\$ 0	\$ 0	\$ 48,635
		Balance (1) 1-Jul-14	Received (2) 2014/15	Expended (3) 2014/15	Balance (1) 30-Jun-15	Received (2) 2015/16	Expended (3) 2015/16	Balance 30-Jun-16
		Opening			Closing			Closing

#### Notes:

- (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.

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2016

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## City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

	Actual	Actual
	Ś	Ś
Cash and Cash Equivalents	•	•
Unrestricted	3,251,577	6,323,600
Restricted	112,598,579	113,281,134
nestricted	115,850,156	119,604,734
The following restrictions have been imposed by regulations or other	113,030,130	113,004,734
externally imposed requirements:		
Airport Infrastructure Renewal & Replacement Reserve	940,036	459,285
Asset Depreciation Reserve	2,573,604	2,546,024
Beach Protection Reserve	1,768,390	1,494,337
Building Reserve	1,493,038	1,409,407
Corporate IT System Programme Reserve	132,062	128,259
Jetty Maintenance Reserve	2,306,653	2,094,713
Legal Expenses Reserve	530,593	309,206
•	2,604,471	2,204,037
Long Service Leave Reserve		, , , , , , , , , , , , , , , , , , , ,
City Car Parking and Access Reserve	427,857	198,115
Plant Replacement Reserve	2,810,579	2,425,055
Professional Development (Contractual Obligation) Reserve Road Initiative Reserve	77,905	74,240
	328,823	118,257
Sick Pay Incentive Reserve	144,553	143,876
Strategic Projects Reserve	216,612	185,994
Waste Management Facility and Plant Reserve	7,613,254	8,134,429
Port Geographe Development Reserve	1,654,121	569,370
Port Geographe Waterways Management Reserve	3,454,443	3,265,183
Workers Compensation Contingency Reserve	273,142	265,278
Provence Landscape Maintenance Reserve	835,856	676,765
Infrastructure Development Reserve	2,007,645	2,311,813
Vasse Newtown Landscape Maintenance Reserve	470,760	406,922
Untied Grants Reserve	0	1,109,692
Locke Estate Reserve	64,000	0
Busselton Community Centre Reserve	92,178	63,513
CBD Enhancement Reserve	50,404	14,490
Election, Valuation and Corporate Expenses Reserve	174,169	35,799
Civic and Administration Centre Construction Reserve	12,782,915	18,501,924
Performing Arts Centre Reserve	0	0
Airport Marketing Reserve	196,000	0
Less Accrued Interest on Restricted Assets	(237,268)	(378,530)
Cash set aside in Lieu of Parking	48,635	48,635
Cash set aside for Roadwork within specific areas, being funds given as a	2,170,959	2,223,961
condition of subdivision/development	_,	_,,
Cash set aside, being unspent specific purpose Government Grants for the	45,634,946	45,933,094
Busselton Airport Development		
Cash set aside, being unspent specific purpose Government Grants	5,516,294	1,003,486
Cash set aside, being Unspent Loan Funds	960,584	4,113,273
Cash set aside for Commonage Precinct Infrastructure and roads	1,324,662	1,319,079
Cash set aside for Sundry Restricted	1,181,608	1,119,632
Cash set aside for Vasse Diversion Drain	383,804	383,804
Cash in Lieu for Public Arts	0	38,000
Cash set aside for Community & Recreation Facilities	7,164,544	6,298,718
Cash set aside for Deposits & Bonds	2,425,748	2,031,999
	112,598,579	113,281,134

#### City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

#### Cash and Cash Equivalents (Continued)

#### 3(a) Airport Development Grant Funding

Council held funds in restricted assets totalling \$45,634,946 provided by Government of Western Australia Department of Regional Development relating to Royalties for Regions, Regional Infrastructure and Headworks Fund Growing our South - Busselton Regional Airport Funding as of the 30th June 2016.

Funds were initially deposited into Council's municipal bank account and in accordance with the funding agreement were subsequently transferred to a treasury corporation account on the 30th of June 2015. This account requires the joint signatures of Council, the Department of Regional Development and the South West Development Commission to withdraw the funds.

		2016 Actual \$	2015 Actual \$
4.	Investments		
	Investments	0	0
5.	Trade and Other Receivables		
	Current		
	Rates Outstanding	694,702	396,641
	Rates Outstanding – Pensioners	92,484	49,264
	Sundry Debtors	2,316,600	2,133,460
	GST Receivable	422,652	0
	Loans – Clubs / Institutions	79,168	74,508
		3,605,606	2,653,873
	Non-Current		
	Rates Outstanding – Pensioners	205,530	173,658
	Sundry Debtors	5,000	5,000
	Loans – Clubs / Institutions)	167,040	246,208
		377,570	424,866
6.	Inventories		
	Current		
	Materials	20,420	20,270
		20.420	20.270

7 (a).

## City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

	2016 Actual \$	2015 Actual \$
Property, Plant and Equipment		
Land & Buildings		
Freehold Land – Fair Value	41,994,392	41,211,470
	41,994,392	41,211,470
Buildings – Fair Value	49,921,104	42,146,336
Less Accumulated Depreciation	(3,764,279)	(1,929,653)
	46,156,825	40,216,683
Total Land and Buildings	88,151,217	81,428,153
Furniture and Fittings – Fair Value	2,083,379	3,167,546
Less Accumulated Depreciation	0	(1,230,357)
	2,083,379	1,937,189
Plant and Equipment – Fair Value	12,526,453	15,538,647
Less Accumulated Depreciation	0	(2,863,684)
	12,526,453	12,674,963
Total Property, Plant and Equipment	102,761,049	96,040,305

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 as 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 (2) which require property, plant and equipment to be shown at fair value

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#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

- 7. Property, Plant and Equipment (Continued)
- (b) Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

Balance as at 1 July 2015	41,211,470	23,617,014	16,599,669	1,937,189	12,674,963	96,040,305	
Additions	782,922	6,772,687	1,927,455	428,492	1,839,207	11,750,763	
(Disposals)	0	(975,799)	(59,423)	(44,373)	(598,234)	(1,677,829)	
Revaluation - Increments - (Decrements)	0 0	0	0	249,024 0	136,902 0	385,926 0	
Impairment - (Losses) - Reversals	0 0	0 0	0 0	0 0	0	0	
Depreciation - (Expense)	0	(1,183,020)	(776,758)	(486,953)	(1,647,838)	(4,094,569)	
Donated Assets	0	0	235,000	0	121,453	356,453	
Other Movements	0	0		0	0	0	
Balance as at 30 June 2015	41,994,392	28,230,882	17,925,943	2,083,379	12,526,453	102,761,049	

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#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 7. Property, Plant and Equipment (Continued)

#### (c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs Used
Land & Buildings					
Freehold land	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2014	Price per hectare / market borrowing rate
Non-Specialised Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered Valuer	June 2014	Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessment's (level 3) inputs
Specialised Buildings	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2014	Price per square meter / market borrowing rate
Furniture & Equipment					
Furniture & Equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Construction cost and current condition (level 2), residual values and remaining useful life assessment (level 3) inputs
Plant & Equipment					
Plant & Equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchased cost and current condition (level2), residual values and remaining useful life assessments (level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

		2016 Actual \$	2015 Actual \$
8 (a).	Infrastructure	•	*
	Roads – Fair Value	263,534,410	253,913,312
	Less Accumulated Depreciation	(4,616,610)	0
		258,917,800	253,913,312
	Bridges – Fair Value	30,855,487	30,376,832
	Less Accumulated Depreciation	(561,416)	0
		30,294,071	30,376,832
	Car Parks – Fair Value	8,985,191	8,501,381
	Less Accumulated Depreciation	(286,428)	0
		8,698,763	8,501,381
	Stormwater Drainage – Fair Value	48,854,695	44,838,496
	Less Accumulated Depreciation	(618,752)	0
		48,235,943	44,838,496
	Regional Airport and Industrial Park – Fair Value	5,771,508	4,765,153
	Less Accumulated Depreciation	(122,342)	0
		5,649,166	4,765,153
	Other Infrastructure – Fair Value	107,402,290	90,268,951
	Less Accumulated Depreciation	(4,677,111)	0
		102,725,179	90,268,951
		454,520,922	432,664,125

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 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 (2) which requires infrastructure to be shown at fair value.

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#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

#### 8. Infrastructure (Continued)

#### (b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year

	Roads	Bridges	Car Parks	Drainage	Airport	Other	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2014	253,913,312	30,376,832	8,501,381	44,838,496	4,765,153	90,268,951	432,664,125
Additions	5,561,433	478,655	499,808	168,736	1,006,355	12,575,821	20,290,808
(Disposals)	(37,628)	0	(15,503)	0	0	(116,966)	(170,097)
Revaluation - Increments	0	0	0	0	0	0	0
- (Decrements)	0	0	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0	0	0
- Reversals	0	0	0	0	0	0	0
Depreciation - (Expense)	(4,617,224)	(561,416)	(286,923)	(618,752)	(122,342)	(4,697,418)	(10,904,075)
Donated Assets	4,097,907	0	0	3,847,463	0	4,694,791	12,640,161
Other Movements	0	0	0	0	0	0	0
Balance as at 30 June 2015	258.917.800	30.294.071	8.698.763	48.235.943	5.649.166	102.725.179	454.520.922

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#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 8. Infrastructure (Continued)

Attachment A

#### (c) Fair Value Measurements

Asset Class	Fair Value	Valuation Technique	Basis of Valuation	Date of last	Inputs Used
	Hierarchy			Valuation	
Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Bridges	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Car Parks	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Airport	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Other Infrastructure	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

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#### Attachment A

## City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

				2016 Actual \$	2015 Actual \$
9.	Intangibles				
	Easements			0	(
	Accumulated Impairment Costs			0	
				0	(
10.	Trade and Other Payables				
	Current				
	Sundry Creditors			4,716,458	3,181,228
	Deposits and Bonds			2,425,748	2,031,999
	GST Payable			0	4,218,076
	Accrued Expenses			666,620	448,890
				7,808,826	9,880,193
11.	Long-Term Borrowings				
	Current				
	Secured by Floating Charge				
	Debentures			1,940,629	1,823,987
				1,940,629	1,823,987
	Non-Current				
	Secured by Floating Charge				
	Debentures			27,083,214	28,173,844
				27,083,214	28,173,844
	Additional detail on borrowings is pro	ovided in Note 23.			
12.	Provisions				
		Provision for	Provision for	Provision for	Total
		Annual Leave	Long Service	Sick Leave	
		\$	Leave \$	\$	\$
	Opening balance at 1 July 2015	7	Ť	*	~
	Current	1,958,130	1,722,137	143,876	3,824,143
	Non-Current	0	666,052	0	666,052
		1,958,130	2,388,189	143,876	4,490,195
	Additional Provisions	1,602,122	520,153	676	2,122,951
	Amounts Used	(1,605,356)	(263,871)	0	(1,869,227
	Balance 30 June 2016	1,954,896	2,644,471	144,552	4,743,919
	Comprises				
	Current Provisions	1,954,896	2,032,137	144,552	4,131,585
	Non-current Provisions	0	612,334	0	612,334
		1,954,896	2,644,471	144,552	4,743,919

13.

## City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

Amount Set Aside / Transfer to Reserve         523,381         415,228         435           Amount Used / Transfer from Reserve         (42,630)         (42,630)         (573, 940,036)         831,883         459           Asset Depreciation Reserve         2,546,024         2,546,024         4,026           Amount Set Aside / Transfer to Reserve         72,401         74,772         133           Amount Used / Transfer from Reserve         (44,821)         (125,000)         (1,613, 2,573,604)         2,495,796         2,546           Beach Protection Reserve         (44,821)         (125,000)         (1,613, 2,573,604)         2,495,796         2,546           Beach Protection Reserve         (44,821)         (125,000)         (1,613, 2,573,604)         2,495,796         2,546           Beach Protection Reserve         495,149         487,884         664         487,884         664         487,884         664         487,884         664         487,884         664         494,49,337         1,494,337         1,494,387         1,494         487,884         664         487,884         664         487,884         664         487,884         664         487,884         664         487,884         541,388         562         487,884         541,388         562         487,88		2016 Actual \$	2016 Budget \$	2015 Actual \$
Reserve         459,285         459,285         459,285         459,285         435,288         435,288         A45,228         A45,228         A45,228         A45,228         A45,228         A45,238         A45,248         A45,248 <t< th=""><th>ves – Cash Backed</th><th></th><th></th><th></th></t<>	ves – Cash Backed			
Amount Set Aside / Transfer to Reserve         523,381         415,228         435           Amount Used / Transfer from Reserve         (42,630)         (42,630)         (573, 940,036)         831,883         459           Asset Depreciation Reserve         2,546,024         2,546,024         4,026           Amount Set Aside / Transfer to Reserve         72,401         74,772         133           Amount Used / Transfer from Reserve         (44,821)         (125,000)         (1,613, 2,573,604)         2,495,796         2,546           Beach Protection Reserve         (44,821)         (125,000)         (1,613, 2,573,604)         2,495,796         2,546           Beach Protection Reserve         (44,821)         (125,000)         (1,613, 2,573,604)         2,495,796         2,546           Beach Protection Reserve         495,149         487,884         664         487,884         664         487,884         664         487,884         664         487,884         664         494,494         487,884         664         494,494         487,884         664         487,884         664         487,884         664         487,884         664         487,884         541,388         562         487,494         487,884         541,388         562         487,884         541,388 <td>•</td> <td></td> <td></td> <td></td>	•			
Amount Used / Transfer from Reserve         (42,630)         (42,630)         (573, 940,036)         831,883         459           Asset Depreciation Reserve         Opening Balance         2,546,024         2,546,024         4,026         Amount Set Aside / Transfer to Reserve         72,401         74,772         133         Amount Used / Transfer from Reserve         (44,821)         (125,000)         (1,613,257,604)         2,546         2,546         2,546         2,546         2,495,796         2,546         2,546         2,546         2,495,796         2,546         2,546         2,546         2,495,796         2,546         2,546         2,546         2,495,796         2,546         2,546         2,546         2,546         2,546         2,546         2,546         2,495,796         2,546         2,546         2,546         2,546         2,494,337         1,493,337         1,324         3,664         3,244         3,444	ng Balance	459,285	459,285	597,302
Asset Depreciation Reserve         940,036         831,883         459           Opening Balance         2,546,024         2,546,024         4,026           Amount Set Aside / Transfer to Reserve         72,401         74,772         133           Amount Used / Transfer from Reserve         (44,821)         (125,000)         (1,613, 2,573,604           Beach Protection Reserve         (24,821)         (125,000)         (1,613, 2,573,604           Opening Balance         1,494,337         1,494,337         1,324           Amount Set Aside / Transfer to Reserve         495,149         487,884         664           Amount Set Aside / Transfer from Reserve         (221,096)         (326,572)         (494, 494,337)         1,409,407         1,409,407         1,409,407         1,409,407         1,409,407         1,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,500,409,407         1,409,407         1,5	nt Set Aside / Transfer to Reserve	523,381	415,228	435,877
Asset Depreciation Reserve         2,546,024         2,546,024         4,026           Amount Set Aside / Transfer to Reserve         72,401         74,772         133           Amount Used / Transfer from Reserve         (44,821)         (125,000)         (1,613,000)           Beach Protection Reserve         2,573,604         2,495,796         2,546           Beach Protection Reserve         1,494,337         1,494,337         1,324           Amount Set Aside / Transfer to Reserve         495,149         487,884         664           Amount Used / Transfer from Reserve         (221,096)         (326,572)         (494,00)           Amount Used / Transfer from Reserve         (221,096)         (326,572)         (494,00)           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653,00)           Amount Set Aside / Transfer to Reserve         3,803         3,768         4           Amount Used / Transfer from Reserve         0         0         0           Opening Balance         2,094,713         2,094,713         1,464           Amount Used / Transfer to Reserve         0         0         0           Opening Balance         2,0	nt Used / Transfer from Reserve	(42,630)	(42,630)	(573,894)
Opening Balance         2,546,024         2,546,024         4,026           Amount Set Aside / Transfer to Reserve         72,401         74,772         133           Amount Used / Transfer from Reserve         (44,821)         (125,000)         (1,613,25,604)           Beach Protection Reserve         2,573,604         2,495,796         2,546           Beach Protection Reserve         1,494,337         1,494,337         1,324           Amount Set Aside / Transfer to Reserve         495,149         487,884         664           Amount Used / Transfer from Reserve         (221,096)         (326,572)         (494,494)           Building Reserve         (221,096)         (326,572)         (494,494)           Opening Balance         1,409,407         1,409,407         1,500           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653,49)           Amount Set Aside / Transfer to Reserve         3,803         3,768         4           Amount Used / Transfer from Reserve         0         0         0           Dening Balance         2,094,713         2,094,713         1,464           Amount Set Aside / Transfer to Reserve         1,23		940,036	831,883	459,285
Amount Set Aside / Transfer to Reserve       72,401       74,772       133         Amount Used / Transfer from Reserve       (44,821)       (125,000)       (1,613, 2,546)         Beach Protection Reserve       2,573,604       2,495,796       2,546         Beach Protection Reserve       1,494,337       1,494,337       1,324         Amount Set Aside / Transfer to Reserve       495,149       487,884       664         Amount Used / Transfer from Reserve       (221,096)       (326,572)       (494, 494, 494)         Building Reserve       (221,096)       (326,572)       (494, 494, 494)         Building Reserve       1,409,407       1,409,407       1,500         Amount Set Aside / Transfer to Reserve       548,784       541,388       562         Amount Used / Transfer from Reserve       (465,153)       (625,000)       (653, 49)         Corporate IT Systems Programme Reserve       128,259       128,259       123         Amount Set Aside / Transfer to Reserve       3,803       3,768       4         Amount Set Aside / Transfer from Reserve       132,062       132,027       128         Jetty Maintenance Reserve       2,094,713       2,094,713       1,464         Amount Set Aside / Transfer to Reserve       1,230,428       1,220,983 <th< td=""><td>Depreciation Reserve</td><td></td><td></td><td></td></th<>	Depreciation Reserve			
Amount Used / Transfer from Reserve         (44,821)         (125,000)         (1,613, 2,573,604)         2,495,796         2,546           Beach Protection Reserve         2,573,604         2,495,796         2,546           Opening Balance         1,494,337         1,494,337         1,324           Amount Set Aside / Transfer to Reserve         495,149         487,884         664           Amount Used / Transfer from Reserve         (221,096)         (326,572)         (494, 494, 494)           Building Reserve         (221,096)         (326,572)         (494, 494, 494)           Depaing Balance         1,409,407         1,409,407         1,500           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653, 49)           Amount Set Aside / Transfer to Reserve         3,803         3,768         4           Amount Used / Transfer from Reserve         132,062         132,027         128           Jetty Maintenance Reserve         2,094,713         2,094,713         1,464           Amount Used / Transfer from Reserve         1,230,428         1,220,893         1,206           Amount Set Aside / Transfer from Reserve         1,204,848         1,220,893	ng Balance	2,546,024	2,546,024	4,026,327
Beach Protection Reserve         2,573,604         2,495,796         2,546           Opening Balance         1,494,337         1,494,337         1,324           Amount Set Aside / Transfer to Reserve         495,149         487,884         664           Amount Used / Transfer from Reserve         (221,096)         (326,572)         (494,           Building Reserve         (221,096)         (326,572)         (494,           Opening Balance         1,409,407         1,409,407         1,500           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653,           Opening Balance         1,493,038         1,325,795         1,409           Amount Set Aside / Transfer to Reserve         3,803         3,768         4           Amount Used / Transfer from Reserve         0         0         0           Jetty Maintenance Reserve         2,094,713         2,094,713         1,464           Amount Set Aside / Transfer to Reserve         1,230,428         1,220,893         1,206           Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576,           Legal Expenses Reserve         2,306,653 <t< td=""><td>nt Set Aside / Transfer to Reserve</td><td>72,401</td><td>74,772</td><td>133,322</td></t<>	nt Set Aside / Transfer to Reserve	72,401	74,772	133,322
Beach Protection Reserve           Opening Balance         1,494,337         1,494,337         1,324           Amount Set Aside / Transfer to Reserve         495,149         487,884         664           Amount Used / Transfer from Reserve         (221,096)         (326,572)         (494,           Building Reserve         1,768,390         1,655,649         1,494           Building Reserve           Opening Balance         1,409,407         1,409,407         1,500           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653,           Corporate IT Systems Programme Reserve         0         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,59         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459         1,282,459 <td>nt Used / Transfer from Reserve</td> <td>(44,821)</td> <td>(125,000)</td> <td>(1,613,625)</td>	nt Used / Transfer from Reserve	(44,821)	(125,000)	(1,613,625)
Opening Balance         1,494,337         1,494,337         1,324           Amount Set Aside / Transfer to Reserve         495,149         487,884         664           Amount Used / Transfer from Reserve         (221,096)         (326,572)         (494,           Building Reserve         1,768,390         1,655,649         1,494           Opening Balance         1,409,407         1,409,407         1,500           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653,           Corporate IT Systems Programme Reserve         1,493,038         1,325,795         1,409           Opening Balance         128,259         128,259         123           Amount Set Aside / Transfer to Reserve         3,803         3,768         4           Amount Used / Transfer from Reserve         0         0         0           Jetty Maintenance Reserve         2,094,713         2,094,713         1,464           Amount Set Aside / Transfer to Reserve         1,230,428         1,220,893         1,206           Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576, 2,306,653         1,733,146         2,094           <		2,573,604	2,495,796	2,546,024
Amount Set Aside / Transfer to Reserve       495,149       487,884       664         Amount Used / Transfer from Reserve       (221,096)       (326,572)       (494, 1768,390)         Building Reserve       1,768,390       1,655,649       1,494         Opening Balance       1,409,407       1,409,407       1,500         Amount Set Aside / Transfer to Reserve       548,784       541,388       562         Amount Used / Transfer from Reserve       (465,153)       (625,000)       (653, 1,493,038       1,325,795       1,409         Corporate IT Systems Programme Reserve       0       1,28,259       128,259	Protection Reserve			
Amount Set Aside / Transfer to Reserve       495,149       487,884       664         Amount Used / Transfer from Reserve       (221,096)       (326,572)       (494, 1768,390)         Building Reserve       1,768,390       1,655,649       1,494         Opening Balance       1,409,407       1,409,407       1,500         Amount Set Aside / Transfer to Reserve       548,784       541,388       562         Amount Used / Transfer from Reserve       (465,153)       (625,000)       (653, 1,493,038       1,325,795       1,409         Corporate IT Systems Programme Reserve       0       1,28,259       128,259	ng Balance	1,494,337	1,494,337	1,324,758
Amount Used / Transfer from Reserve         (221,096)         (326,572)         (494, 1768,390)           Building Reserve         1,768,390         1,655,649         1,494,407           Opening Balance         1,409,407         1,409,407         1,500           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653, 653)           Corporate IT Systems Programme Reserve         128,259         128,259         128,259         128,259         128,259         123,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         123,202         128,259         128,259         123,202         128,259         123,202         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259	nt Set Aside / Transfer to Reserve	495,149	487,884	664,546
1,768,390		(221,096)	(326,572)	(494,967)
Opening Balance         1,409,407         1,409,407         1,500           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653,000)           Corporate IT Systems Programme Reserve         1,493,038         1,325,795         1,409           Corporate IT Systems Programme Reserve         128,259         128,259         128,259         123,059         128,259		1,768,390		1,494,337
Opening Balance         1,409,407         1,409,407         1,500           Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653,000)           Corporate IT Systems Programme Reserve         1,493,038         1,325,795         1,409           Corporate IT Systems Programme Reserve         128,259         128,259         128,259         123,059         128,259	ng Reserve			
Amount Set Aside / Transfer to Reserve         548,784         541,388         562           Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653,000)           Corporate IT Systems Programme Reserve         1,493,038         1,325,795         1,409           Corporate IT Systems Programme Reserve         128,259         128,259         128,259         123,059         128,259         128,259         128,259         128,259         123,062         132,027         128           Amount Used / Transfer from Reserve         0         0         0         0         0         0         0         128,259         128,259         123,062         132,027         128         123,062         132,027         128         128         128,259         128,259         123,027         128		1,409,407	1.409.407	1,500,203
Amount Used / Transfer from Reserve         (465,153)         (625,000)         (653, 1,493,038)         1,325,795         1,409           Corporate IT Systems Programme Reserve         3,493,038         1,325,795         1,249           Opening Balance         128,259         128,259         128,259         123,259         128,259         128,259         123,25         123,25         123,25         123,25         123,20         128,259         128,259         123,25         123,20         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,259         128,	nt Set Aside / Transfer to Reserve	548,784	541,388	562,778
1,493,038   1,325,795   1,409	nt Used / Transfer from Reserve	(465,153)		(653,574)
Corporate IT Systems Programme Reserve           Opening Balance         128,259         128,259         128,259         123,259         128		1.493.038	1,325,795	1,409,407
Opening Balance         128,259         128,259         128,259           Amount Set Aside / Transfer to Reserve         3,803         3,768         4           Amount Used / Transfer from Reserve         0         0         0           132,062         132,027         128           Jetty Maintenance Reserve           Opening Balance         2,094,713         2,094,713         1,464           Amount Set Aside / Transfer to Reserve         1,230,428         1,220,893         1,206           Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576, 2,306,653         1,733,146         2,094           Legal Expenses Reserve         2         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0	rate IT Systems Programme Reserve		_,,	_,,
Amount Set Aside / Transfer to Reserve         3,803         3,768         4           Amount Used / Transfer from Reserve         0         0         0           Jetty Maintenance Reserve         132,062         132,027         128           Opening Balance         2,094,713         2,094,713         1,464           Amount Set Aside / Transfer to Reserve         1,230,428         1,220,893         1,206           Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576, 2,306,653         1,733,146         2,094           Legal Expenses Reserve         2         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0		128.259	128.259	123,846
Amount Used / Transfer from Reserve         0         0           Jetty Maintenance Reserve         132,062         132,027         128           Opening Balance         2,094,713         2,094,713         1,464           Amount Set Aside / Transfer to Reserve         1,230,428         1,220,893         1,206           Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576, 2,306,653         1,733,146         2,094           Legal Expenses Reserve         Opening Balance         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0	•			4,413
132,062   132,027   128				0
Jetty Maintenance Reserve           Opening Balance         2,094,713         2,094,713         1,464           Amount Set Aside / Transfer to Reserve         1,230,428         1,220,893         1,206           Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576, 2,306,653)         1,733,146         2,094           Legal Expenses Reserve         Opening Balance         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0		132.062	132.027	128,259
Opening Balance         2,094,713         2,094,713         1,464           Amount Set Aside / Transfer to Reserve         1,230,428         1,220,893         1,206           Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576, 2,306,653)         1,733,146         2,094           Legal Expenses Reserve         Opening Balance         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0	Maintenance Reserve			
Amount Set Aside / Transfer to Reserve         1,230,428         1,220,893         1,206           Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576, 2,306,653)         1,733,146         2,094           Legal Expenses Reserve         0         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0		2.094.713	2.094.713	1,464,952
Amount Used / Transfer from Reserve         (1,018,488)         (1,582,460)         (576, 2,094)           Legal Expenses Reserve         2,306,653         1,733,146         2,094           Depening Balance         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0	•			1,206,346
Legal Expenses Reserve         2,306,653         1,733,146         2,094           Legal Expenses Reserve         309,206         309,206         249           Opening Balance         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0	•			(576,585)
Legal Expenses Reserve         309,206         309,206         249           Opening Balance         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0				2,094,713
Opening Balance         309,206         309,206         249           Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0         0	Expenses Reserve	2,500,555	1,733,140	2,054,715
Amount Set Aside / Transfer to Reserve         221,387         9,084         60           Amount Used / Transfer from Reserve         0         0	•	309 206	309 206	249,162
Amount Used / Transfer from Reserve 0 0				60,044
	,		,	00,044
530 593 218 200 200	. Total i monimestre	530,593	318,290	309,206

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## City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

	2016 Actual \$	2016 Budget \$	2015 Actual \$
Reserves – Cash Backed (Continued)		,	·
Long Service Leave Reserve			
Opening Balance	2,204,037	2,204,037	1,987,579
Amount Set Aside / Transfer to Reserve	664,305	189,728	565,453
Amount Used / Transfer from Reserve	(263,871)	(468,210)	(348,995)
	2,604,471	1,925,555	2,204,037
City Car Parking and Access Reserve			
Opening Balance	198,115	198,115	1,641
Amount Set Aside / Transfer to Reserve	391,991	385,183	358,723
Amount Used / Transfer from Reserve	(162,249)	(162,249)	(162,249)
	427,857	421,049	198,115
Plant Replacement Reserve			
Opening Balance	2,425,055	2,425,055	3,597,284
Amount Set Aside / Transfer to Reserve	784,248	773,550	622,316
Amount Used / Transfer from Reserve	(398,724)	(766,000)	(1,794,545)
	2,810,579	2,432,605	2,425,055
Professional Development Reserve			
Opening Balance	74,240	74,240	111,896
Amount Set Aside / Transfer to Reserve	63,017	62,184	44,430
Amount Used / Transfer from Reserve	(59,352)	(75,000)	(82,086)
	77,905	61,424	74,240
Road Asset Renewal Reserve			
Opening Balance	118,257	118,257	2,435
Amount Set Aside / Transfer to Reserve	1,124,210	1,105,253	720,825
Amount Used / Transfer from Reserve	(913,644)	(1,065,515)	(605,003)
	328,823	157,995	118,257
Sick Pay Incentive Reserve			
Opening Balance	143,876	143,876	137,020
Amount Set Aside / Transfer to Reserve	7,010	4,224	6,856
Amount Used / Transfer from Reserve	(6,333)	(5,000)	0
,	144,553	143,100	143,876
Strategic Projects Reserve			
Opening Balance	185,994	185,994	245,558
Amount Set Aside / Transfer to Reserve	30,618	30,460	29,078
Amount Used / Transfer from Reserve	0	0	(88,642)
	216,612	216,454	185,994
	210,012	2.10,737	100,004

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## City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

	2016 Actual \$	2016 Budget \$	2015 Actual \$
Reserves – Cash Backed (Continued)			
Waste Management Facility and Plant Reserve			
Opening Balance	8,134,429	8,134,429	5,824,494
Amount Set Aside / Transfer to Reserve	2,915,272	2,725,998	2,909,107
Amount Used / Transfer from Reserve	(3,436,447)	(6,555,000)	(599,172)
	7,613,254	4,305,427	8,134,429
Port Geographe Development Reserve (Council)			
Opening Balance	569,370	569,370	567,296
Amount Set Aside / Transfer to Reserve	1,090,680	16,728	20,175
Amount Used / Transfer from Reserve	(5,929)	(6,240)	(18,101)
	1,654,121	579,858	569,370
Port Geographe Waterways Management Reserve			
Opening Balance	3,265,183	3,265,183	3,295,493
Amount Set Aside / Transfer to Reserve	489,260	255,033	269,690
Amount Used / Transfer from Reserve	(300,000)	(300,000)	(300,000)
	3,454,443	3,220,216	3,265,183
Workers Compensation Contingency Reserve		-,,	-,,
Opening Balance	265,278	265,278	256,150
Amount Set Aside / Transfer to Reserve	7,864	7,788	9,128
Amount Used / Transfer from Reserve	0	0	0
	273,142	273,066	265,278
Provence Landscape Maintenance Reserve	270,272	273,000	203,270
Opening Balance	676,765	676,765	533,687
Amount Set Aside / Transfer to Reserve	159,091	147,896	143,078
Amount Used / Transfer from Reserve	0	(117,120)	0
Amount osed / Transfer from Reserve	835,856	707,541	676,765
Infrastructure Development Reserve	833,630	707,341	070,703
Opening Balance	2,311,813	2,311,813	1,778,228
Amount Set Aside / Transfer to Reserve	708,288	200,252	775,704
Amount Used / Transfer from Reserve	(1,012,456)	(1,472,635)	
Amount Osed / Transfer from Reserve			(242,119)
Vacca Naustaum Landssana Maintananaa Bassana	2,007,645	1,039,430	2,311,813
Vasse Newtown Landscape Maintenance Reserve	405.022	405 022	250 400
Opening Balance	406,922	406,922	358,408
Amount Set Aside / Transfer to Reserve	166,534	159,492	158,812
Amount Used / Transfer from Reserve	(102,696)	(196,785)	(110,298)
	470,760	369,629	406,922

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

		2016 Actual \$	2016 Budget \$	2015 Actual \$
13.	Reserves – Cash Backed (Continued)			
	Untied Grants Reserve			
	Opening Balance	1,109,692	1,109,692	0
	Amount Set Aside / Transfer to Reserve	0	0	1,109,692
	Amount Used / Transfer from Reserve	(1,109,692)	(1,109,692)	0
		0	0	1,109,692
	Locke Estate Reserve			
	Opening Balance	0	0	114,516
	Amount Set Aside / Transfer to Reserve	64,000	60,000	64,406
	Amount Used / Transfer from Reserve	0	0	(178,922)
		64,000	60,000	0
	Busselton Community Resource Centre Reserve			
	Opening Balance	63,513	63,513	36,750
	Amount Set Aside / Transfer to Reserve	28,665	27,280	26,763
	Amount Used / Transfer from Reserve	0	0	0
		92,178	90,793	63,513
	CBD Enhancement			
	Opening Balance	14,490	14,490	0
	Amount Set Aside / Transfer to Reserve	35,914	35,220	14,490
	Amount Used / Transfer from Reserve	0	0	0
		50,404	49,710	14,490
	Election, Valuation and Corporate Expenses Reserve			
	Opening Balance	35,799	35,799	0
	Amount Set Aside / Transfer to Reserve	209,475	207,056	35,799
	Amount Used / Transfer from Reserve	(71,105)	(76,000)	0
		174,169	166,855	35,799
	Civic and Administration Centre Construction Reserve			
	Opening Balance	18,501,924	18,501,924	0
	Amount Set Aside / Transfer to Reserve	466,958	337,500	18,501,924
	Amount Used / Transfer from Reserve	(6,185,967)	(9,180,000)	0
		12,782,915	9,659,424	18,501,924
	Performing Arts Centre Reserve			
	Opening Balance	0	0	0
	Amount Set Aside / Transfer to Reserve	0	0	0
	Amount Used / Transfer from Reserve	0	0	0
		0	0	0

#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

		2016 Actual \$	2016 Budget \$	2015 Actual \$
13.	Reserves – Cash Backed (Continued)			
	Airport Marketing Reserve			
	Opening Balance	0	0	0
	Amount Set Aside / Transfer to Reserve	196,000	0	0
	Amount Used / Transfer from Reserve	0	0	0
		196,000	0	0
	Total Reserves	46,024,063	34,372,716	49,145,982
	Summary of Cash / Investment Backed Reserves			
	Opening Balance	49,145,982	49,145,982	28,134,985
	Amount Set Aside / Transfer to Reserve	12,698,735	9,483,842	29,453,774
	Amount Used / Transfer from Reserve	(15,820,654)	(24,257,108)	(8,442,777)
		46,024,063	34,372,716	49,145,982

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this report.

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

#### Airport Infrastructure Renewal and Replacement Reserve

To provide funding for the renewal, replacement, upgrading and installation of Airport Infrastructure; and to facilitate the implementation of the Noise Management Plan and related activities.

#### **Assets Depreciation Reserve**

To assist the City in funding capital expenditure on renewal, replacement and improvements of infrastructure assets as determined by Council, and as specifically identified in relevant Asset Management Plans.

#### **Beach Protection Reserve**

To cover repairs or preventative measures necessary to protect the beach or land based assets, as well as specific capital projects designed to protect the shoreline, e.g. construction of a sea wall.

#### **Buildings Reserve**

Building requirements which need to be "saved" for but are not considered to be large project items requiring their own reserve fund or loan funding.

#### **Financial Report**

#### For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 13. Reserves – Cash Backed (Continued)

#### Corporate IT Systems Programme

To assist the City in funding expenditure required in relation to the ongoing development and enhancement of the City's corporate systems.

#### Jetty Maintenance Reserve

As a contingency fund to rectify damage caused by the demise of the Busselton jetty or part of the jetty or for large unbudgeted extraordinary jetty repairs.

#### Legal Expenses Reserve

To provide for any legal expenses or contingency involving the City of Busselton.

#### **Long Service Leave Reserve**

To provide funding to meet Council's future long service leave obligations.

#### City Car Parking and Access Reserve

To provide adequate public car parking in the City for the future, and can be used for the purchase of land and/or development of public car parking and access thereto, the development of infrastructure to provide for the management of public car parking and providing improved public transport to and within the City.

#### Plant Replacement Reserve

For funding and the purchase of new plant and equipment as may be required to mitigate growth needs or improvements to service levels as agreed by the Council; or plant and equipment as identified in the 10 year plant replacement program by using the basis of plant depreciation earnings and subsidisation by annual budgets as required.

#### **Professional Development Reserve**

To provide funding to meet the City's ongoing contractual professional development obligations.

## Road Asset Renewal Reserve

To meet the needs of the Long Term Financial Plan road asset management plan requirements.

#### Sick Pay Incentive Reserve

To provide funding to meet Council's obligations under the City of Busselton's Enterprise Bargaining Agreement.

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#### **Financial Report**

#### For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 13. Reserves – Cash Backed (Continued)

#### Strategic Projects Reserve

To finance activities which will create a revenue stream for the City and reduce reliance on rate revenue.

#### **Waste Management Facility and Plant Reserve**

To fund the acquisition of additional waste plant, waste facility infrastructure, waste related consultancy services and post closure management.

#### Port Geographe Development Reserve

To provide for costs associated with the Port Geographe development.

#### Port Geographe Waterways Management Reserve

To provide funds for Council to fulfil its obligations under a Waterways Management Deed with Pindan Constructions for the future maintenance of waterways and associated facilities within the Port Geographe subdivision area.

#### **Workers Compensation Contingency Reserve**

A contingency fund to assist Council in meeting its Workers Compensation Contribution obligations when claim costs exceed the "Deposit" amount allocated to claims. This is a requirement under Councils current Workers Compensation "performance based contributions policy".

#### Provence Landscape Maintenance Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping within the Provence subdivision in accordance with Policy 185/3 including future capital replacement of landscaping structures as may be required.

#### Infrastructure Development Reserve

For the purpose of setting aside funds to facilitate the identification, design and development of new infrastructure and other capital projects.

#### Vasse Newtown Landscape Maintenance Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping.

#### **Untied Grants Reserve**

To hold untied grants monies received in advance.

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 13. Reserves – Cash Backed (Continued)

#### Locke Estate Reserve

To provide funding for the protection of the Locke Estate (Reserve 22674) coastline.

#### **Busselton Community Resource Centre Reserve**

To hold funds for costs associated with asset management (as well as a contingency for annual depreciation) of the building located on Reserve 41445, and known as the Busselton Community Resource Centre.

#### **CBD Enhancement Reserve**

Financing works and improvements within the Busselton Central Business District', including both capital and maintenance works which enhance the old fire station and / or the CBD generally.

#### Election, Valuation and Corporate Expenses Reserve

To provide funding for Council elections, rating valuations, fair value valuations and other corporate expenses as determined.

#### Civic and Administration Centre Construction Reserve

To provide funding for the construction and fit-out of a Civic and Administration Centre, plus associated costs.

## Performing Arts Centre Reserve

To provide for the planning and construction of a future Performing Arts Centre for the district.

#### **Airport Marketing Reserve**

The purpose for promoting the Busselton Regional Airport.

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## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

#### 14. Revaluation Surplus

Revaluations surpluses have arisen on revaluation of the following class of  $\,$  non-current assets:

	2016 Actual	2015 Actual
	\$	\$
Land and Buildings		
Opening Balance	44,100,475	44,100,475
Revaluation Increment	0	0
Revaluation Decrement	0	0
	44,100,475	44,100,475
Furniture & Fittings		
Opening Balance	196,941	196,941
Revaluation Increment	249,024	0
Revaluation Decrement	0	0
	445,965	196,941
Plant and Equipment		
Opening Balance	0	0
Revaluation Increment	136,902	0
Revaluation Decrement	0	0
	136,902	0
Roads	402 025 756	
Opening Balance	102,035,756	0
Revaluation Increment	0	102,035,756
Revaluation Decrement	102 025 756	103.035.756
Dillers	102,035,756	102,035,756
Bridges	10 677 160	0
Opening Balance	19,677,168	10.677.168
Revaluation Increment Revaluation Decrement	0	19,677,168
Revaluation Decrement		10.677.169
Car Parks	19,677,168	19,677,168
	5,863,855	0
Opening Balance Revaluation Increment	0,003,033	5,863,855
Revaluation Decrement	0	0,803,833
nevaldation betrement	5,863,855	5,863,855
Drainage		3,803,833
Opening Balance	9,978,811	0
Revaluation Increment	0	9,978,811
Revaluation Decrement	0	0
neral addition bear circuit	9,978,811	9,978,811
Regional Airport and Industrial Park	3,370,011	3,370,011
Opening Balance	1,309,884	0
Revaluation Increment	0	1,309,884
Revaluation Decrement	0	0
	1,309,884	1,309,884
Other Infrastructure		_,
Opening Balance	6,965,097	0
Revaluation Increment	0	6,965,097
Revaluation Decrement	0	0
	6,965,097	6,965,097
		-,,
Total Assets Revaluation Surplus	190,513,913	190,127,987
	150,515,515	_30,22.,507

## City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

#### 15. Notes to the Statement of Cash Flows

#### Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

2016

Actual

2016

Budget

2015

Actual

		>	\$	>
	Cash and Cash Equivalents	115,850,156	47,976,478	119,604,734
(b)	Reconciliation of Net Cash Provided By Operating Activities to Net Result			
	Net Result	28,133,255	35,962,995	64,893,964
	Depreciation	14,998,644	14,636,430	12,088,317
	(Profit) / Loss on Sale of Asset	1,278,202	52,860	125,932
	(Increase) / Decrease in Receivables	(5,858,363)	360,866	1,594,426
	(Increase) / Decrease in Inventories	(150)	0	5,432
	Increase / (Decrease) in Payables	2,682,782	(4,960,461)	2,842,828
	Increase / (Decrease) in Employee Provisions	253,725	(253,479)	682,668
	Less: Non-Cash Contributions	(12,996,614)	(13,124,650)	(8,834,492)
	Grants/Contributions for the Development of Assets	(12,236,044)	(24,363,333)	(53,071,923)
	Non-Current Assets Fair Value Adjustment			0
	Net Cash from Operating Activities	16,255,437	8,311,228	20,327,152

(c)	Undrawn Borrowing Facilities Credit Standby Arrangements	2016 Actual \$	2015 Actual \$
	Bank Overdraft limit	0	0
	Bank Overdraft at Balance Date	0	0
	Credit Card limit	50,000	50,000
	Credit Card Balance at Balance Date	0	0
	Total Amount of Credit Unused	50.000	50.000

#### (d) Loan Facilities

Loan Facilities – Current	1,940,629	1,823,987
Loan Facilities – Non-Current	27,083,214	28,173,844
Total Facilities in Use at Balance Date	29,023,843	29,997,831

#### City of Busselton

#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

15.	Notes to the Statement of Cash Flows (Continued)	2016 Actual	2015 Actual
		\$	\$
(e)	Non-Cash Contributions		
	Acquired by Council at Valuation – Land and Buildings	235,000	0
	Acquired by Council at Valuation – Furniture and Fittings	0	2,500
	Acquired by Council at Valuation – Plant and Equipment	121,453	152,960
	Developers and Acquired by Council at Valuation - Roads	4,097,907	3,100,074
	Developers and Acquired by Council at Valuation - Bridges	0	0
	Developers and Acquired by Council at Valuation - Drains	3,847,463	2,943,097
	Developers and Acquired by Council at Valuation - Other	4,694,791	2,635,861
		12,996,614	8,834,492

#### 16. Contingent Liabilities

#### 16.1 Resident funded aged persons homes

When either of the two of the resident funded aged person's homes at the Winderlup Villas become vacant, then Council has a contractual obligation to reimburse the occupant the contribution made at the outset (less annual depreciation) and discretion to increase the amount based on market value of the capital cost for the two homes involved.

#### 16.2 Buy Back Conditions contained in City Lease Agreements

In 1997 the Council resolved (C974/0148) to enter into a lease agreement with the Geographe Bay Tourism Association for a portion of Lot 73 Peel Terrace, Busselton, with a future buy out provision which is to exclude any Council capital contributions (past or present). Therefore at the end of the lease 19 March 2019 if no further lease is entered into, the City could be liable for the sum equal to the Added Value of the building.

On the 14 June 1999 the City entered into a lease agreement with the St John Ambulance Association of WA and this lease agreement expires on 30 June 2020. If a new lease is not entered into the City could be liable for the purchase of the building and improvements at market value (Clause 7).

On the 4 February 2009 the City entered into a lease agreement with the Geographe Hangar Owners Group Inc and this lease agreement expires on 31 March 2018. If a new lease is not entered into the City could be liable for the purchase of the hangar and/ or other buildings constructed on the hangar area at market value (Clause 9.14).

On the 9 June 1998 the City entered into a lease agreement with the Busselton Hangar Owners Pty Ltd and this lease agreement expires on 31 March 2018. If a new lease is not entered into the City could be liable for the purchase of the hangar and/ or other buildings constructed on the hangar area at market value (Clause

2016

2015

#### Attachment A

#### City of Busselton

#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 16. Contingent Liabilities (Continued)

#### 16.3 Claim for Compensation under section 173(1) of Planning and Development Act 2005

PJ and LJ Grocock is claiming compensation from the City of Busselton for injurious affection suffered by reason of the making of District Town Planning Scheme No 20 insofar as it imposed a reservation over Lot 49 Stanley Street, Busselton (of which they are the registered proprietors). Should the parties fail to achieve a negotiated outcome in relation to the claim for compensation, the amount and manner of payment of compensation is to be determined by arbitration in accordance with the Commercial Arbitration Act 2012. Due to complex legal and planning issues impacting on the matter, it is not reasonably possible to determine Council's potential liability (if any) at this stage.

#### 17. Capital and Leasing Commitments

		Actual	Actual
(a)	Operating Lease Commitments	\$	\$
	Non-cancellable operating leases contracted for but not capitalised in the accounts.		
	Payable:		
	- not later than one year	350,094	373,957
	- later than one year but not later than five years	299,915	558,383
	- later than five years	0	0
		650,009	932,340
(b)	Capital Expenditure Commitments		
(b)	Capital Expenditure Commitments	2016 Actual \$	2015 Actual \$
(b)	Capital Expenditure Commitments  Contracted for:	Actual	Actual
(b)		Actual	Actual
(b)	Contracted for:	Actual	Actual
(b)	Contracted for: Capital projects	Actual \$	Actual \$
(b)	Contracted for: <u>Capital projects</u> - Civic and Administration Building	Actual \$ 13,532,305	Actual \$
(b)	Contracted for: <u>Capital projects</u> - Civic and Administration Building - Railway House Project	Actual \$ 13,532,305 878,585	Actual \$
(b)	Contracted for:  Capital projects  - Civic and Administration Building  - Railway House Project  - Busselton Margaret River Regional Airport	Actual \$ 13,532,305 878,585	Actual \$

The capital expenditure projects outstanding at the end of the current reporting period represents the construction of the City's new Civic and Administration Building at Southern Drive and the construction of the Railway House Building at the Busselton Foreshore. These projects are due to be completed in the 2017 financial year.

The City also entered into an agreement and paid a deposit to purchase land associated with the development of the Busselton Margaret River Regional Airport. It is anticipated that settlement should occur in December 2016, pending WAPC approval.

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

#### 18. Joint Ventures

The City of Busselton has not been involved in any joint venture arrangements during the reporting period.

19.	Total Assets Classified by Function and Activity	2016 Actual \$	2015 Actual \$
	General Purpose Funding	4,329,868	3,886,448
	Governance	19,273,782	18,937,744
	Law, Order & Public Safety	3,151,150	3,309,985
	Health	158,278	167,474
	Education and Welfare	484,816	511,908
	Housing	14,559,260	15,224,617
	Community Amenities	23,050,519	19,040,179
	Recreation and Culture	110,330,203	91,081,346
	Transport	453,120,861	436,257,676
	Economic Services	2,654,735	2,731,424
	Other Property and Services	5,324,606	4,587,732
	Unallocated	40,697,645	55,671,640
		677,135,723	651,408,173

#### City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

#### 20. Financial Ratios

	2016 Actual	2015 Actual	2014 Actual
Current Ratio	0.741	0.779	0.857
Asset Sustainability Ratio	1.252	1.068	1.610
Debt Service Coverage Ratio	6.044	6.588	12.803
Operating Surplus Ratio	0.046	0.056	0.045
Own Source Revenue Coverage Ratio	0.952	0.964	0.973

The above ratios are calculated as follows:

Current Ratio (ratio required to meet standard > or = to 1) Current assets minus restricted current assets

Current liabilities minus liabilities associated with restricted assets

Asset Sustainability Ratio

(ratio required to achieve basic standard > 0.9)

Capital renewal and replacement expenditure

Depreciation expense

Debt Service Coverage Ratio

(ratio required to achieve basic standard > 2)

Annual operating surplus before interest and depreciation

Principal and interest

Operating Surplus Ratio

(ratio required to achieve basic standard > 0.01)

Operating revenue minus operating expense

Own source operating revenue

Own Source Revenue Coverage Ratio (ratio required to achieve basic standard > 0.4)

Own source operating revenue Operating expense

Notes: Information relating to the Asset Consumption Ratio and the Asset Renewal Funding Ratio can be found at

the supplementary ratio information on page 70 of this document.

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## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

#### 21. Trust Funds

	Balance 01-July-15 \$	Amounts Received \$	Amounts Paid \$	Balance 30-June-16 \$
Builders Registration Board Levies Building Training Levy	13,105 3,520	404,005 152,900	(398,524) (151,443)	18,586 4,977
Community Appeals Nomination Deposits	1,000	0	0	1,000
Cash in Lieu of P.O.S. Sundry Other Trusts	1,820,967 24,593	53,660 1,267	0 (1,620)	1,874,627 24,240
	1,863,185	611,832	(551,587)	1,923,430

#### 22. Disposals of Assets – 2015/16 Financial Year

The following assets were disposed of during the year:

#### By Function/Activity:-

	Net Boo	k Value	Sale	Price	Profit /	(Loss)
	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$
General Purpose Funding	0	0	0	0	0	0
Governance	1,038,311	0	32,716	0	(1,005,595)	0
Law, Order, Public Safety	40,832	51,550	47,180	42,000	6,348	(9,550)
Health	19,500	19,500	16,111	18,000	(3,389)	(1,500)
Education and Welfare	0	0	0	0	0	0
Housing	0	0	0	0	0	0
Community Amenities	78,316	97,973	65,465	96,000	(12,851)	(1,973)
Recreation and Culture	390,381	187,964	194,541	178,700	(195,840)	(9,264)
Transport	155,950	181,692	101,456	153,500	(54,494)	(28,192)
Economic Services	51,454	32,600	50,563	35,000	(891)	2,400
Other Property & Services	73,181	73,781	61,691	69,000	(11,490)	(4,781)
	1.847.925	645.060	569.723	592,200	(1.278.202)	(52.860)

#### By Asset Class:-

	Net Boo	Net Book Value		Price	Profit / (Loss)		
	Actual	Actual Budget		Actual Budget		Budget	
	\$	\$	\$	\$	\$	\$	
Land and Buildings	1,026,644	0	0	0	(1,026,644)	0	
Plant and Equipment	598,259	645,060	560,150	592,200	(38,109)	(52,860)	
Furniture and Fittings	44,348	0	9,573	0	(34,775)	0	
Infrastructure	178,674	0	0	0	(178,674)	0	
	1,847,925	645,060	569,723	592,200	(1,278,202)	(52,860)	

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#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

23.	Information on Borrowings												
(a)	Debenture Repayments				Principal	New Loans	New Loans	Principal R	epayment	Prin	cipal	Interest Re	epayment
	Particulars	Borrowing	Int.	Maturity	1 July 2015	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16
		Institution	Rate %	Date		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	Administration		76										
c	Loan #207 Civic and Administration Centre	WATC	4.51	06/34	17,355,380	0	0	592,056	592,056	16,763,324	16,763,324	772,808	772,808
-	Recreation & Culture	WAIC	4.51	00/34	17,555,500	1 2		332,030	332,030	10,703,324	10,703,324	772,000	//2,000
s	Loan #192 Busselton Tennis Club	WATC	5.74	12/19	29,596	0	0	5,937	5,937	23,659	23,659	1,573	1,573
s	Loan #195 Dunsborough District Country Club	WATC	6.79	06/17	76,495	0	0	36,960	36,960	39,535	39,535	4,266	4,266
s	Loan #196 Dunsborough Bay Yacht Club	WATC	6.16	12/19	13,112	0	0	2,611	2,610	10,502	10,502	748	748
c	Loan #197 Dunsborough Oval	WATC	6.05	03/20	870.570	0	0	163,233	163.234	707.336	707.336	49,012	49.012
c	Loan #198 Jetty Construction	WATC	6.05	03/20	1,142,622	0	0	214,243	214,243	928,379	928,379	64,329	64,329
s	Loan #199 Busselton Bowling Club	WATC	5.98	12/20	96,280	ı ŏ	0	15,251	15,251	81,029	81,029	5,420	5,420
s	Loan #200 Dunsborough Bay Yacht Club	WATC	6.00	12/19	8,444	0	0	1,686	1,686	6,757	6,758	469	469
c	Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	443,515	0	0	48,066	48,066	395,449	395,449	16,940	16,940
c	Loan #204 Busselton Foreshore	WATC	4.36	06/29	1,051,021	0	0	55,777	55,777	995,244	995,244	44,921	44,921
c	Loan #205 GLC Extensions	WATC	3.92	06/24	1,103,937	0	0	104,408	104,408	999,529	999,529	41,752	41,752
S	Loan# 208 Busselton Football & Sportsman's Club	WATC	2.93	04/25	29,302	0	0	2,560	2,560	26,742	26,742	831	831
c	Loan# 209 Busselton Foreshore	WATC	3.56	06/27	6,500,000	0	0	414,226	414,226	6,085,774	6,085,774	256,832	256,832
•	Transport		0.00	00,21	,,,,,,,,,,			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,	,,,,,,,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
С	Loan #203 Land Acquisition for Parking	WATC	4.19	09/21	888,088	0	0	127,017	127,017	761,071	761,071	35,232	35,232
l c	Loan #206 Airport Jet A1 Installation	WATC	3.92	06/24	321.982	0	0	30,452	30,453	291,530	291.529	12.178	12.178
	Economic Services							X-17801-0	,				,
S	Loan #201 Geographe Bay Tourism Association	WATC	4.76	09/21	67,487	0	0	9,503	9,503	57,984	57,984	3,044	3,044
	Other Property and Services							, , , , , , , , , , , , , , , , , , , ,					
С	Loan #210 Lot 40 Vasse Highway	WATC	3.61	12/25	0	850,000	850,000	0	0	850,000	850,000	30,600	15,343
	Total - Council and Self-supporting Loans				29,997,831	850,000	850,000	1,823,986	1,823,987	29,023,844	29,023,844	1,340,955	1,325,698
С	Council Loans are financed by general purpose inco	me.			29,677,115	850,000	850,000	1,749,478	1,749,479	28,777,636	28,777,636	1,324,605	1,309,347
S	Self-Supporting Loans are financed by payments fro	m third partie	es.		320,716	0	0	74,508	74,508	246,208	246,208	16,350	16,351
					29,997,831	850,000	850,000	1,823,986	1,823,987	29,023,844	29,023,844	1,340,955	1,325,698

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#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

- 23. Information on Borrowings (continued)
- (b) New Debentures 2015/16

Attachment A

	Amount E	Borrowed	Institution	Loan Type	Term	Total	Interest	Amoun	t Used	Balance
	Actual	Budget			(Years)	Interest &	Rate %	Actual	Budget	Unspent
Particulars / Purpose	\$	\$				Charges		\$	\$	
Loan #210 Lot 40 Vasse Highway	850,000	850,000	WATC	Debenture	10	306,850	3.61%	850,000	850,000	0
	850,000	850,000				306,850		850,000	850,000	0

(c) Unspent Debentures

Particulars / Purpose	Date Borrowed	Balance 01-July-15	Borrowed During Year	Expended During Year	Balance 30-June-16
raiticulais / rui pose		7	7	7	7
Loan #206 Airport Jet A1 Installation	27 <sup>th</sup> May 2014	350,000	0	0	350,000
Loan #207 Civic and Administration Centre	5 <sup>th</sup> Aug 2015	18,000,000	0	6,185,967	11,814,033
Loan# 209 Busselton Foreshore	13 <sup>th</sup> May 2015	3,763,273	0	3,152,689	610,584
		22,113,273	0	9,338,656	12,774,617

#### (d) Overdraft

Council has not utilised an overdraft facility during the financial year 2015/16. The balance of actual bank overdraft as at 1 July 2015 and 30 June 2016 was Nil.

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## City of Busselton

#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

24. Rating Information – 2015/16 Financial Year

(a) Rates

				Rate	Interim	Total	Budget Rate	Budget	
	Rate in	Number of	Rateable Value	Revenue	Rates	Revenue	Revenue	Interim Rate	Budget Total
Rate Type	\$	Properties	\$	\$	\$	\$	\$	\$	Revenue \$
Differential General Rate									
GRV–Residential	0.080266	12,996	241,197,300	19,359,878	0	19,359,878	19,359,878	0	19,359,878
GRV-Industrial	0.096010	351	16,985,375	1,630,764	0	1,630,764	1,630,764	0	1,630,764
GRV-Commercial	0.096010	1,249	57,599,367	5,530,109	0	5,530,109	5,530,109	0	5,530,109
GRV–Residential Vacant Land	0.080266	489	12,550,020	1,007,338	0	1,007,338	1,007,338	0	1,007,338
GRV-Industrial Vacant Land	0.105764	86	2,088,110	220,846	0	220,846	220,846	0	220,846
GRV–Commercial Vacant Land	0.105764	41	2,006,380	212,203	0	212,203	212,203	0	212,203
UV-Primary Production	0.003734	876	650,963,000	2,430,692	0	2,430,692	2,430,692	0	2,430,692
UV-Rural	0.003469	1,628	745,642,000	2,586,625	0	2,586,625	2,586,625	0	2,586,625
UV-Commercial	0.006807	128	92,030,000	626,448	0	626,448	626,448	0	626,448
Interim Rates		0	0	0	660,251	660,251	0	520,390	520,390
Sub-Totals		17,844	1,821,061,552	33,604,903	660,251	34,265,154	33,604,903	520,390	34,125,293
	Minimum \$								
Minimum Differential General Rate									
GRV–Residential	1,058	879	10,967,658	929,982	0	929,982	929,982	0	929,982
GRV–Industrial	1,058	20	188,947	21,160	0	21,160	21,160	0	21,160
GRV–Commercial	1,058	525	3,482,024	555,450	0	555,450	555,450	0	555,450
GRV–Residential Vacant Land	1,058	1,476	9,756,618	1,561,608	0	1,561,608	1,561,608	0	1,561,608
GRV–Industrial Vacant Land	1,058	0	0	0	0	0	0	0	0
GRV–Commercial Vacant Land	1,058	59	324,150	62,422	0	62,422	62,422	0	62,422
UV-Primary Production	1,058	204	42,918,000	215,832	0	215,832	215,832	0	215,832
UV-Rural	1,058	843	171,596,500	891,894	0	891,894	891,894	0	891,894
UV-Commercial	1,058	95	4,101,247	100,510	0	100,510	100,510	0	100,510
Sub-Totals		4,101	243,335,144	4,338,858	0	4,338,858	4,338,858	0	4,338,858
Back Rates / Prior Period Adj. (refer note 27)						106,474			99,230
Total Amount Raised from General Rates						38,710,486			38,563,381
Specified Area Rate (refer note 25)						449,635			434,698
Totals						39,160,121			38,998,079
101013						33,200,221			20,330,073

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## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

- 24. Rating Information 2015/16 Financial Year (Continued)
- Information on Surplus / Deficit Brought Forward

	2016 30 June 2016 C/FWD \$	2016 1 July 2015 B/FWD \$	2015 30 June 2015 C/FWD \$
Surplus / (Deficit)	1,178,089	756,540	756,540
Comprises:			
Cash - Unrestricted	3,251,577	6,323,600	6,323,600
Cash - Restricted	112,598,579	113,281,134	113,281,134
Sundry Debtors	2,501,984	1,814,960	1,814,960
Rates Debtors	787,186	445,904	445,904
Inventories	20,420	20,270	20,270
	119,159,746	121,885,868	121,885,868
<u>Less:</u>			
Sundry Creditors	(4,716,458)	(7,399,304)	(7,399,304)
Sundry Creditors – Deposits and Bonds	(2,425,748)	(2,031,999)	(2,031,999)
Accrued Expenses	(666,620)	(448,890)	(448,890)
	(7,808,826)	(9,880,193)	(9,880,193)
	111,350,920	112,005,675	112,005,675
Add Current Liabilities Cash Backed	2,425,748	2,031,999	2,031,999
Less Restricted Cash	(112,598,579)	(113,281,134)	(113,281,134)
Surplus / (Deficit)	1,178,089	756,540	756,540

## Difference:

There was no difference between the Surplus 1 July 2015 Brought Forward position used in the 2016 audited  $financial\ report\ and\ the\ Surplus\ Carried\ Forward\ position\ as\ disclosed\ in\ the\ 2015\ audited\ financial\ report.$ 

## 2015/2016 Annual Financial Report Including Auditors Report

## City of Busselton

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

#### 25. Specified Area Rate - 2015/16 Financial Year

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Port Geographe							
<ul> <li>Rate</li> </ul>	0.012849	GRV	12,385,210	159,134	159,134	159,134	159,134
<ul> <li>Interim Rate</li> </ul>				2,055	0	2,055	0
<ul> <li>Back Rate</li> </ul>				0	0	0	0
				161,189	159,134	161,189	159,134

	Rate in	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Provence							
<ul> <li>Rate</li> </ul>	0.011954	GRV	10,651,040	127,322	127,322	127,322	127,322
<ul> <li>Rate</li> </ul>	0.000128	UV	5,462,000	698	698	698	698
<ul> <li>Interim Rate</li> </ul>			1	8,417	0	8,417	0
<ul> <li>Back Rate</li> </ul>				0	0	0	0
				136.437	128.020	136.437	128.020

		Rate in	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Vasse								
•	Rate	0.015266	GRV	9,664,830	147,544	147,544	147,544	147,544
•	Interim Rate			1	4,465	0	4,465	0
•	Back Rate				0	0	0	0
					152,009	147,544	152,009	147,544

The purpose of the Specified Area Rates is disclosed in note 13 "Purpose of Reserves".

## 26. Service Charges – 2015/16 Financial Year

	Amount of Charge	Revenue Raised \$	Budget Revenue \$	Applied to Service Costs \$	Budget Applied to Costs \$	
Nil	0	0	0	0	0	
		0	0	0	0	

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 27. Discounts, Incentives, Concessions & Write-offs - 2015/16 Financial Year

		Discount	Total Cost / Value	Budget Cost / Value
	Туре	%	\$	\$
Back Rates Levied / Prior Period Adjustments	Adjustment	0	106,474	99,230
Write-offs	Write-off	0	0	0
		0	106,474	99,230

#### 28. Interest Charges and Instalments - 2015/16 Financial Year

	Interest	Admin.		Budgeted
	Rate	Charge	Revenue	Revenue
	%	\$	\$	\$
Interest on Unpaid Rates	11.00%	0.00	144,894	105,400
Interest on Instalments Plan	5.50%	0.00	197,153	196,650
Charges on Instalment Plan	0.00%	4.50	105,194	95,720
			447,241	397,770

Two separate payment option plans will be made available to all ratepayers for the payment of their rates.

#### Option 1 (Full Payment)

Full amount of rates and charges including arrears to be paid on or before 25<sup>th</sup> September 2015 or 35 days after the date of service appearing on the rate notice whichever is the later.

#### Option 2 (4 Instalments)

First instalment to be received on or before 25<sup>th</sup> September 2015 or 35 days after the date of service appearing on the rate notice whichever is the later and including all arrears and service charges and one quarter of the current rates. The second, third and fourth instalments of the current rates are to be made on or before dates shown below:

1<sup>st</sup> Instalment 25<sup>th</sup> September 2015
 2<sup>nd</sup> Instalment 25<sup>th</sup> November 2015
 3<sup>rd</sup> Instalment 25<sup>th</sup> January 2016
 4<sup>th</sup> Instalment 25<sup>th</sup> March 2016

#### City of Busselton **Financial Report** For the Year Ended 30<sup>th</sup> June 2016 Notes to and Forming Part of the Financial Report Actual Actual Ś Ś 29. Fees & Charges General Purpose Funding 85,188 108,854 Governance 907 10,665 221,786 Law, Order & Public Safety 224,552 Health 402,811 361,615 Education and Welfare 156 155 Housing 454,736 428,201 Community Amenities 8,477,773 7,975,361 Recreation and Culture 2,201,078 2.187.769 Transport 1,321,920 1,180,658 **Economic Services** 1,901,026 1,949,296 Other Property and Services 181,086 153,524 15,251,233 14,577,884 There were no changes during the year to the amount of the fees or charges detailed in the original budget. 2016 2015 Actual Actual Ś Ś **Grant Revenue** Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income (a) By Nature and Type: 4,423,460 Operating Grants, Subsidies and Contributions 5,725,267 Non- Operating Grants, Subsidies and Contributions 25,422,452 61,822,972 29,845,912 67,548,239 By Program: General Purpose Funding 1,725,631 3,250,505 Governance 399,771 142,317 Law, Order & Public Safety 620,482 456,569 Health 18,353 26,610 6,071 **Education and Welfare** 7.146 Housing 4,244 4,569 Community Amenities 279,507 573,406 Recreation and Culture 12,567,606 6,103,446 13,914,259 Transport 56,600,861 24.316 84.182 **Economic Services** 299,703 Other Property and Services 284,597 29,845,912 67,548,239 City of Busselton

Actual

Actual

#### Attachment A

City	of.	Busse	lton
CIL		Dusse	

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

## Notes to and Forming Part of the Financial Report

			\$	\$
30.	Grant Revenue (Continued)			
(b)	Reimbursements, Recoveries and Donations included above By Program:			
	General Purpose Funding		2,074	17,993
	Governance		359,847	132,317
	Law, Order & Public Safety		401,734	266,837
	Health		1,008	11,723
	Education and Welfare		7,146	6,071
	Housing		4,244	4,569
	Community Amenities		51,802	56,922
	Recreation and Culture		141,578	154,958
	Transport		13,149	110,237
	Economic Services		8,382	76,644
	Other Property and Services	_	232,325	261,535
		_	1,223,289	1,099,806
		2016 Actual \$	2016 Budget \$	2015 Actual \$
31.	Councillors Remuneration			
	The following fees, expenses and allowances were paid to council members and / or the mayor.			
	Mayor & Deputy Allowance	77,631	79,850	77,250
	Councillors Sitting Fees	211,769	218,400	211,665
	Travelling Allowance - Councillors Meetings	15,061	17,000	18,264
	Communication Allowance	31,481	31,500	31,500
	Other Allowance	6,714	9,000	5,578
		342,656	355,750	344,257

#### 32. Post Balance Date Events

There were no events subsequent to the reporting date that materially impact on this financial report.

#### 33. Employee Numbers

The number of full-time equivalent employees at balance date

2016	.6 2015	
304	293	

#### City of Busselton

#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 34. Major Land Transactions

 $Council \ did \ not \ participate \ in \ any \ major \ land \ transactions \ during \ the \ 2015/16 \ financial \ year \ pursuant \ to \ S3.59$ of the Local Government Act and Part 3 of the Local Government Functions and General Regulations.

#### 35. Trading Undertakings and Major Trading Undertakings

Council did not participate in any trading undertakings or major trading undertakings during the 2015/16

#### 36. Financial Risk Management

The City's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the City.

The City 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.

The City held the following financial instruments at balance date:

	Carrying Value		Fair Va	Fair Value	
	2016	2015	2016	2015	
	\$	\$	\$	\$	
Financial Assets					
Cash and cash equivalents	115,850,156	119,604,734	115,850,156	119,604,734	
Receivables	3,983,176	3,078,740	3,983,176	3,078,740	
Financial assets at fair value through profit or loss	0	0	0	0	
	119,833,332	122,683,474	119,833,332	122,683,474	
Financial Liabilities					
Payables	5,383,078	7,848,194	5,383,078	7,848,194	
Borrowings	29,023,843	29,997,831	32,177,246	24,862,876	
	34,406,921	37,846,025	37,560,324	32,711,070	

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.
- Financial assets at fair value through profit and loss, available for sale financial assets based on quoted market prices at the reporting date or independent valuation.

#### **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 36. Financial Risk Management (Continued)

# (a) Cash and cash equivalents Financial Assets at Fair Value through Profit and Loss Available for sale financial assets Held to maturity investments

The City'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 (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments 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.

The City manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulations 19C.* Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

Impact of a $10\%$ $^{(1)}$ movement in price of investments at balance date:	30 June 2016 \$	30 June 2015 \$
impact of a 10% a movement in price of investments at balance date:		
• Equity	0	0
<ul> <li>Statement of Comprehensive Income</li> </ul>	0	0
Impact of a 1% $^{(1)}$ movement in interest rates on cash and investments at balance date:		
Equity	1,158,501	1,196,047
Statement of Comprehensive Income	1,158,501	1,196,047

#### Notes:

(1) Sensitivity percentages based on management's expectation of future possible market movements.

## **Financial Report**

## For the Year Ended 30<sup>th</sup> June 2016

#### Notes to and Forming Part of the Financial Report

#### 36. Financial Risk Management (Continued)

#### (b) Receivables

The City'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. The City manages this risk by monitoring outstanding debt and employing debt recovery policies.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The City 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.

The profile of the Council's credit risk at balance date was:

		30 June 2016 \$	30 June 2015 \$	
Percenta	ge of Rates and Annual Charges			
•	Current	10.00%	2.00%	
•	Overdue	90.00%	98.00%	
Percentage of Other Receivables				
•	Current	99.46%	99.74%	
•	Overdue	0.54%	0.26%	

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# Attachment A

# City of Busselton

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# Notes to and Forming Part of the Financial Report

#### 36. Financial Risk Management (Continued)

#### (c) Payables

#### (i) Payables

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. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

The contractual undiscounted cash flows of the City's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

			Total			
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	contractual cash flows \$	Carrying Values \$	
2016						
Payables	5,383,078	0	0	5,383,078	5,383,078	
Borrowings	3,165,027	11,851,791	24,316,892	39,333,710	29,023,843	
	8,548,105	11,851,791	24,316,892	44,716,788	34,406,921	
2015						
Payables	7,848,194	0	0	7,848,194	7,848,194	
Borrowings	3,134,342	12,284,453	25,907,749	41,326,544	29,997,831	
	10,982,536	12,284,453	25,907,749	49,174,738	37,846,025	

City of Busselton

#### City of Busselton **Financial Report** For the Year Ended 30<sup>th</sup> June 2016 **Audit Report** 36. Financial Risk Management (Continued) (c) Payables (Continued) (ii) Borrowings Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk: >1<2 years >2<3 years >3<4 years >4<5 years Weighted Average Effective Interest Rate Year Ended 30 June 2016 Borrowings **Fixed Rate** Debentures 39,535 0 40,919 1,716,744 27,226,645 29,023,843 4.33% Weighted Average Effective Interest Rate 6.79% 0.00% 0.00% 5.89% 6.05% 4.22% Year Ended 30 June 2015 Borrowings **Fixed Rate** Debentures 76,495 2,064,343 27,856,993 29,997,831 4.37% Weighted Average Effective Interest Rate 0.00% 0.00% 0.00% 0.00% 6.05% 4.24% City of Busselton

26 October 2016

# 2015/2016 Annual Financial Report Including Auditors Report



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# INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE CITY OF BUSSELTON

#### Report on the Financial Report

We have audited the accompanying financial report of the City of Busselton, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2016, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

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#### Management's responsibility for the financial report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), and for such internal control as Management determines necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks and material misstatements of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.





#### Opinion

In our opinion, the financial report of the City of Busselton:

- gives a true and fair view of the City of Busselton's financial position as at 30 June 2016 and of its performance for the financial year ended 30 June 2016;
- ii. complies with Australian Accounting Standards; and
- iii. is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regualtions1996 (as amended).

# **Statutory Compliance**

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

- There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit.
- iii. The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit.

**AMD Chartered Accountants** 

TIM PARTRIDGE Partner

Bunbury, Western Australia

Dated this 11th day of October 2016

# City of Busselton

# **Financial Report**

# For the Year Ended 30<sup>th</sup> June 2016

# **Supplementary Ratio Information**

The following information relates to those ratios which only require an attestation they have been checked and are supported by verifiable information. It does not form part of the audited annual financial report.

	2016 Actual	2015 Actual	2014 Actual
Asset Consumption Ratio	0.739	0.727	0.599
Asset Renewal Funding Ratio	1.000	1.000	1.000

The above ratios are calculated as follows:

Asset Consumption Ratio

Depreciated replacement cost of assets

(ratio required to meet basic standard > 0.5)

Current replacement cost of depreciable assets

Asset Renewal Funding Ratio NPV of planned capital renewals over 10 years (ratio required to achieve basic standard > 0.75) NPV of required capital expenditure over 10 years

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11 October 2016

Mr G Henley Mayor City of Busselton Locked Bag 1 **BUSSELTON WA 6280** 

Dear Grant

CITY OF BUSSELTON 30 JUNE 2016 MANAGEMENT REPORT

Following completion of our 30 June 2016 audit, we provide our Management Report and audit recommendations.

#### 1.0 Our Audit Approach

The Australian Auditing Standards are the professional Standards applicable to all audit engagements. Accordingly, our audit was conducted in accordance with Australian Auditing Standards, with testing designed solely to enable the expression of an opinion on the financial report of the City of Busselton. This involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then using our professional judgement, applying audit procedures to mitigate that risk.

To assist Council in understanding our role as external auditor, we have previously detailed our audit responsibilities and scope of work to be performed to meet those responsibilities in our audit engagement letter.

Australian Auditing Standards require us to document and evaluate the City of Busselton's system of internal control to establish the level of reliance on the internal control system in determining the nature, timing and extent of other auditing procedures necessary to enable us to complete our audit. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities and should not, therefore, be taken to assume that no other weaknesses exist. Accordingly the comments within this letter refer only to those matters that have come to our attention during the course of our normal audit work and may not identify all possible improvements that an internal controls review may detect.

Our audit approach is based on a risk analysis methodology which relies upon our understanding of the City of Busselton's operations, strategies and risks. We performed a review of applicable accounting systems and tested those during our audit. The level of testing performed by us is determined by the degree of reliance we place on the internal control systems in place which has a resulting impact on the amount of substantive testing required during our audit procedures. The level of testing performed is also aligned with what is required to form an overall opinion on the financial statements which may not coincide with what the City of Busselton perceives should be tested.





Our audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and judgements, as well as evaluating the overall presentation of the financial report. There were no areas of disagreement either in the accounting estimates or judgements or in the presentation and disclosures made in the financial report.

#### 2.0 Assessment of Fraud and Error

The primary responsibility for the prevention and detection of fraud is that of Council and management. As a result, it is important that management with the oversight of Council place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and resulting consequences. In accordance with Australian Auditing Standards we are required to obtain reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error. While our procedures are designed to identify material weaknesses and misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

We have confirmed that nothing has come to management's attention that may constitute an incident of fraud. In addition our audit procedures did not identify any instances of suspected or actual fraud. We take this opportunity to remind you that our audit is not designed to detect fraud and therefore our audit procedures are not designed for that purpose.

#### 3.0 Significant Difficulties Encountered during the Audit

During the course of our audit, there were no areas where we experienced significant difficulties.

# 4.0 Audit Adjustments and Unadjusted Audit Differences

During the course of our audit, we did not identify any misstatements considered to be material at a financial report level and therefore no adjustment was required to be reflected within the final audited financial report.

### 5.0 Accounting Policies

We confirm to you that we are not aware of any changes to the accounting policies of the City of Busselton since 30 June 2015 in respect of the preparation of the 30 June 2016 financial report other than those changes required under Australian Accounting Standards and the Local Government Act and Regulations which are adequately disclosed.

# 6.0 Commitments and Contingencies

On completion of our audit and subsequent discussions with management, we did not identify any additional commitments or contingencies that required disclosure within the financial report of the City of Busselton, apart from those already disclosed.

#### 7.0 Subsequent Events

We did not identify any additional subsequent events up until the date of this report that required disclosure within the financial report of the City of Busselton, apart from those already disclosed.

# 8.0 Local Government Act Compliance Measures

In conjunction with our review of the financial statements, we also perform a review of the City of Busselton's compliance with the Local Government Act and Local Government Financial Management Regulations.

Our review of compliance with the Local Government Act and Financial Management Regulations did not indicate any issues of non-compliance which required reporting.

#### 9.0 Audit Recommendations

Please refer to Appendix 1 for our audit recommendations in relation to the 30 June 2016 audit. We provide these comments and recommendations to suggest improvements to the City of Busselton's internal controls and procedures.

Our management report is on an exception basis, and therefore we have not commented on the various internal controls in place within your accounting systems.

#### 10.0 Financial Ratios

Note 20 to Councils financial report includes 7 financial ratios as required to be reported by the Local Government (Financial Management) Regulation 1996. For the past 3 financial years to 30 June 2016, Council has met the standard set by the Department of Local Government for 6 of the 7 ratios.

Councils' current ratio reported at 0.74 as at 30 June 2016 (0.78 at 30 June 2015 and 0.85 at 30 June 2014) is less than the standard set as at 1.0 by the Department.

We note however that current ratio excludes restricted assets including Council's significant cash backed reserve. Council's cash backed reserves have increased from \$28.1m at 30 June 2014, to \$46m at 30 June 2016, which the current ratio calculation does not take into consideration.

#### 11.0 Other Matters

Our audit indicated procedures and controls in respect to the City of Busselton's internal processes, procedures and financial reporting framework are adequately designed and have been maintained to high standards throughout the audit period.

The City of Busselton has appropriate levels of segregation of financial duties and independent review which ensures internal control requirements are satisfied.

We would like to take this opportunity to thank Ehab and the finance team for the assistance provided to us during our audit.

Should you have any questions concerning the above or would like to discuss any other aspect of our audit, please do not hesitate to contact me.

Yours sincerely

**AMD Chartered Accountants** 

TIM PARTRIDGE FCA

Partner

cc Mike Archer

Chief Executive Officer

# APPENDIX 1 Audit Recommendations for the year ended 30 June 2016

#### **GUIDANCE TO FINDINGS RATING / IMPLICATION**

Findings identified during the final audit have been weighted in accordance with the following scale:

Significant:

Those findings where there is potentially a significant risk to the entity should the finding not

be addressed promptly.

Moderate:

Those findings which are of sufficient concern to warrant action being taken by the entity as

soon as possible.

Minor:

Those findings that are not of primary concern however still warrant action being taken.

#### **AUDIT FINDINGS**

#### FURNITURE & EQUIPMENT

Finding Rating: Minor

Our review of the City of Busselton's fair value application for the furniture and equipment class of asset for the year ended 30 June 2016 identified the following:

- Fair value for the Shoretel Telephone Handsets was input incorrectly resulting in a \$132,000 overstatement in value; and
- The CCTV Surveillance Equipment located at the Busselton Jetty should be depreciated over 10 years
  which has been correctly entered into the fixed asset module, however the depreciation does not
  appear to be calculating correctly with the asset being fully depreciated within 3 years.

#### Implication

Risk of material misstatement in respect to the value of Councils furniture and equipment assets, and overstatement of depreciation on this class of infrastructure assets.

# Recommendation

As Council continues to update the value of individual asset classes annually in accordance with fair value requirements, each time an asset class is re-assessed, we recommend revaluation inputs are independently reviewed to ensure correct, with a reasonableness analysis undertaken to ensure significant movements as noted above are in fact correct.

We also recommend depreciation checks are completed on a regular basis (for a sample of assets) to ensure the system is depreciating assets in accordance with the noted useful life.

#### **Management Comment**

Recommendation noted. With regard to both points highlighted above, we take on board the auditor's reference with regard to an independent review to ensure accuracy. A reasonableness analysis is done on a regular basis; but based on this occurrence the process will be revisited and enhanced where possible. It is unlikely that an error of this type will be repeated.

# APPENDIX 1 Audit Recommendations for the year ended 30 June 2016

#### 2. EXCESSIVE LEAVE BALANCES

#### Finding Rating: Minor

We noted a number of key employees who have accrued in excess of six weeks annual leave at year end. Furthermore, some of those employees identified with excessive leave balances also have a present entitlement to long service leave.

Details of those employees identified will be provided upon request.

#### Implication

The cost to City of Busselton is greater if annual leave is not paid out on a regular basis due to:

- The cumulative effect of salary increases over a period of time;
- Recreational leave enhances employee performance; and
- It is a fundamental principle of good internal control that all employees take regular leave.

#### Recommendation

Whilst we understand management recently implemented a strategy to reduce excessive leave balances, we recommend employees take regular leave through ongoing management of leave scheduling and leave liabilities.

#### **Management Comment**

This recommendation is acknowledged. Whilst annual leave accruals continue to be managed, a balance is required to be maintained between reducing long outstanding leave balances, and the achievement of the Council's principal projects and associated performance indicators; which require significant input from key employees.

Having said that however, Staff with excessive leave have been identified and a plan has been put into place in order to reduce excessive leave.

# 6.2 LOCAL GOVERNMENT AUDIT REGULATION 17 - REVIEW OF RISK MANAGEMENT

**SUBJECT INDEX:** Risk Management

STRATEGIC OBJECTIVE: An organisation that is managed effectively and achieves positive

outcomes for the community.

**BUSINESS UNIT:** Corporate Services

**ACTIVITY UNIT:** Employee Services and Risk

**REPORTING OFFICER:** Manager, Corporate Services - Sarah Pierson

Risk and OSH Officer - Brian McCarroll

**AUTHORISING OFFICER:** Director, Finance and Corporate Services - Cliff Frewing

**VOTING REQUIREMENT:** Simple Majority

ATTACHMENTS: Attachment A Organisation Wide Risk Management Policy U

Attachment B Risk Management Committee Terms of Reference U

Attachment C Risk Management Framework !

Attachment D Risk Management Review Evaluation Collated

# **PRÉCIS**

This report is provided with the aim of advising Council on the outcome of the biennial review of the appropriateness and effectiveness of the City's risk management systems and procedures and to meet the requirements of the risk management component of Regulation 17 (3). The Audit Committee is asked to acknowledge this report.

#### **BACKGROUND**

Regulation 17 of the Local Government (Audit) Regulations states:

"17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review."

The CEO last reported to the Audit Committee the results of a review undertaken in 2014. The review demonstrated that the City had effective and appropriate systems and procedures in place equivalent to a strong base level of risk maturity. The following improvements were identified aimed at achieving a more mature classification in management of risks:

- the improved identification and evaluation of risks associated with projects through more robust project planning practices;
- improved processes for the formal capture and monitoring of risks identified through Council reports;
- the undertaking of a process to identify strategic level risks, that is risks associated with Council's strategic direction as laid out in the Strategic Community Plan;
- the improved monitoring of risk evaluation processes through the setting of relevant key performance indicators for each Manager; and

 review and updating of the Organisation Wide Risk Management Policy to ensure full compliance with AS/NZS ISO31000:2009.

Progress has been made with respect to some of these improvements, noting that not all have been prioritised. This report provides an update as to the City's current risk management systems and procedures and their level of effectiveness and appropriateness.

#### STATUTORY ENVIRONMENT

This review is a requirement of Regulation 17 of the Local Government (Audit) Regulations (1996), as detailed above.

# **RELEVANT PLANS AND POLICIES**

The City of Busselton Organisation Wide Risk Management Policy (attached) was adopted by Council on 10 May 2006. It was subsequently reviewed and the updates endorsed by Council on 27 July 2011. As per the recommendations of the 2014 risk report a review of the policy was completed and endorsed by Council on 12 August 2015. A further minor review of the policy to clarify roles and responsibilities was endorsed by Council on 12 October 2016.

As required by the Policy, the Risk Management Committee Terms of Reference (attached) has assisted Corporate Services in the development of the Risk Management Plan. The Plan has undertaken continual improvement and was recently re-badged as the Risk Management Framework (attached) to align with the terminology of the AS/NZS ISO 31000:2009 Risk management – Principles and guideline.

#### **FINANCIAL IMPLICATIONS**

There are no direct financial implications associated with this matter. Appropriate application of the risk management framework should however mitigate any potential financial loss associated with identified risks.

# **Long-term Financial Plan Implications**

Nil

#### STRATEGIC COMMUNITY OBJECTIVES

The provision of this report as well as the City's Risk Management System and Procedures contributes to Community Objective 6.3 of the City's *Strategic Community Plan 2013* – 'An organisation that is managed effectively and achieves positive outcomes for the community.

# **RISK ASSESSMENT**

This review of the City's risk management systems and procedures found no material risks.

#### **CONSULTATION**

No specific external consultation has been undertaken in the development of this report. The report was developed with input provided by the City of Busselton Risk Management Committee.

#### **OFFICER COMMENT**

As detailed above the City has a Risk Management Policy under which sits a Risk Management Framework. This framework outlines the City's formal risk management system and processes for the management of risks. Specifically it outlines:

- The definition of risk and risk management
- The City's risk reference tables
- The risk tolerance levels
- The risk management processes and procedures

The Risk Management Committee, made up of officers representing each directorate, is responsible for overseeing the implementation of the framework and for championing a risk management culture within the City of Busselton. Risks are most commonly identified formally at an operational level either through the annual Business Unit planning processes or as they arise during the year, for example the risks associated with a proposed officer recommendation in a report to Council. Risks may also be identified through organisational processes such as safety inspections or investigations or in the process of planning for significant projects.

A risk management workshop was held with Managers and Senior Managers in March 2014 to assist in the identification of more strategic and key operational risks. We have identified through this review the need to run another strategic risk workshop with Senior Management to review and properly categorise risks of strategic importance. This is discussed further in the recommendations outlined below.

Under the City's Risk Management Framework risks are first identified and then assessed, at which time many are given an indicative risk rating based on the identifying Officer's initial assessment. A risk rating is determined by assessing the likelihood of an event occurring resulting in a specific consequence. The consequence of the event is measured in terms of one or more of the following consequence categories:

- Public Health
- Occupational Safety and Health
- Financial
- Operational
- Reputational
- Environmental

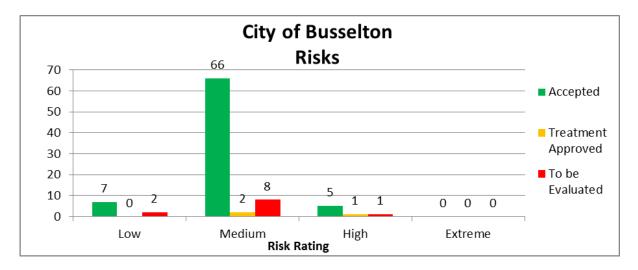
A risk rating of either low, medium, high or extreme is determined from the combined consequence and likelihood. For example, an operational risk with a moderate consequence (significant delays in service delivery with unacceptable recovery time or inconvenient delays to major deliverables) and a possible likelihood (should occur at some time in the future, at least once in five years) would be assessed with a medium level of risk.

That assessment is then further evaluated in conjunction with the risk team, with the risk being formally 'accepted' by the relevant Manager / Director as appropriate to the level of risk. By 'accepting' a risk an officer is indicating that the risk is within acceptable tolerance levels once all reasonable and practical treatment options are considered. Where a risk is not considered acceptable a treatment plan is generally approved and adopted to reduce the risk rating to within acceptable tolerance levels over a period of time. Acceptance of the risk will also be dependent on the effectiveness of the controls in place.

A risk with a rating of medium which has adequate or excellent controls will usually be accepted, whilst a risk with a rating of low will usually be accepted, irrespective of the effectiveness of the controls. High rated risks may be accepted by a Director if it has adequate or excellent controls. Alternatively a treatment plan may be put in place to reduce the level of risk, although it should be

noted that given the City's statutory responsibilities in a number of areas, there is sometimes no choice but to 'accept' high risks and manage them in the best and most practical and reasonable manner. Extreme rated risks could be accepted by the Senior Management Group where they have excellent controls. Extreme rated risks would be reported to the Audit Committee.

As at 12 October 2016 the City has 92 risks formally captured. It is pleasing to note that the City does not have any risks with an extreme risk rating, as shown in the City's current risk profile chart below.



This chart indicates that most risks, as shown by the green bars, have been assessed, evaluated and accepted and are now being monitored until they are due for a formal review. The purpose of the review being to ensure that changing environmental factors have not impacted on the level of risk and that any controls identified continue to be in place and effective. Risks may also be consolidated together as part of review processes where they are similar or removed from the risk register on the basis that they are inherently low risk, that is, low risk regardless of any controls.

The risks in the orange bars have been evaluated as outside tolerance levels and therefore unacceptable and a mitigating treatment plan has been approved in order to reduce the level of risk to an acceptable level. Risks in the red bars are either:

- Recently identified and their assessment is yet to be fully evaluated;
- Had a treatment plan approved, whose implementation date has past and therefore need to be reviewed again; or
- Previously accepted risks that are overdue for a formal review.

The City has currently identified seven high level risks

- Loss or injury at airport hangars;
- Diminishing water resources;
- GLC drowning;
- Climate change and sea level rise;
- Waste site environmental issues Busselton & Dunsborough;
- Rock fishing anchor points; and
- Aviation accident.

In relation to the risk of loss or injury associated with the airport hangars, this is assessed as having a consequence of 'catastrophic' and a likelihood of 'unlikely' and hence is a high risk. Two of the three hangers do not currently meet the required fire rating under the Building Code of Australia (BCA) and hence in the event of a fire loss in relation to both hangars is of a high risk. To bring the hangars into compliance would be very expensive and not practicable for the lessees. Additionally the issue is likely to be addressed with the airport expansion.

Diminishing water resources is an issue facing the whole of the state. The nature of the services we provide in the maintenance of Public Open Space, results in this being a high risk operational issue for the City, with it being assessed as a major consequence that we will not have enough water to function effectively but unlikely that it will occur. In response the City has developed a Local Water Action Plan and a Water Conservation Plan and works closely with developers and other relevant stakeholders to ensure Water Sensitive Urban Design principles are utilised. These controls assist in the reasonable and practical management of the risk, which remains however high.

The City has a duty to provide a safe environment for patrons within it's Leisure Centre. The operation of a pool within the centre brings with it inherent risks, most obviously of a patron drowning. This is a risk that has of course been contemplated by the industry and there are numerous standards and guidelines in place to control risk factors. There has recently been concern raised as to whether current supervision levels at the GLC are adequate for the increasing level of pool usage, with an internal review identifying the issue as a high risk. A report has recently been presented to Council on the matter and additional resources approved. A further review of the risk level is pending post the implementation of these resources.

Global climate is changing and continues to change at an accelerating rate. Climate change and related sea level rise may impact on coastal erosion, coastal inundation and inland flooding. The City has a responsibility to implement planning processes to protect the community from the impacts of climate change. The City, through its work with the Peron Naturaliste Partnership, is seeking to develop a greater understanding of the impact of rising sea levels and climate change such that it can make more informed decisions about planning and the allocation of resources to coastal management. The risk for the City however, given it's geography and susceptibility to sea level rises, remains high.

As with all waste facilities the Busselton & Dunsborough waste sites have a number of environmental issues including leachate pollutants, such as liquid waste escape; landfill gases; and buried hazardous substances. These issues are controlled through ongoing environmental monitoring, standard procedures and regular inspections however the risk level remains high being assessed as a major consequence of environmental contamination but unlikely that it will occur.

Rock fishing anchor points were installed by the then state government's Department of Environment and Conservation (DEC). DEC installed a number of anchor points on land that is under the City's ownership and therefore the City has responsibility for maintaining them. The City is in the process of establishing arrangements for maintenance of this infrastructure, likely through an agreement with the Department of Parks and Wildlife for their continued assistance, and arranging for instructional signage. Once this has been finalised the risk will be reassessed.

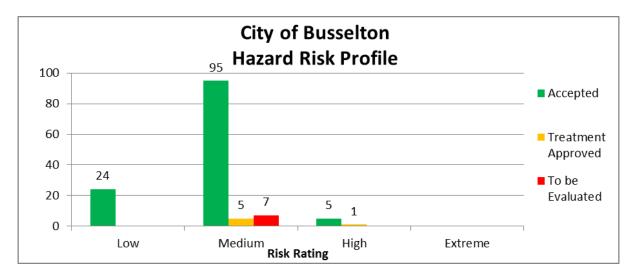
The risk of an aviation accident at the Busselton airport is a high risk as the potential consequences would be major, although it is unlikely. The most likely cause of an aviation accident at the airport is either pilot error or due to an inadequately maintained airplane, both of which are outside of our control. The risk is controlled and managed through various regulatory procedures, with the City doing all it can to ensure it is unlikely to occur.

The captured risks have been identified using the formal system and procedures for managing risks. While we continue to encourage and embed use of the City's formal risk management system and framework it is acknowledged that City Officers also identify and treat risks using other, often less formalised processes. During Business Unit planning for instance many operational risks are identified that have previously, through good management practices, had controls put in place to mitigate them to an acceptable level. Not all of these are formally assessed and translated through to the formal risk register as they are already managed as part of core business. For instance most Business Units have identified and manage risks associated with the loss of key personnel and skills.

Similarly the City has established a wide range of purchasing and budget management controls aimed at preventing improper expenditure and ensuring proper financial management. These controls are now associated with an identified formal risk of Financial Deception, but were implemented outside of the formal risk management process as part of good financial governance. Separate reports will be presented to the Audit Committee on the appropriateness and effectiveness of the City's systems and procedures in relation to internal controls and legislative compliance with in effect many of the matters referred to in these reports being risk management or mitigation measures.

A number of systems have also been designed to specifically mitigate risks, including the Customer Request Management System and the Occupational Safety and Health (OSH) Management System. These systems provide the City with proactive management of hazards impacting on employees and contractors in day to day operations and on the community.

The OSH Management System in particular is used to assess the risk level of identified hazards, with hazards being defined as "Anything that may result in injury to a person, or harm to the health of a person." The risk assessment and management of hazards is a significant part of the City's risk management procedures with the City having the following hazard risk profile.



The City has currently identified five hazards with high level risks

- Spiders and insects;
- Uneven ground;
- Manual handling;
- Chainsaws involved in bridge maintenance; and
- Services to the workplace.

It should be noted that most of these hazards are rated as high risk as they have a high likelihood, almost certain in most cases, of having what is a relatively minor level consequence, that is injury / disease causing medical treatment.

City of Busselton staff encounter spiders and insects on a regular basis. This hazard has been risk assessed as almost certain that someone will be stung or bitten and need medical treatment and hence is a high risk. We have over the past 2 years had a number of more severe insect bites / stings which has perhaps elevated the rating for this risk. More recently the number and severity of bites and stings has reduced. We will at the next review consider whether the risk can be reduced to a medium on the basis of first aid being more typical than medical treatment as a consequence.

Workers, who work outside tend to work in areas where the ground is uneven. These workers include workers from Operations Services, Rangers, Survey Services and Building Services. Based on

previous history, the risk of uneven ground has a likelihood of almost certain for an ankle to be rolled and / or sprained resulting in injury requiring medical attention. Based on more recent experiences it is expected that this likelihood will be revised down as part of a pending review and the risk will probably be reassessed as a medium level risk.

Due to the nature of the work undertaken by Operations Services workers, there are many manual handling tasks. Whilst these workers are all required to attend manual handling training on a regular basis, it has still been assessed as a high level risk as there is an almost certain likelihood of an injury requiring medical treatment.

With respect to all of the above hazards – spiders and insects, uneven ground and manual handling initiatives such as Step Back 5 x 5 have been put in place to encourage workers to assess environmental factors and surrounds and have had some success in reducing the risk level (for example incidents of uneven ground causing injury have reduced). The City's OSH team is continuing to work with relevant areas to explore ways in which such programs can be implemented more effectively to reduce these risks at the 'shop floor' level.

When carrying out bridge maintenance work chainsaws are required to be used to carry out what is called a plunge cut. This particular cut may require the worker to operate the chainsaw whilst lying down under a bridge and is considered to be a high risk activity. Workers do need to be trained, very experienced and authorised to conduct a plunge cut but regardless of this the risk has been assessed as high, with potential for a major health consequence but an unlikely likelihood of it occurring.

The City is responsible for many buildings and public open spaces where they have installed and are continuing to install underground services. While systems and processes for the gathering of as constructed drawings showing service locations have improved significantly there remain some historical projects where as constructed drawings have not been documented. Controls such as pot holing and hand digging are in place to identify service locations however the risk of a service being impacted on and the potential consequences of this has been assessed as high, being of a major consequence but unlikely to occur.

# **Review**

A review of the appropriateness and effectiveness of the City's formal risk management systems and procedures has been conducted by the Risk Management Committee, using the evaluation questionnaire attached. The collated results are included in the attached with some commentary as to aspects that are only considered to be partially met.

In summary, the City continues to use risk management processes to compliment traditional business management practices with its systems and procedures overall deemed to be effective and appropriate, taking into account the City's size, complexity, and level of resources. Risk status reports are provided to the Senior Management Group each quarter detailing the City's risk profile, the high level risks, and risks that are overdue for review or have treatment plans in place. Included also are the following Key Performance Indicators:

- All extreme and high risks are assessed within 30 days; and
- All medium and low risks are assessed within 90 days.

The Key Performance indicators, reported on by Business Unit, are generally met, noting that we have had instances of medium and low risks not being assessed within 90 days.

There remains scope for the City to further integrate and mature its risk management system, with the ultimate success of this being dependent on the level of resources (particularly management

resources) able to be dedicated to formal risk management processes. Officers across the City are working hard to meet the demands of a growing population with increasing needs for infrastructure and services. Cognisant of this, it is important that actions aimed at further enhancing the City's risk management systems do not result in the system becoming overly complicated or prescriptive and that a level of flexibility is maintained.

It is considered that the current system, while there are areas that can be improved, allows for this flexibility and overall provides for the effective management of risk. Recommended improvement actions are as follows:

- the review of the City's Risk Management Framework and in particular the City's risk matrix.
  Recent advice from Local Government Insurance Services indicates that our risk matrix is
  relatively risk adverse when compared to their recommended matrix for a public authority.
  That is, a greater number of consequence and likelihood combinations are rated as high.
  Cognisant of this a review of the Framework and matrix is recommended to ensure it is
  appropriate for the City;
- the defining of strategic and operational risk categories and the grouping of risks into the two categories;
- the running of a strategic risk workshop with the City's Senior Management Group, to be undertaken as part of the current review of the City's Strategic Community Plan;
- the review of the City's risk management IT system to improve accessibility and useability for individual risk managers;
- the improved identification and evaluation of risks associated with projects.

#### **CONCLUSION**

The Risk Management Committee are responsible for implementing a risk management culture within the City of Busselton and are progressively achieving this through the risk management policy and framework. The organisation is utilising the framework to identify, assess and either accept risks or determine a treatment action plan to reduce risks to an acceptable level.

The City has conducted a review of its systems and procedures and found them to be both appropriate and effective overall. Notwithstanding this there are improvements that can be made and this report identifies a number of recommendations to further improve the maturity of its systems and procedures and in turn further reduce and / or mitigate its risk exposure.

# **OPTIONS**

The Committee could consider not endorsing the recommendations of this report because it believes our processes are not adequate and / or could seek further information.

#### TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

There is no timeline associated with implementation of the recommendation.

# **OFFICER RECOMMENDATION**

That the Audit Committee note the contents of this report in relation to Risk Management as required by Regulation 17 of the Local Government (Audit) Regulations (1996).

# 6.2 Attachment A

#### Organisation Wide Risk Management Policy

Last updated 27/10/2014

234	Organisation Wide Risk Management	V4
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#### **PURPOSE**

The purpose of this policy is to demonstrate the City of Busselton's commitment to the development of a culture of risk based decision making directed towards the effective management of potential opportunities and reduction of potential impacts of risk.

#### SCOPE

This policy applies to all Councillors and employees of the City of Busselton and covers all City operations.

#### **POLICY STATEMENT**

Risk Management is the systematic application of management policies, practices and procedures in order to identify, analyse, evaluate, treat and monitor risk.

The City of Busselton is committed to the effective management of risk and will implement a Risk Management Framework based on the AS/NZS ISO 31000:2009 Standard to achieve this. The Council recognises that adequate resources are needed to effectively manage risks. The Risk Management Committee has been established to assist in developing, maintaining and implementing the City's Risk Management Framework and is responsible for championing risk management processes throughout the organisation.

#### Responsibilities

The Council is responsible for:

- Ensuring that a Risk Management Policy has been developed, adopted and communicated throughout the City.
- \* Ensuring that the CEO has implemented the Risk Management Framework using Standard AS/NZS ISO 31000:2009.
- \* Communicating with the community about the City's approach to risk
- Establishment of an Audit Committee

#### The Audit Committee is responsible for:

- Assisting the Council to fulfil its corporate governance, stewardship, leadership and control responsibilities in relation to risk management.
- Providing guidance and assistance in relation to risk management initiatives and the effective conduct of risk management activities.

#### CEO and the Senior Management Group are responsible for:

- As part of the Risk Management Framework establishing the risk tolerance level of the City.
- Conducting risk assessments as part of decision making & future planning.

#### Risk Management Committee is responsible for:

- Communicating the policy and framework to all employees.
- Developing and managing the risk management plan for the City.
- Development of Risk Management skills through training and education.
- \* Establishing and maintaining an appropriate risk register or risk registers for the City.

# 6.2 Attachment A

# Organisation Wide Risk Management Policy

Last updated 27/10/2014

#### Management are responsible for:

- Identifying and assessing all the risks in their area of responsibility as part of business planning reporting, project management and daily decision making.
- Collating, assessing, treating and reporting to the Risk Management Committee in relation to areas and tasks under their responsibility.

# All Employees are to:

- \* Comply with the City's risk management policy and procedures.
- Attend relevant risk management training.
- \* Actively participate in the risk management programme.

#### **Policy Background**

Policy Reference No. - 234 Owner Unit – Corporate Services Originator – Risk and OHS Officer Policy approved by – Council Date Approved – 12 August, 2015 Review Frequency – As required

#### Related Documents -

Australian and New Zealand Standard AS/NZS ISO 31000:2009 - Risk Management Principles and Guidelines.

#### **History**

Council Resolution	Date	Information
C1508/217	12 August, 2015	Version 3
C1107/229	27 July, 2011	Version 2
C0605/146	10 May, 2006	Date of implementation.
		Version 1

Risk Management Committee Terms of Reference



# Risk Management Committee Terms of Reference

# 1. Title of Committee

The committee shall be known as the:

City of Busselton Risk Management Committee

# 2. Objectives

The responsibilities of the Risk Management Committee are to:

- Ensure an effective and efficient risk management framework that is implemented throughout the organisation.
- Promote integration of risk management into planning, projects and other management systems to improve decision making processes throughout the organisation.
- Consult with risk owners or staff specialist regarding risk ratings and treatments to minimise
  exposure of the organisation to unexpected consequences and missed opportunities.
- · Promote risk management and relevant training throughout the organisation
- Report all new "EXTREME" or "HIGH" risks to Senior Management Group (SMG) with proposed risk owners, so SMG may consider potential resource requirements for risk treatments and potential organisational implications.
- Provide quarterly risk progress reports to SMG, so they may monitor appropriate and timely progress of treatments.
- Provide reports to the Chief Executive Officer for the City of Busselton Audit Committee to assist Council to fulfil its corporate governance, stewardship, leadership and control responsibilities in relation to risk management
- Establish sub-committees where deemed necessary to investigate and address specific risk management issues

# 3. Group Structure and Format

The Risk Management Committee was established pursuant to the Organisation Wide Risk Management policy and will consist of between seven and nine members. Staff members will be selected to be a member based on the individual's position and their skills and knowledge.

At a minimum the Committee will consist of 1 Director, 3 Managers, 2 Coordinators and the Risk & OSH Officer.

#### Risk Management Committee Terms of Reference

Risk Management Committee Terms of Reference

Additionally, risk owners and specialist staff will be invited by the Risk Management Committee to attend Risk Management Committee meetings and provide advice and expertise in relation to specific risks and treatment plans.

# 4. Office Bearers

The Chairperson shall be the Risk & OSH Officer or another member as agreed by the Risk Management Committee.

#### 5. Entitlements

Risk Management Committee members have the following entitlements:

- · Training relevant to their functions and responsibilities.
- Sufficient time allocated during normal work hours to perform the duties associated with their position.

# 6. Resignations

Where a member is unable to attend meetings on a regular basis, they will consult with the Chairperson and their Director to organise an alternative suitable replacement.

# 7. Frequency of Meetings

The Risk Management Committee shall meet at least once every quarter and more frequently if the Risk Management Committee elects to do so. Meetings shall be held during normal business hours.

Any Risk Management Committee member may request that the Chairperson call an extraordinary meeting in order to resolve any risk matter that requires urgent attention.

If any meeting is cancelled or rescheduled, the details and reasons must be noted in the minutes of the next meeting.

#### 8. Quorum

The minimum quorum for scheduled and extraordinary meetings shall be 51% of the members.

#### 9. Proxies

If a Risk Management Committee member is unable to attend a scheduled or extraordinary meeting, a proxy will attend to assist in maintaining the Risk Management Committee's quorum. The proxy will have authority to vote on the members behalf at that particular meeting

# 10. Order of Meetings

Discussion at meetings shall be controlled through an agenda. Any individual wishing a specific item to be included in the agenda should advise the Chairperson at least four days prior to the meeting date to allow sufficient time for meeting participants to prepare for discussions.

Items to be considered in the agenda are:

- 1. Business Arising
- Risk Responsibility

#### 6.2 Attachment B

Risk Management Committee Terms of Reference

- 3. Risks Overdue for Review
- High and Extreme Risks
- General Business

# 11. Recording of Actions & Minutes

Minutes will be recorded and all agreed actions should include the responsible person's name and an "action by" date. Risks that are either upgraded or downgraded will be recorded in the minutes

The actions and minutes will be distributed to each Risk Management Committee member within two weeks of the meeting and again one week prior to the next meeting where they will be accepted as a true and accurate record at that meeting. If there are any discrepancies, it is to be noted, "The minutes are accepted as a true and accurate record with the following amendments.

# 12. Decision Making

The Risk Management Committee shall, wherever possible, reach any decision by consensus. Where this is not the case an absolute majority shall be required to carry any motion. Reasons for dissent shall be recorded in the minutes.

# 13. Responsibilities

The following responsibilities expand upon those detailed in Council Policy 234 Organisation Wide Risk Management.

#### **CHAIRPERSON**

- Approve meeting time and venue
- Direct and guide discussion at meetings
- Ensure all agenda items are discussed and acted upon
- Review minutes
- Ensure all members have an opportunity to contribute
- Shall nominate a person to Chair meetings in their absence

#### **GROUP MEMBERS**

- · Lead and implement the City of Busselton's Risk Management Framework in their area of responsibility.
- Attend meetings and participate as an active member of the group.
- Undertake designated meeting actions in a timely manner.
- Assist in the development of an effective and efficient risk management framework.
- Assist with integration of risk management into organisational processes
- Assist in the identification of significant organisational risks.
- Monitor risk treatment plans for timeliness and effectiveness.
- Actively "champion" risk management throughout the City.
- Escalation of high and extreme level risks for evaluation

Risk Management Committee Terms of Reference

#### **RISK & OSH Officer**

- · Develop the organisation's risk management framework.
- · Assist risk owners with the risk management process.
- · Assist with integration of risk management into organisational processes.
- Consult with risk owners and specialists staff regarding risk ratings and treatment plans.
- Implement risk management training throughout the organisation.
- · Develop and maintain a central risk register in a secure database
- · Report on status, recommendations and ongoing action items
- Ensure risk management information is accessible to all group members
- Identify key risk's that need to be brought to the attention of the Committee
- Prepare quarterly reports for SMG

#### SAFETY AND INJURY MANAGEMENT OFFICER

- Ensure administrative arrangements are in place for meetings
- Notify group members of scheduled meetings
- Prepare and ensure distribution of agenda for meetings
- · Record meeting minutes and actions
- Ensure minutes are distributed within two weeks of the last meeting
- Table any correspondence
- · Distribution of technical reports
- · Shall seek a person to fulfil responsibilities in their absence

# 14. Annual Evaluation of Group's Effectiveness

The Group shall annually undertake a review to evaluate its effectiveness, and as a guide the following should be determined:

- · Are the Group's objectives being met?
- · Should the objectives be amended?
- Is the Risk Management Committee making decisions and completing action items?
- · Are Group members regularly attending meetings?
- Review the Organisation Wide Risk Management Policy
- Review the Risk Management Committee Terms of Reference



# RISK MANAGEMENT FRAMEWORK

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#### 1. Introduction

The management of risk is an integral part of good management practice. The Organisation Wide Risk Management Policy was introduced in May 2006 with amendments endorsed by Council Resolution C1107/229 on 27 July 2011. A requirement of this policy is the establishment of the City's Risk Management Framework.

The Risk Management Framework incorporates all aspects of risk management and sets out the broad approach for the ongoing management of risks. The Framework consists of four (4) major components, with various lower level components within each. The four major components are:

- Risk Management Committee
- Risk Reference Tables
- · Risk Management Operational Practice and Procedure
- Risk Register

The Risk Management Committee will ensure an effective and efficient risk management system. They will achieve this through raising awareness about managing risks and coordinating relevant training.

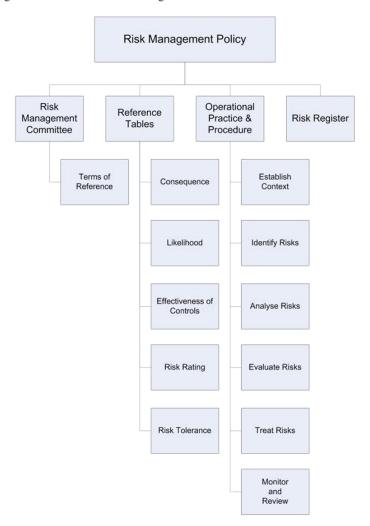
Use of Risk Reference Tables is critical to provide a uniform measuring standard for risk and the means to aggregate and prioritise risks across the City. They also provide guidance on risk acceptance.

The Risk Management Operational Practice and Procedure does not encourage managers to be risk averse. In fact, it is designed to provide managers with a degree of confidence to be able to manage risk to an acceptable level. It defines the steps to be followed to measure the risk rating and determine if the risk should be accepted or treated.

The Risk Register is simply a tool to record all of the City's risks so that they may be managed more effectively. It is used to capture and report on the risk information captured through the process.

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The high level view of the Risk Management Framework is as follows:



# 2. Definitions

*Risk* is the effect of uncertainty on objectives ... expressed in terms of a combination of the consequences of an event and the associated likelihood (AS/NZS ISO 31000: 2009).

Alternatively:

- The chance of something happening that will have an impact on the objectives
- The risk of loss resulting from inadequate or failed internal processes, people and systems or from external event. (Basel 2)

**Risk Management** is the coordinated activities to direct and control an organisation with regard to risk (AS/NZS ISO 31000:2009).

The *risk management process* is the systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk (AS/NZS ISO 31000:2009).

# 3. Risk Policy

The Risk Management Policy has been endorsed by Council confirming the City's commitment to manage risks in accordance with AS/NZS ISO 31000:2009.

# 4. Risk Management Committee

The Risk Management Committee was established, by the endorsement of the Organisation Wide Risk Management policy, to be the driving force of implementing a risk management culture within the City of Busselton. The Risk Management Committee Terms of Reference details the responsibility of the Committee and its relationships with other committees and groups.

# 5. Risk Reference Tables

The Risk Reference tables have been established for the purpose of providing guidance as to how risks are to be evaluated, assessed and accepted.

### 5.1. Consequence

A risk that eventuates may impact the City across a number of different categories. When analysing the consequence of a risk event, the risk owner needs to consider the level of impact in relation to one or more of these consequence categories defined in the consequence table below.

Rating	Insignificant	Minor	Moderate	Major	Catastrophic
Public Health	Minor injury or first aid treatment	Injury / disease causing medical	Serious injury / disease causing	Death or life threatening injury or multiple serious injuries	Multiple deaths or multiple life threatening injuries or
оѕн	cases	treatment	hospitalisation	causing hospitalisation	severe permanent disabilities
Financial	< \$ 50k	\$ 50k to \$250k	\$ 250k to \$ 1m	\$ 1m to \$ 5m	> \$ 5m
Operational	Negligible impact to service delivery	Inconvenient delays with recovery within acceptable timeframe	Significant delays service delivery with unacceptable recovery time or inconvenient delays to major deliverables	Substantial delays to service delivery or Non achievement of major deliverables	Non achievement of key objectives
Reputational	Unsubstantiated, low impact, low profile or no news item	Substantiated, low impact, low news profile	Substantiated, public embarrassment, moderate impact, moderate news profile	Substantiated, public embarrassment, high impact, high news profile, third party actions	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions
Environmenta I	Brief pollution but no environmental harm	Minor/ transient environmental harm	Significant environmental harm with mid term recovery	Significant long term environmental harm	Catastrophic, long term environmental harm

# 5.2. Likelihood

The likelihood rating describes how likely it is that a risk will eventuate with the defined consequences. Likelihood can be defined in terms of probability or frequency, depending on the risk being considered.

Rating	Description	Frequency
Rare	May occur but only in exceptional circumstances	1 in 10,000 - 100,000 Less than once in fifteen years
Unlikely	Could occur at some time	1 in 1,000 to 10,000 At least once in fifteen years
Possible	Should occur at some time in the future	1 in 100 - 1,000 At least once in five years
Likely	Will probably occur in most circumstances	1 in 10 - 100 At least once a year
Almost Certain	Is expected to occur in most circumstances	> 1 in 10 More than once a year

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#### 5.3. Effectiveness of Controls

Controls are the measures that are currently in place that reduce the likelihood and/or the consequence of the risk. The effectiveness of the controls is an assessment of their adequacy.

Rating	Description
Excellent	Doing more than what is reasonable under the circumstances or circumstances are outside City control.
Adequate	Doing what is reasonable under the circumstances.
Weak	Not doing some or all of the things that would be reasonable under the circumstances.

# 5.4. Risk Rating

The level of risk or the risk rating is determined by the consequence and likelihood. That is the risk rating is a function of consequence and likelihood.

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
ро	Almost Certain	M11	H16	E20	E23	E25
ĕ	Likely	M7	M12	H17	E21	E24
ikelihood	Possible	L4	M8	M13	H18	E22
*	Unlikely	L2	L5	M9	H14	H19
_ [	Rare	L1	L3	M6	M10	H15

# Where:

L = Low Risk
 M = Medium Risk
 H = High Risk
 E = Extreme Risk

# 5.5. Risk Tolerance

Once the Risk Rating has been determined, the risk needs to be evaluated using the organisation's agreed risk tolerance.

Residual Risk Rating	Responsibility	Acceptance		
Low	Responsible Officer	Acceptable with weak, adequate or excellent controls		
Medium	Responsible Officer	Acceptable with adequate or excellent controls		
High	Director	Acceptable with adequate or excellent controls		
Extreme	Senior Management Group	Only acceptable with excellent controls		

# 6. Risk Management Operational Practice and Procedure

#### 6.1. Three Lines of Defence Model

The City of Busselton has implemented a Three Lines of Defence Model for risk management:

- Level 1: Business Units and Activity Teams have responsibility for managing the risks for their area and any wider ranging risks that are allocated to them.
- Level 2: The Risk Team and the Risk Management Committee assist Business
  Units and Activity Teams in assessing risks and providing education support
  which aids in development of a risk management culture. They may also
  monitor risks to ensure consistency of assessments throughout the City and to
  ensure controls are effective. The Risk Team may also challenge risk
  assessments for escalation.
- Level 3: As required by Local Government (Audit) Regulation Clause 17, the Audit Committee will receive reports from the CEO on the appropriateness and effectiveness of this risk management framework. This level audits levels one and two.



All three levels of the Three Lines of Defence Model need to work to have effective Risk Management.

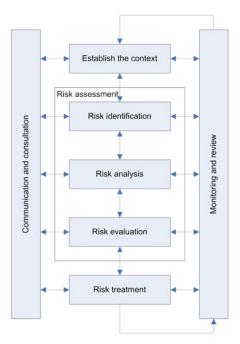
### 6.2. Introduction

A simple risk management process has been established to encourage staff to make use of risk management as a tool to improve their work performance. Each risk will be allocated a Responsible Officer to ensure it is managed, including implementing mitigating treatment. This is usually the person who is directly responsible for the strategy, activity or function that relates to the risk. The Risk & OSH Officer is

**Audit Committee** 

available to assist risk owners, wherever possible, in the management of their risks by assisting them in the risk assessment process.

The City of Busselton will adopt the following risk management process, which was developed using the AS/NZS ISO 31000:2009.



Risk Management Process (From AS/NZS ISO 31000:2009)

#### 6.3. Establish the Context

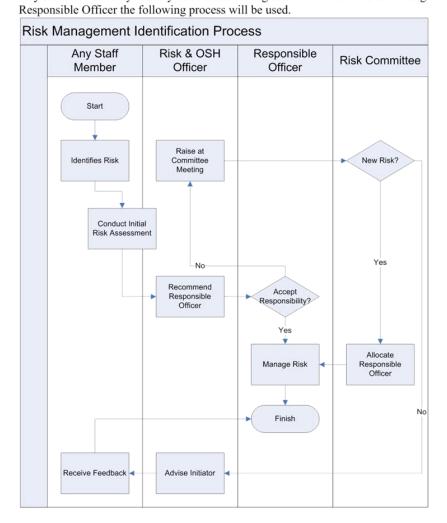
Establish the strategic, organisational and risk management context in which the rest of the process will take place. Criteria against which risks will be evaluated are established and the structure of the analysis identified. Examples of contexts include, a business unit or specific project.

# 6.4. Identify the Risk

The purpose of risk identification is to identify what situations, events or circumstances might affect the achievement of the objectives of the City of Busselton.

Risks can be identified through various processes, with no single process being preferred for all contexts. Therefore an identification process will be selected depending on the situation. Some of the processes to be used include:

- Development or reviewing of strategic and operational business plans
- Project team risk brainstorming workshops and completion of project planning
- SWOT analysis at business unit meetings
- · Safety inspections and incident investigations



Management for a risk will be assigned to the staff member who is impacted by the risk or who has the greatest impact on the risk. The following will be used as a guide:

Risk Type	Minimum level of Responsibility		
Strategic	Director		
Operational	Manager		
Project	Project/Contract Manager		

#### 6.5. Analyse the Risk

Risk analysis involves developing an understanding of the risk to provide an input to risk evaluation. Determine the existing controls and analyse risks in terms of

Risk Management Framework

# consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are

to occur. Consequences and likelihood are combined to establish a risk rating. The

risk rating may be determined under various situations, including:

- Initial/Inherent risk the risk rating before controls are established or should all controls fail
- Revised/Residual/Current risk the risk rating with all of the existing controls effective
- Future/Predicted risk the risk rating once all future controls are implemented

#### **Evaluate the Risk**

Compare the risk rating against the risk acceptance criteria. This enables risk to be ranked so as to identify management priorities. If the risk rating is low, then the risk may fall into an acceptable category and treatment may not be required.

#### Treat the Risk 6.7.

Accept and monitor low priority risks. All risks will be reviewed, however, usually only extreme or high risks will be treated. The treatment process involves identifying treatment options, evaluating options, selecting an option and implementing it. Once a treatment option is fully implemented it becomes a control and the risk should be able to be accepted.

#### Monitor and Review 6.8.

Monitor and review the performance of the risk and the management of it. Monitoring a risk is an informal ongoing process used to immediately identify any changes. A review is a point in time, formal process that is recommended to be conducted annually. Risks with a high risk rating may be reviewed more frequently and risks with a low risk rating may be reviewed less frequently.

The Risk Team will also monitor risk assessments and controls to ensure risks are consistently assessed and controls are effective. They may also challenge the assessment of a risk, raising their concerns with the risk's owner. Where an agreement cannot be achieved the risk will be considered at a Risk Management Committee meeting to finalise the assessment.

#### 6.9. Communicate and Consult

Communicating and consulting are to occur at each step of the risk management process to ensure all the participants understand, are involved in and contribute to the process. Consultation gives stakeholders the opportunity to influence decisions and ensures that all relevant viewpoints are taken into account in identifying and evaluating risks.

# 7. Risk Register

All risks are required to be registered in the City of Busselton risk register, either individually or a single risk may be recorded for a group of like risks. The InterPlan system will be used for the City's risk register and will be maintained by the Risk Management Committee via the Risk & OSH Officer.

Further information on InterPlan is available in the Risk Management User Guide available from the help screen or by contacting the Risk & OSH Officer.

# <u>City of Busselton</u> Risk Management Systems and Procedures Review 2016

Assessment	Yes	Partially Met	No	Comments
Planning				
Has a Risk Management Policy been endorsed?	✓			
Does a formal Risk Management Framework exist?	✓			
Are risk appetites and / or tolerances documented?	<b>✓</b>			
Has responsibility for the Risk Management Framework been assigned to a senior manager?	✓			
Has a Business Continuity Plan been endorsed?		<b>✓</b>		A draft business continuity plan has been developed however given the City's current transitional accommodation arrangements it requires significant update. This will be done to suit the new building.
Are risks identified and managed during business planning?	✓			
Are risks identified and managed during project planning?		<b>✓</b>		Project planning processes are largely decentralized and as such vary across the organisation. In some areas risks are well captured however in others some improvement could be made.

the effectiveness of controls outside of the review process. The committee felt that at the time of review was satisfactory for now.

Are critical risks or control failures

escalated?

Assessment	Yes	Partially Met	No	Comments
Are key legislative and regulatory responsibilities known and met?	✓			
Is the Risk Management Framework clearly communicated to all relevant staff?	✓			
Reviewing/Monitoring				
Does a committee(s) meet regularly to manage the risk management processes?	✓			
Does senior management periodically receive reports on risk management and take action where necessary?	✓			
Do all areas undertake risk management using an approved framework?	✓			
Are sufficient resources dedicated to risk management activities?		<b>✓</b>		We are a dynamic and busy organisation and Managers and Coordinators often have high workloads. This can limit the amount of time they have to apply formal risk management processes.
Have the risks associated with high- risk projects been identified and assessed?		<b>✓</b>		As per comment above project planning processes vary across the organisation. There could be some benefit in enforcing a centralised planning process for high risk / major projects (e.g. over a certain \$ threshold)

Assessment	Yes	Partially Met	No	Comments
Does an adequate risk profile exist?	✓			
Are risks assigned a review date?	✓			
Is there a process that ensures risk treatment plans are reviewed?	<b>✓</b>			

### 6.3 REVIEW OF ORGANISATIONAL SYSTEMS AND PROCEDURES - INTERNAL CONTROL

**SUBJECT INDEX:** Financial Compliance and Advice

**STRATEGIC OBJECTIVE:** An organisation that is managed effectively and achieves positive

outcomes for the community.

**BUSINESS UNIT:** Financial Services **ACTIVITY UNIT:** Financial Services

**REPORTING OFFICER:** Financial Accountant - Ehab Gowegati

**AUTHORISING OFFICER:** Director, Finance and Corporate Services - Cliff Frewing

**VOTING REQUIREMENT:** Simple Majority

ATTACHMENTS: Attachment A Key Control and Monitoring Activities Worksheet

Attachment B City of Busselton Digital Penetration Test Results !

Attachment C SAMEngCertificate U

### **PRÉCIS**

Regulation 17 of the Local Government (Audit) Regulations requires the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of a local governments systems and procedures in relation to several matters, including internal control. The results of the review are to be reported to the Audit Committee for review and deliberation, prior to formal presentation to the Council.

This report presents the Audit Committee with the results of a review of the appropriateness and effectiveness of the City's systems and procedures in respect of internal control.

### **BACKGROUND**

In February 2013, several amendments to the Local Government (Audit) Regulations (the Regulations) were mandated. At this time, a new Regulation (number 17) was effected, requiring the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation risk management, internal control and legislative compliance; the results of which are required to be reported to the Audit Committee. The new Regulation is detailed as follows:

### 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in sub-regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

In addition to the regulation, a further sub-regulation was also introduced as part of existing Regulation 16, further clarifying the Audit Committee's actions upon receipt of the aforementioned report from the CEO. This addition is detailed as follows:

### 16. Audit committee, function of

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

- (i) Report to the council the results of that review; and
- (ii) Give a copy of the CEO's report to the council

In order to be compliant with the new review and reporting requirements, the reviews on risk management, internal control and legislative compliance are all required to be presented to the Audit Committee on or before 31 December 2016 (i.e. within 2 calendar years from the last review date).

To provide guidance to local governments in the completion of the review requirements, in September 2013, the Department of Local Government and Communities (the Department) released an updated version of Local Government Operational Guideline 9 – 'Audit in Local Government'. This guideline includes a section specifically relating to the review, and exemplifies the types of activities that could potentially be undertaken as part of the review process.

Whilst the review of internal control has been informed by the aforementioned guideline, the guideline also makes reference to the Local Government Accounting Manual; a document also developed by the Department. As the Manual provides a more comprehensive framework relating to internal control, this review has been more specifically guided by that document, with particular focus on a list of internal control related activities as detailed in the Manual. This list forms the basis of the attachment to this report.

### STATUTORY ENVIRONMENT

- Section 7.1A of the Local Government Act requires a local government to establish an Audit Committee.
- Regulation 16 of the Local Government (Audit) Regulations details the functions of an Audit Committee.
- Regulation 17 of the Local Government (Audit) Regulations requires the CEO to review the appropriateness and effectiveness of a local government's systems and controls in relation to risk management, internal control and legislative compliance, and report the results of the review to the Audit Committee.
- Regulation 16 (c) of the Local Government (Audit) Regulations states that the Audit Committee
  is to review the report on the appropriateness and effectiveness of the local government's
  systems and controls, and report the results of that review to the Council.
- The Local Government (Financial Management) Regulations incorporate a number of regulations specifically relating to a range of internal control functions.

### **RELEVANT PLANS AND POLICIES**

A number of Council Policies guide activities which have been incorporated within the review. These include, but are not limited to, the Investment Policy, the Purchasing Policy and the Salary Packaging Policy.

### **FINANCIAL IMPLICATIONS**

There are no direct financial implications associated with the recommendations as detailed within this report. However, should the Audit Committee or the Council determine that future reviews are to be undertaken externally, appropriate budget allocations will be required to be raised in relevant financial years.

### **Long-term Financial Plan Implications**

Nil

### STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – 'Open and Collaborative Leadership' and more specifically Community Objective 6.3 - 'An organisation that is managed effectively and achieves positive outcomes for the community'.

#### **RISK ASSESSMENT**

The Local Government Operational Guideline – 'Audit in Local Government', suggests that strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government. Risk assessments have previously been completed on overarching internal control matters including, but not limited to, statutory and legislative compliance, financial deception, and the incorrect use of business software. As the associated risks have been accepted with existing treatments, it is not considered necessary to assess the risk of individual activities against current processes and procedures. Experienced and skilled staff at the City are aware of where the most significant individual risks lie, and internal processes and procedures, coupled with adequate segregation of duties, have been established to mitigate the associated risks to the organisation.

### **CONSULTATION**

Not applicable.

### **OFFICER COMMENT**

The Local Government Operational Guideline – 'Audit in Local Government', states that internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations. The guideline further suggests that aspects of an effective internal control framework will ideally include the following:

- Delegation of authority;
- Documented policies and procedures;
- Trained and qualified employees;
- System controls;
- Effective policy and process review;
- Regular internal audits;
- Documentation of risk identification and assessment; and
- Regular liaison with auditor and legal advisors.

The guideline does however acknowledge that the extent to which internal controls are implemented, monitored and reviewed will be impacted by, amongst others, the size and nature of individual local governments.

Similarly, the Local Government Accounting Manual notes that an effective system of internal controls provides a level of assurance that financial information is reliable and the local government is meeting compliance with applicable regulations and internal procedures. The Manual also infers that the achievement of regulatory compliance should be viewed as the fundamental goal of an effective internal control system with further enhancement being ongoing as part of an overall organisational risk management process.

With regards to regulatory compliance (from an internal control perspective), the Manual highlights a range of regulations that local governments are presently required to comply with. Many, if not all, of these regulations are reviewed and tested annually as part of existing statutory compliance processes, namely the financial audit and the compliance audit.

In addition to the above, local governments are also required to undertake periodic reviews of financial management systems and procedures, in accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations, which states:

### 5. (2) The CEO is to -

(c) Undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four financial years) and report to the local government the results of those reviews.

This requirement, commonly referred to as the Financial Management Systems Review (FMSR), is completed every four years, by the City's appointed Auditor. Whilst there is no regulatory requirement prohibiting the review from being undertaken internally, having it performed by a qualified external party ensures thoroughness in review, independence, transparency and objectivity.

The last FMSR was conducted in June 2016. At this time, the Auditor stated that in the context of Council's overall operations and size, it is considered that operating procedures and systems in place are adequate and have operated effectively from July 2015 (with the exception of recommendations outlined within the report), to the date of the audit site visits. Furthermore, testing indicated that internal procedures and controls are appropriate, compliant with statutory requirements, with supporting reconciliations of key accounts being completed on a timely basis. Whilst 12 matters were specifically identified as part of the review wherein processes could be strengthened, of these, four were rated as having a low risk rating, with the other eight having a medium risk rating. All of the matters raised in the 2016 FMSR are in the process of being addressed.

The FMSR process closely aligns with the intent of the review requirements; particularly in respect of the internal control component. It is therefore reassuring that the most recent external review of the City's financial management systems and procedures did not identify any areas whereby current systems and processes are considered to be inadequate.

As previously mentioned, the review of the appropriateness and effectiveness of the City's systems and procedures in relation to internal control has been guided by both the relevant Local Government Operational Guideline and the Local Government Accounting Manual. Whilst more descriptive, the Operational Guideline provides an example list of the types of internal controls that could be typically reviewed. However, the Local Government Accounting Manual incorporates more specific detail in this regard, and particularly in relation to key control activities and monitoring activities.

<u>Key control activities</u> represent those processes and procedures that should be in place to ensure the proficiency of internal control, whilst <u>monitoring activities</u> represent the processes and procedures required to review and monitor the effectiveness of the primary key controls. The Manual lists a range of key control and monitoring activities which local governments should be reviewing on an ongoing basis. In the absence of any specific guideline pertaining to how the review of internal control is to be undertaken by local governments, a review the City's performance against each of the listed control and monitoring activities has been considered as a reasonable basis for carrying out this review.

Assessing the City's current internal control systems and procedures against the listed key control and monitoring activities has been invaluable in informing those areas in which current processes and procedures could be further improved. Attachment A to this report lists each activity, provides a

synopsis of the City's current processes and procedures, and importantly, highlights further actions required where identified. It is believed that the range of activities reviewed fully encompasses the principal internal controls applicable to the City, and as such forms a solid platform upon which the overall effectiveness of the City's current internal control environment can be reasonably assessed.

The associated regulation requires the CEO to report the results of the review to the Audit Committee. As such, and whilst providing summary comments as appropriate, the following section of this report will more specifically discuss those activities whereby the review has identified that further actions are required. For ease of review, the results have been grouped by similar action requirements, and where possible, in line with the internal control summary areas as reflected in the Local Government Accounting Manual.

### <u>Documented Procedures – Control Documentation</u>

The Accounting Manual states that appropriate control documentation has the effect of clarifying the control activity and creating the appropriate control environment by improving the awareness and actions of staff. At the City of Busselton, formal control documentation generally takes the form of Council Policies and to a greater extent, Operational Practices and Procedures (OPP's). Whilst Council policies ordinarily set the strategic decision making framework, OPP's detail the processes, procedures, compliance requirements and authority levels in relation to operational matters.

The above control documents generally relate to matters of relevance to the organisation as a whole. As such, it would not be expected that OPP's would need to be developed, authorised and published in respect of specific work instructions. However, from an internal control perspective, it is important to recognise those work instructions which ideally should be documented, and those which, due to their nature or organisation wide ramifications, may be worthy of formally documenting as an OPP.

The key control and monitoring activities review identified numerous instances whereby current internal controls could be augmented by the development of associated control documentation. These activities are discussed as follows:

1.(i) Employees responsible for financial report preparation are competent and adequately trained.

As part of the 2016 performance review process a plan was initiated to train and develop staff in key financial functions and encourage and promote information sharing to ensure efficiencies are attained in continuation of services and succession planning. This will include the full documentation of key finance roles with a focus on process and knowledge sharing to ensure all key financial roles has the coverage required to ensure service continuity.

1.(ii) All journal entries require supporting documentation. Any non-routine entries require documented approval prior to being posted.

Whilst associated processes are complied with, it is considered prudent to formally list all journals posted on a monthly basis and for management to peruse/ authorise this list. This will ensure that efficiencies remain with regard to the timely processing of all required journals, whilst also adding assurances that the journals are being reviewed and are in accordance with expected practices and consistent with set budget constraints.

3.(i) Rates/debtors officers are competent for their assigned tasks, adequately trained and supervised.

As part of the 2016 performance review process a plan was initiated to train and develop staff in key rating/ Debtors functions to ensure efficiencies are attained in continuation of services and

succession planning. This will include the full documentation of key rates/ debtors roles with a focus on process and knowledge sharing to ensure all roles have the coverage required to ensure service continuity.

4.(vii)	All receipts, cash and cheques, deposited on a regular and timely basis.

The City's processes and procedures in relation to the receipting and banking of deposits (including electronic payments) are considered to be adequate. Additionally, banking of deposits, particularly in relation to operational revenues (administration and outstation based), is timely, which promotes efficiency in the associated bank reconciliation processes.

Having said that however it is possible that due to the volume of transactions or other valid reasons, that monies collected at outstations may not be banked immediately. To this end it is expected that having documented procedures relating to the administration and security of the funds whilst being held, along with associated approval for the subject processes. It is considered important that the above-mentioned matters are documented and appropriately authorised, preferably as part of an Accounting Procedures Manual to be developed by each function/ outstation directly dealing with financial transactions.

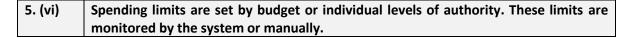
## 4. (viii) Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.

The review did not identify any specific areas whereby current processes and procedures are considered to be lacking. However in most instances, associated processes, procedures, and review/ reconciliation practices are not formally documented. For instance, whilst deposits made to the bank are reconciled against deposit listings, there is no documented evidence that <u>independent checks</u> are being made against cash till listings (primarily for outstations). Analogous with the previous finding, it is considered essential that all functions and outstations dealing with cash deposits develop formal Accounting Procedures Manuals, which not only document relevant processes and procedures, but also address internal control and monitoring activities.

5.(i)	Personnel responsible for the purchasing, shipping, receiving and payable functions
	are competent, adequately trained and supervised.

As part of the 2016 performance review process a plan was initiated to train and develop staff in key purchasing functions to ensure efficiencies are attained in continuation of services and succession planning. This will include the full documentation of purchasing roles with a focus on process and knowledge sharing to ensure all key roles has the coverage required to ensure service continuity.

Additionally, staff will compile a new operational practice to identify/ enforce requirements associated with the addition of a new creditor and subsequent amendments made to an existing creditor. One of the key checks will be verify the validity of the creditor and the associated bank account details to minimise the risk of fraud.



The City's internal controls in relation to 'purchasing authorisation limits' (spending limits) are considered adequate. The ability to raise purchase requisitions in the system, and the associated value of the same, is controlled by system parameters. Any request to establish or amend a purchasing authority limit must be in writing, and authorised by a staff member authorised to do so. With regards to expenditures raised outside of the purchase order system, any payment must be authorised by an officer with the necessary purchasing authorisation limit (in dollar value).

Verification of this authority is undertaken by Finance staff (at multiple levels) prior to the associated payment being processed.

Whilst the current processes are working well, there is currently no overarching control documentation detailing the required processes to be undertaken, including the purchasing authorisation limit approval process. As part of this review, it has been identified that an OPP should be established for this purpose, due to its 'whole of organisation' implications.

5. (xxiii) The accounting policy for when goods should be capitalised is documented and clearly understood by accounting personnel.

Accounting personnel dealing with the capitalisation of assets are fully aware of the applicable standards and associated thresholds (as per significant accounting policies). However, there is currently no endorsed control documentation available for the wider organisation, other than that issued as part of the draft budget compilation process. This can be problematic for staff when developing annual budgets, insofar as budget allocations may be unintentionally misallocated between capital and operational accounts.

A comprehensive (draft) OPP in relation to asset capitalisation has been under development for some time now. Consultation is presently occurring with the Engineering and Works Services Directorate in respect of the OPP, as this area will be most significantly impacted. Consequent to this input, the draft OPP will be finalised and submitted to the CEO for consideration and approval.

19. (i) All journals are independently reviewed (including checks to ensure correct account allocation) and contain sufficient support information.

This activity is similar in its intent to activity 1. (ii); particularly in respect of the supporting documentation requirement. As previously mentioned it is considered prudent to formally compile a monthly report listing of all journals posted on a periodic basis for management's perusal/authorisation. This will ensure that efficiencies remain with regard to the timely processing of all required journals, whilst also adding assurances that the journals are being reviewed and are in accordance with expected practices and consistent with set budget constraints. This matter is further discussed in the following 'Segregation of Duties' internal control summary area.

20. (i) Regular IT audits performed focusing on data accuracy, retention, recovery and security. Results of these IT Audits reviewed by management and action plan promptly implemented.

This activity is discussed in more detail in the following Information Technology Controls (General and Application) summary area. Whilst robust internal controls are existent at the City, in some instances these are not formally documented. From an internal control perspective, it is important that all material controls are recorded and regularly reviewed/ updated; to ensure consistency in approach.

## **Summary – Documented Procedures**

The internal control review has identified several instances whereby the formal documentation/ development planning of associated processes and procedures needs to occur. As previously mentioned, appropriate control documentation has the effect of clarifying the control activity and creating the appropriate control environment by improving the awareness and actions of staff. Based on the above key control and monitoring activity anomalies identified, the following provides a summary of identified actions to be undertaken:

(a) The establishment of documentation/ training and information sharing to ensure uninterrupted business continuity,

- (b) The establishment of work instructions and new reporting requirements pertaining to the processing and approval of journal entries,
- (c) The establishment/ formalisation of 'Accounting' Procedures Manuals for all City outstations that are involved with the processing of financial transactions (to include the administration and security of bond and deposit funds being held for extended periods)
- (d) The establishment of an Operational Practice and Procedure (OPP) detailing the processes, procedures and approval requirements in relation to the establishment/ amendment of staff purchasing authority limits
- (e) The formalisation and approval of an OPP in respect of asset capitalisation thresholds
- (f) The ongoing review/ establishment/ formalisation of processes and procedures in relation to Information Technology internal controls (also refer Summary Information Technology Controls)

### **Segregation of Duties**

The Accounting Manual states that a fundamental application of internal control is the segregation of duties, which relies on the premise that the risk of two or more officers making the same error or colluding to defraud the local government is less likely than an individual act. Due to its size, the City of Busselton has the capacity to implement segregation of duties as a key component of its overall internal control provisions.

As part of its 2014/15 financial audit Management Letter, the Council's Auditor has acknowledged the sound internal control environment present at the City of Busselton, which is in part attributable to the "appropriate levels of segregation of financial duties and independence checks which are in place". It is anticipated that the same finding will be made within the 2015/16 financial audit. Whilst this comment supports the City's view that adequate segregation of duties are in existence, the internal control review has identified one area in which existing controls could potentially be further supplemented. This is discussed as follows:

19. (i)	All journals are independently reviewed (including check to ensure correct account
	allocation) and contain sufficient support information.

This activity was discussed as part of the aforementioned 'Documented Procedures' area. Whilst current procedures, particularly in relation to support information, are considered adequate, the need to formally list and report all journal transactions on a periodic basis has been identified.

Finance personnel have varying levels of authority to process and post journals; which form part of their 'day to day' functions. However, as a consequence of the internal control review, it is felt that an independent review of all journals should ideally occur. New processes will be established to ensure that all journal entries require dual approval via an end of month authorisation process whereby the manager of finance will endorse the validity of all journals posted. This will not impact on efficiency but will ensure that journals are being reviewed and are in accordance with expected practices and consistent with set budget constraints.

### <u>Summary – Segregation of Duties</u>

The internal control review has identified one instance whereby current processes and procedures could be further augmented by the introduction of a higher level of segregation of duties. Based on the above key control and monitoring activity anomalies identified, the following provides a summary of identified actions to be undertaken:

- (a) The proposed implementation of a new process to compile a monthly journal listing report,
- (b) The proposed implementation of a dual approval via an end of month authorisation process whereby the manager of finance will endorse the validity of all journals posted.

## **Information Technology Controls (General and Application)**

The Accounting Manual identifies two controls within the Information Technology (IT) environment; general controls and application controls. General controls relate to a local government's wider IT environment and include items such as virus protection, backups, and system password and access controls. Application controls are more specific and relate to items such as application password and access controls, data field validations, processing restrictions and reporting restrictions. The Manual does highlight that a lack of control in either of the above areas can undermine the effectiveness of established controls in the other. Consequently, the implementation and review of IT related internal controls need to be considered at multiple levels.

The key control and monitoring activities as reviewed include a range of activities that have a relationship with associated IT controls, albeit to differing extents. Whilst the above summary area (Segregation of Duties) includes recommendations directly relating to IT controls, for the purposes of this review, the review of IT controls is based on the following monitoring activity:

20. (i) Regular IT audits performed focusing on data accuracy, retention, recovery and security. Results of these IT Audits reviewed by management and action plan promptly implemented.

The traditional approach to IT administration sees a system administration function performed by a person or groups of persons who have access and control over both the general and application controls within the IT environment. However at the City of Busselton this is not the case. The IT controls have been allocated to two separate teams, namely the Business Systems team and the ICT Operations team. The Business Systems team have administrative access to the application controls but do not have administrative access to the general controls. These are the domain of the ICT Operations team, who in turn do not have access to the application controls.

This intentional separation of duties ensures City officers have to work together in the administration of the IT systems, which leads to automatic auditing of access between the teams. That said the IT audits required for each type of control is different and therefore will be addressed separately.

### **General Controls**

These controls currently reside in the domain of the City's ICT Operations team; with some lower level components delegated to the City's ICT Helpdesk team. The City's current approach to the review of the various IT infrastructure and security components is tied into the asset management cycle of each component. As part of the asset replacement cycle each component being replaced is assessed in the IT scheme and appropriate control requirements are raised for the replacement equipment. Generally the replacement program also includes an external party review and report on the effectiveness of the equipment.

Additionally the City's ICT Coordinator commissions an external security review in the form of penetration testing every 24 months. This task is aimed at highlighting the City's security exposures and risks. Attached (Attachment B – City of Busselton Digital Penetration Test Results) please find the results of this review undertaken by DELL Pty Ltd, which indicate the City has a high level of external digital security and only one minor item was recommended for action. During the 2015/16 financial year the City has also been audited by Microsoft to assess the City's level of licencing compliance as it relates to the core IT operating environment, attached please find the compliance certificate (Attachment C – SAMEngCertificate). These results were assessed by the Manager Information Services on behalf of City management.

### **Application Controls**

The City utilises a variety of corporate software packages to support the myriad of service deliverables required. Within the domestic software market there is no singular product that can support all of the services that the City requires. Consequently, application controls have to be applied at a higher level than each individual software package. In order to accommodate this all application control originates within the City's Active Directory and is then further refined within each of the software packages, administered by a variety of administrative staff that may or may not be part of the ICT team. It is the task of the City's Business Systems team to audit the access and controls being applied by non-IT administrators to ensure appropriate system access, data controls and data backups are in place.

Within the Business Systems unit itself the team members are expected to review each other's access and data controls. That said the most critical application access would be the products in control of the financial and document management components of the City. These controls also formed part of the City's financial management system review undertaken June 2016, by external auditors. In addition to the internal controls the City employ external consulting services on a regular basis to perform health checks on components of the core software products (i.e. rates, human resources, payroll, etc.). For example in May 2016 the City engaged the services of LG Connect Pty Ltd to perform a rates data integrity health check, which resulted in a number of system and process improvements implemented by the City's rates team.

### <u>Summary – Information Technology Controls</u>

As discussed above, there are a variety of controls in place within the general and application IT environments, which include a number of officers reviewing each other's controls and external resources performing reviews over a longer period of time. That said, over the past two years the City has experienced a growth in the number of mobile applications and cloud hosted business applications. As part of the review it was noted the City does not have any specific rules relating to the use and security requirements of these external systems. The City's ICT Coordinator has been assigned the task of reviewing and consolidating the City's IT related Operational Practices and Procedures during the 2016/17 financial year, which will represent an ideal opportunity to also address the mobile application and cloud hosted business application usage and security requirements.

### **CONCLUSION**

From a financial perspective, the City's internal controls have historically been reviewed every four years in line with the requirements of Regulation 5(2)(c) of the Local Government (Financial Management) Regulations. The last such review was undertaken in 2016 by the City's appointed auditor. At this time, the Auditor stated that in the context of Council's overall operations, it is considered that operating procedures and systems are adequate. Furthermore, testing indicated that internal procedures and controls are appropriate, compliant with statutory requirements, with supporting reconciliations of key accounts being completed on a timely basis.

Whilst certainly not to the same extent, the annual financial audit process does include a review of principal internal controls; primarily to satisfy the Auditor that the annual financial report is free from material misstatement. With regards to the 2014/15 financial audit, the Auditor has stated that the sound financial control environment present at the City of Busselton has been adequately maintained throughout the 2014/15 financial year. Although yet to be finalised, it would also appear at the time of compiling this report that there are no matters of any significance will be noted within the 2015/16 audit.

Notwithstanding the above, and as this review of internal control is now required to be undertaken biennially, the review has identified a number of areas in which existing internal control processes can be further improved. Whilst the identified anomalies in current processes and procedures are all considered minor in nature, it is felt that their rectification will further strengthen the City's overall internal control processes.

In closing, whilst limited guidance has been provided to local governments as to how the review of internal control is to be undertaken, it is felt that the methodology utilised in compiling this review is sound.

#### **OPTIONS**

This report does not propose to make any specific recommendations to the Audit Committee, other than to receive the report and note the results of the review. The identified actions as comprised within the report are operational in nature and will be addressed accordingly. Notwithstanding, the Audit Committee may determine to:

- Seek a formal update report on the progression of identified actions as comprised within this report;
- Identify any additional actions it wishes to have specifically reviewed from an internal control perspective;

### TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

All identified actions will be investigated, and implemented where possible, prior to the next biennial review of internal control; due by 31 December 2018.

## **OFFICER RECOMMENDATION**

That the Audit Committee note the contents of this report in relation to the review of organizational systems and procedures and internal control as required by Regulation 17 of the Local Government (Audit) Regulations (1996).



	Risk Area	Key Control Activities	Comments	Further Controls Identified
1.	Financial Report Preparation	Employees responsible for financial report preparation are competent and adequately trained.	Employees with responsibility for financial report preparation are competent and have extensive experience in relation to the City's principal financial systems.	Development planning commenced to train staff in key financial functions and encourage/ promote information sharing to ensure continuation of services and succession planning.
		ii. All journal entries require supporting documentation. Any non-routine entries require documented approval prior to being posted.	Processed journal entries are printed and filed, along with copies of supporting documentation. Non routine journals are work-flowed to a senior officer for review and posting.	Whilst associated processes are complied with, it is considered prudent to formally compile a monthly report listing of all journals posted on a periodic basis for management's perusal/ authorisation.
		iii. Accounting software used contains application controls that prevent or detect an error from occurring.	Whilst no accounting software is full-proof, the City's finance system includes a range of in-built checks and balances to ensure 'balancing' errors are readily identified. Any postings that contain errors are redirected to suspense accounts for investigation and further action. Any receipts without an associated charge will automatically be redirected to prepayment accounts for further action. In addition all internal processes are developed to prevent fraud by segregating duties and enforcing processes as much as proficiently possible.	Nil.
2.	Payroll	Payroll staff are competent for their assigned tasks, adequately trained and supervised.	Employees working with Payroll are hired based on their skills and knowledge. Extensive on the job training is also provided. Refresher training is provided on a regular basis to ensure officers are updated on legislation and compliance matters.	Nil.
		ii. Persons processing payroll are independent of other payroll functions, such as hiring/firing of staff, timekeeping and EFT payment.	Team of 3 payroll officers take on differing roles when processing fortnightly pays. Payroll processing is separate to other HR functions such as hiring and firing and	Nil.



Risk Area	Key Control Activities	Comments	Further Controls Identified
		position management. EFT payments are approved by employees other than Payroll officers. Timekeeping is up to each employee to complete own timesheets with Coordinators/ Managers signing off	
		timesheets.	
	iii. Approval in writing is obtained before adding new employees to payroll.	Employee Appointment Form is completed for all new appointments with sign off required by all levels within the hierarchy, including final CEO approval.	Nil.
	iv. Signed and dated approval of each employee's pay rate is documented or employee file.	Employee Appointment Forms are used to	Nil.
	v. Timesheets and totals of hours worked are approved before being processed for payment.	All timesheets are checked and signed by	Nil.
	vi. Procedures exist to ensure terminated employees are immediately removed from payroll.	Procedures are in place and regularly	Nil.
	vii. Payroll register is reconciled to the general ledger and reviewed by a senior officer independent of payroll.	,	Nil.

Attachment A

## Key Control and Monitoring Activities Worksheet



### Attachment A Key Control Activities and Monitoring Activities Per Section 7 of Local Government Accounting Manual

Risk Area	Key Control Activities	Comments	Further Controls Identified
		suspense account. Although this is not a full reconciliation between the payroll and the ledgers, it is nonetheless an additional process that does identify "internal" payroll misallocations that need to be corrected within the financial ledgers.	
		At end of year an assessment is made comparing the payroll system (component) reports to the financial ledgers to confirm (within reason) that no major discrepancies are identified. This final reconciliation is then on-forwarded to the City's auditors for verification as part of the final end of year audit.	
	viii. Costs by sub program, are compared to budget.	Managers and Directors receive monthly employee cost reports, overall financial performance reports, and any other reports as requested. They are then responsible for noting and managing any variances.	Nil.
		All employees have access to data within the TechOne system for which they are responsible, hence up to date information can be perused at any time.	
		Financial training programs can also be accessed by employees via IT to ensure any training needs are addressed.	
3. Revenue	<ol> <li>Rates/debtors officers are competent for their assigned tasks, adequately trained and supervised.</li> </ol>	Employees responsible for rates and/or sundry debtor activities are experienced and fully competent, and have all been employed in their current roles for a number of years.	Development planning commenced to train staff in key rating/ debtors functions and encourage/ promote information sharing to ensure continuation of services and



Risk Area	Key Control Activities	Comments	Further Controls Identified
			succession planning.
	ii. Monthly statements are issued to trade	In terms of debtor procedures, statements	Nil.
	debtors.	are issued for invoices outstanding more than	
		30 days.	
	iii. Rates are raised in line with the approved	The Council's adopted rates in the dollar are	Nil.
	budgeted rate in the dollar.	validated prior to billing and posting of the	
		associated rates billing journal.	
	iv. The rate record is updated and	Valuation reports are reconciled and	Nil.
	reconciled monthly to the Valuer	balanced as and when received from	
	Generals Office (VGO) records.	Landgate.	
	v. Documented procedures are in place to	Building applications received by Rates are	Nil.
	ensure the VGO is informed of any	forwarded to Landgate for valuation	
	building works approved.	purposes. Applications are held in rates until	
		such time as revised valuations are provided	
		by Landgate.	
	vi. The rates ledger is reconciled to the	This task is undertaken on a daily basis, with	Nil.
	General Ledger.	any discrepancies investigated and rectified.	
	vii. The approved schedule of Fees and	Invoices are prepared by respective Business	Nil.
	Charges is used for invoice preparation.	Units; cognisant of the Council's currently	
	Exceptions require documentation and	adopted Schedule of Fees & Charges. The	
	approval.	corporate software system is also updated	
		annually to reflect current fees and charges	
	*** • • • • • • • • • • • • • • • • • •	(where system generated).	A I'I
	viii. Automatic or manual checks are	The corporate software system automatically	Nil.
	performed on serial continuity of invoice	assigns invoice numbers, in a sequential	
	documents.	order.	No. 1
	<ol> <li>Credit note approvals are independent of accounts receivable.</li> </ol>	Any reduction to an original invoice amount	Nil.
	accounts receivable.	(in part or all) must be instigated and	
		approved by the applicable Business Unit. Written confirmation is also required for	
		audit purposes.	
		addit purposes.	
			I



	Risk Area	Key Control Activities	Comments	Further Controls Identified
4.	4. Receivables/ Receipting	<ol> <li>Staff handling cash receipts and managing receivables are competent for their assigned tasks, adequately trained and supervised.</li> </ol>	Employees responsible for cash receipts and managing receivables are fully competent, receive adequate training where required and are supervised based on their knowledge and experience.	Nil.
		<ol> <li>Bank reconciliation is prepared monthly (with statements from bank) and management approval documented.</li> </ol>	All bank reconciliations (including investments) are reviewed and signed off by management on a monthly basis.	Nil.
		iii. Customers are informed (signs, etc.) that they should obtain receipts.	Receipts are issued as standard practice and as such, there is no requirement to install signage to this effect.	Nil.
		<ol> <li>Pre-numbered cash receipts are issued for every cash sale. Serial continuity is reviewed periodically and checked against cash deposits data.</li> </ol>	Receipts produced in the corporate software systems are sequential in number. Where manual receipts are produced, these are issued from pre-numbered receipt books.	Nil.
		v. Staff are required to take their leave entitlements annually.	Whilst staff are encouraged to take leave entitlements annually, this is occasionally impacted by business continuity requirements. However, periodic 'outstanding leave' reports are distributed to management to enable the monitoring of staff leave accruals. As required, staff can be directed to take annual leave where accruals become excessive. Having said that however a program has been put in place to reduce staff with excessive leave.	Nil.
		vi. When opening mail, cheques are stamped "for deposit only" with the local government bank account number. Cheques received are listed, totalled and reviewed before deposit.	Cheques received by records are date stamped and placed in a plastic container with other remittances and any supporting documentation. A Records Officer delivers the container to a Customer Information Officer for their processing.	Nil.



Risk Area	Key Control Activities	Comments	Further Controls Identified
		The Customer Information Officer stamps all cheques 'Not Negotiable – Payee City of Busselton' and then receipts into corporate software in a timely manner.	
	vii. All receipts, cash/cheques, are deposited on a regular and timely basis.	Front counter operations, and outstation banking, is completed and banked in a timely manner. The only instance where front counter retains revenue beyond date of receipt is when additional information is required in order to proceed. All held funds are a) entered into the payment referral register held in ECM, b) scanned to responsible officer outside of the team and c) receipted as soon as practicable following advice.	Situations where funds (cash/ cheques) are being held, or only banked periodically, should be included in an accounting procedures manual for the relevant site. Please refer to following item.
		The register is reviewed daily and updated as soon as advice is received. The register includes dates, completion times, advice received, responsible officer and any other relevant details.	
	viii. Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.	Front counter deposits are reconciled, reviewed and signed off by supervisory staff, and banked on a daily basis. Similar processes also occur in relation to outstation deposits, where applicable. In addition, the Customer Service team maintains a variety of procedural documents directing Customer Information Officers in the handling of revenue.	It is recommended that all areas dealing with cash and banking formally update associated accounting processes and procedures, and that these documents be authorised by the respective Director, with a copy to be provided to the Finance Department.
		Notwithstanding this, current processes and procedures documentation in relation to	



Risk Area	Key Control Activities	Comments	Further Controls Identified
	ix. A reconciliation of aged receivables to control accounts is prepared monthly and management approval documented.	,	Nil.
	x. Procedures exist to ensure receipts are recorded in the correct period.		Nil.
	xi. Significant overdue customer accounts are investigated by management and actions taken documented.	1111	Nil.
5. Purchases, Payables, Payments	<ol> <li>Personnel responsible for the purchasing, shipping, receiving and payable functions are competent, adequately trained and supervised.</li> </ol>	,	Development planning commenced to train staff in key purchasing functions and encourage/ promote information sharing to ensure continuation of services and



Risk Area	Key Control Activities	Comments	Further Controls Identified
			succession planning.  Develop a new operational practice to enforce requirements associated with the addition of a new creditor and subsequent amendments made to an existing creditor. One of the key checks will be verify the validity of the creditor and the associated bank account details to minimise the risk of fraud
	ii. Management reviews outstanding cheques on period-end bank reconciliation.	This process is undertaken on a regular basis. Outstanding cheques are identified, customers contacted and the appropriate action is taken to finalise the transaction.	Nil.
	iii. Pre-numbered cheques are used. EFT's are allocated a sequential number for each creditor payment and details for every number is documented. Spoiled cheques are clearly marked "VOID" and cancelled.	The corporate software system automatically allocates EFT numbers (sequentially). Preencoded cheques are also utilised, with cancelled cheques clearly marked as such.	Nil.
	iv. The purchasing policy clearly defines who can issue purchase requisitions/orders and to what dollar limit.	The Council's adopted Purchasing Policy details dollar thresholds for quotation requirements, but does not define individual purchasing limits (as this is not the intent of the policy). Please refer activity 5 vi. for further comment.	Nil.
	v. Access to purchasing, receiving, accounts payable, and inventory records is restricted to authorised personnel.	The corporate software system has inbuilt parameters (authorisation levels) which restrict the ability of staff to view specific data or undertake certain functions. However it is not considered that general purchasing and accounts payable records (at transaction level) should be specifically restricted.	Nil.



Risk Area	Key Control Activities	Comments	Further Controls Identified
	vi. Spending limits are set by budget or individual levels of authority. These limits are monitored by the system or manually.	Individual purchasing limits are determined by business need, and are approved by each staff member's supervisor. Purchasing limits are only established/ updated in the corporate system upon receipt of a valid authorisation request.	Whilst processes and procedures are working effectively, an Operational Practice and Procedure is required to formally document the current processes.
	vii. A list of preferred suppliers is maintained and used where possible.	The City's Purchasing Policy ensures compliance with relevant legislation and assists with ensuring due diligence and value for money in procurement.	NIL.
		Part 9 of the Purchasing Policy provides the framework for the establishment and operation of a Panel of Pre-qualified Suppliers (Panel) in accordance with amendments to the of the Local Government (Functions and General) Regulations 1996 in 2015. A Panel mirrors a 'Preferred Supplier' listing, the purpose being to simplify the process for requests for quotations (for goods and services purchased on an ongoing basis) while maintaining due diligence and value for money.	
		A panel created under previous regulations may continue to operate until they expire.	
		The City's Contract Register is utilised to create and maintain a centralised list of established Panels and individually contracted suppliers.	
	viii. Controls exist to ensure corporate buying cards/credit cards are only issued to	The City's Operational Practice & Procedure (OPP) relating to corporate credit cards	NIL.



Risk Area	Key Control Activities	Comments	Further Controls Identified
	authorised staff and personal purchases are not allowed.	details the card authorisation process, whilst also stipulating that personal purchases are prohibited. Credit card transactions are validated against the monthly statement, with all transactions also reported to the CEO (for information). The City also utilises several 'store' cards (e.g. Coles store card). Whilst administered in a similar fashion to credit cards, formal processes have not been documented in respect of these facilities.	Further control identified in 2014 was that an Operational Practice and Procedure in respect of the administration of 'store' cards is required to be developed. This control has been addressed, with the Operational Practice and Procedure endorsed by the CEO on 17 October 2014.
	ix. Pre-numbered purchase orders and receiving reports are used and exceptions are approved and documented.	The corporate software system automatically allocates purchase order numbers on a sequential basis. There is no capacity for staff to manually allocate purchase order numbers.	Nil.
	x. Period-end procedures exist to detect and account for unprocessed goods/service receipts.	Prior to the end of each financial year, staff are regularly requested to review and finalise outstanding purchase orders. A final list of purchase orders to be carried over to the following financial year is reconciled and validated, with associated expenses accrued where required.	Nil.
	xi. Personnel receiving goods do not perform any accounting functions.	Accounting functions associated with purchasing and subsequent payment are administered by the Finance Department. Whilst this department also receives goods and services throughout the year, this activity is very limited. Furthermore, processing of purchase requisitions and subsequent payment is subject to the same controls and authorisations as the remainder of the organisation (including separation of authorisation/payment functions).	Nil.



Risk Area	Key Control Activities	Comments	Further Controls Identified
	xii. An aged accounts payable listing is reconciled to general ledger each month and exceptions investigated by management.	An Aged Trail Balance for accounts payable is produced on a monthly basis, with this document also incorporating a reconciliation to the General Ledger. Long outstanding creditors are reviewed to ensure action is taken to clear the same.	Nil.
	xiii. Aged report of open orders is reviewed each month and old/unusual items are investigated.	This process is undertaken by individual Business Units, as staff are able to review open orders via a simple system enquiry. However, several months in advance of financial year end, staff are regularly requested to review and finalise outstanding purchase orders. Regular communications are also issued detailing the number and value of outstanding orders (to demonstrate progress in this task).	Nil.
	xiv. Unit prices on invoices received are checked against price lists, quotes or approved purchase orders. Invoices are checked for correct calculations, discounts, taxes and freight before payment.      xv. System has checks to prevent duplicate payments on same order.	Prior to payment, invoices are required to be reviewed and validated by relevant staff. Only upon signed authorisation that the above actions have occurred (by an officer with an appropriate financial delegation), is an invoice processed by the Finance Department for payment.  The City's corporate software system does have a duplicate invoice number 'warning', to minimise the duplication of creditor	Nil.
	xvi. A list of accounts for payments is prepared in line with the legislation and authorised by council or a person with delegated authority before cheques are signed or EFT is authorised.	payments being made.  The Council has delegated authority (LG6A) to the CEO to make payments on its behalf, pursuant to Regulation 12 of the Local Government (Financial Management) Regulations. In terms of Regulation 13 of the Regulations, a list of payments made is	Nil.



Risk Ar	ea Key Control Activities	Comments	Further Controls Identified
		subsequently presented to the Finance	
		Committee and Council for noting.	
	xvii. Signing officers examine supportin	, ,	Nil.
	documentation to payments an	1 , ,	
	document approval.	need for authorising officers (with the	
		necessary financial delegation) to verify that	
		goods/ services have been received and that	
		the invoice amount is correct. Consequently,	
		officers signing release of payments are not	
		required to critically examine supporting	
		documentation, albeit confirmation of the	
		authorising officer's permission to approve an	
	xviii. All cheques must be made out t	invoice for payment is confirmed.	Nil.
	xviii. All cheques must be made out t authorised vendors and cannot be mad	1 0 1 1 1 1	INII.
	out to "cash".	payments being made in cash; excepting	
	out to cash.	those made from petty cash systems.	
		Consequently, only petty cash reimbursement	
		cheques are opened to enable encashment	
		(albeit the cheques are still payable to the	
		City of Busselton).	
	xix. A reconciliation of the accounts payabl		Nil.
	sub ledger to the general ledger	, ,	
	prepared monthly and approved b	, ,	
	management.	to the General Ledger. The reconciliation is	
		reviewed and authorised by management.	
	xx. Suppliers' statements are reconciled t	· · ·	Nil.
	accounts payable monthly and reviewe	-	
	by management.	managers where unpaid invoices have not	
		been authorised and returned to Finance for	
		processing.	
		1	



Risk Area	Key Control Activities	Comments	Further Controls Identified
	xxi. Procedures exist to ensure payments are recorded in the correct period.	Payments made are allocated to the period in which they are raised. A review of any exceptions may be undertaken as part of the end of month rollover process, but more particularly as part of financial year end processes.	Nil.
	xxii. Procedures exist to ensure all bank accounts and signatories are authorised by council.	The only new bank accounts that the City opens relate to new term deposit facilities. In terms of delegation 6D, the Council has delegated authority to the CEO to invest surplus funds in accordance with the Council's Investment Policy; which would necessarily include the establishment of new term deposit accounts as funding availability permits. The Council has also delegated authority to the CEO to make payments from the Municipal and Trust funds; via delegation 6A. In carrying out this function, the CEO also determines account signatories.	Nil.
	xxiii. The accounting policy for when goods should be capitalised is documented and clearly understood by accounting personnel.	Accounting staff are fully aware of the City's various capitalisation thresholds and ensure that costs are allocated accordingly. However, as other employees are not fully conversant with this matter, it can be problematic when developing annual budgets (as operating/capital budgets can be misallocated).	An Asset Capitalisation Operational Practice and Procedure, which clearly sets out the City's capitalisation thresholds and associated requirements, is under development.
	xxiv.Management regularly compares actual purchases (costs and expenses) to budgeted purchases and investigates and documents variances.	Management reports (detailing actual expenditure against year to date budget) are issued to management on a monthly basis for review. Material variances, which cannot be rectified by financial year end, are generally reported to the Council as part of monthly Financial Activity Statement reporting.	Nil.

## Key Control and Monitoring Activities Worksheet

## Attachment A



## Attachment A Key Control Activities and Monitoring Activities Per Section 7 of Local Government Accounting Manual

Risk A	rea	Key Control Activities	Comments	Further Controls Identified
		xxv. Management follows up creditor queries	Whilst creditor queries are generally directed	Nil.
		on a timely basis.	to Accounts Payable staff in the first instance, where enquiries cannot be resolved at that	
			level, they are escalated to the relevant	
		xxvi.Management addresses the reasons for	officer/ manager for review and response.  Should a creditor account have a debit	Nil.
		debit balance creditor accounts on a	balance (which rarely occurs), the item will	
		timely basis.	appear on the associated trial balance and will be investigated/ rectified.	



	Risk Area	Monitoring Activities	Comments	Further Controls Identified
6.	Annual Budget	<ul> <li>Monthly actuals are compared to budget and significant variances fully investigated and explained.</li> </ul>	In addition to review as part of the monthly Financial Activity Statement (FAS) reporting, 'actuals to budget' reports (by Directorate) are distributed to Management on a monthly basis for review and comment as required.	Nil.
7.	Financial Reporting	<ol> <li>Through presentation of the Monthly Financial Activity Statement (FAS) to Council, actual results are compared to budget each month; management reviews, investigates and explains significant variances.</li> </ol>	Variance reporting is primarily guided by the Council's adopted reporting threshold of +/-10%, albeit noteworthy variances within the threshold will also be reported and commented upon as relevant. The City's auditors comment that the monthly FAS reporting is of a high quality and provides relevant financial information to Executive Management and the Council.	Nil.
8.	Grants	i. Management regularly reviews all grant income and monitors compliance with both the terms of grants and Council's grants policy (including claiming funds on a timely basis).      ii. Through the FAS, grant revenue is compared to budget; management	The expenditure of funding in line with associated grant conditions, and subsequent grant acquittal, is administered by responsible Business Unit staff and management. The Council does not have a specific grants policy, nor is it considered that such a policy is required.  The Operating, and Non-operating, Grants, Subsidies and Contributions categories form	Nil.
		reviews, investigates and explains significant variances.	part of monthly FAS reporting, and are reported and commented upon as required.	
9.	Receipting	<ul> <li>i. Income is compared to budget regularly in the FAS; management reviews, investigates and explains significant variances.</li> </ul>	Both operating and 'capital' revenues form part of the monthly FAS reporting, with variances exceeding the reporting threshold being reported and commented upon as relevant.	Nil.
		ii. Statements of accounts receivable are sent to customers enabling review.	In respect of sundry debtors, statements are issued approximately 30 days after invoice	Nil.



Risk Area	Monitoring Activities	Comments	Further Controls Identified
		date.	
10. Rates	<ul> <li>Management reviews rates ageing profile on a monthly basis and investigates any outstanding items.</li> </ul>	Rates collection is an ongoing process. The City's outstanding rates ratio continues to be well below generally accepted levels.	Nil.
	<ul> <li>ii. Actual rate revenue is compared to budget; management reviews, investigates and explains significant variances.</li> </ul>	Upon levying, rates revenue is reconciled against the Council's adopted rates model. Subsequent movements in rates revenue is reviewed on a regular basis.	Nil.
	iii. Annual valuation update is balanced prior to the generation of rates; this is reconciled to the rate record and reviewed.	The annual UV and 3 yearly GRV valuation data is always reconciled and balanced prior to the generation of rates. Reconciliations are also undertaken on a monthly basis to capture the changes due to interim valuations.	Nil.
	iv. Interim valuation updates are balanced prior to the generation of the interim rates; this is reconciled to the rate record and reviewed.	Refer activity 10.iii. above.	Nil.
11. Receivables	<ul> <li>Receivables and revenue are compared to budget monthly; management reviews, investigates and explains significant variances.</li> </ul>	In addition to review as part of the monthly Financial Activity Statement (FAS) reporting, 'actuals to budget' reports (by Directorate) are distributed to Management on a monthly basis for review and comment as required.	Nil.
	ii. Management reviews provision for doubtful debts on a regular basis.	The City has not historically raised provisions for doubtful debts. If it is believed that a debt will not be recovered, then it is written off either under delegation or where required, via a formal Council decision.	Nil.
	iii. Management reviews debtors ageing profile on a monthly basis and investigates any outstanding items.	An Aged Trail Balance for sundry debtors is produced on a monthly basis, with this document also incorporating a reconciliation to the General Ledger. Long outstanding	Nil.



Risk Area	Monitoring Activities	Comments	Further Controls Identified
		debtors are reviewed to determine the status of recovery action taken.	
	iv. Trade receivables age reconciliation to the general ledger is reviewed at least monthly.	This task is undertaken as part of the monthly review of the ageing of sundry debtors.	Nil.
12. Bank Accounts and Banking	i. Management reviews journal transactions to the bank account.	For efficiency purposes, numerous internal bank deposits (e.g. outstation banking) are journalled in Finance, rather than being receipted at the front counter. Management does not specifically review the associated journal transactions individually, nor other direct payments made, as this task is undertaken as part of the monthly bank reconciliation review.	Nil.
	ii. Management reviews bank reconciliations monthly to confirm large outstanding items are adequately explained and subsequently resolved.	Bank reconciliations for the Municipal, Trust and Restricted Assets bank accounts are completed monthly and reviewed by Management. Processes are also in place to ensure that long outstanding items (e.g. unpresented cheques) are cleared on a regular basis.	Nil.
13. Investments	i. Review the council investment performance regularly.	Investment performance (including rates of return and performance against budget) is reviewed and reported to the Finance Committee on a monthly basis.	Nil.
	<ul> <li>ii. Actual investment income compared to budget on a regular basis; management reviews, investigates and explains significant variances.</li> </ul>	Comments on investment interest performance form part of the monthly report to the Finance Committee. Where relevant, performance will also be incorporated as part of the monthly FAS reporting.	Nil.
	iii. Investments register maintained in accordance with regulations and	A Register of current Investments is provided to the Finance Committee on a monthly basis	Nil.



Risk Area	Monitoring Activities	Comments	Further Controls Identified
	investment policy.	(per i. & ii. above) inclusive of a "Statement of Compliance with Council's Investment Policy 218". The City also maintains numerous supporting spreadsheets to further identify investment transactions (e.g. accrued interest calculations etc.).	
	iv. Reconciliation of investment register to general ledger routinely prepared and reviewed.	A reconciliation of Invested funds to the general ledger is completed and independently reviewed by management on a monthly basis.	Nil.
14. Payroll	<ul> <li>i. Management reviews employee costs against budget on a monthly basis and investigates any outstanding items.</li> </ul>	Managers receive monthly employee cost reports and overall financial performance reports. They are then responsible for noting and managing any variances. All managers also have access to budget data within the TechOne system.	Nil.
	<ul> <li>ii. Each departmental manager performs a regular review of reports detailing all employees listed on payroll master file; all unusual items are investigated.</li> </ul>	Stringent approval processes for appointment and management of employee payroll data, all changes made by payroll with established approvals. Payroll check/identify unusual discrepancies during each pay run. Casual employees on payroll file are reviewed every 6 months.	Nil.
	iii. Salary and hourly payroll reports (including compensation and withholding information) are reviewed and approved by management before payments are approved.	Timesheets are signed off by managers and/or supervisors and at this time they identify any variances. Payroll staff also checks/ identify unusual discrepancies during each pay run. Workers compensation payments are paid as per advice from our insurers. Taxation deductions are processed as per employee advice through Withholding Declarations	Nil.



Risk Area	Monitoring Activities	Comments	Further Controls Identified
	iv. The payroll deduction table data is periodically reviewed by management for accuracy and ongoing pertinence.	Deductions are generally employee driven with no deductions entered without sign off using official payroll deduction forms. Temporary deductions are saved within the Payroll Bring Up file to ensure they are actioned and ceased within approved timeframes.	Nil.
	v. Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.	External salary sacrifice providers do regular checks to confirm employee details to ensure accuracy and compliance with legislation. Superannuation is checked to ensure compliance with thresholds.	Nil.
	vi. Each pay run is reviewed prior to authorisation for payment for consistency with prior pay runs and for abnormal items such as overtime.	Payroll perform an under and over check each fortnight prior to payroll being processed. HR Coordinator and Manager Corporate Services then double checks under and overs report each fortnight prior to signing off pay processing.	Nil.
15. Purchasing, Procurement and Payments	<ol> <li>Actual expenditure is compared to budget monthly; management reviews, investigates and explains significant variances.</li> </ol>	In addition to review as part of the monthly Financial Activity Statement (FAS) reporting, 'actuals to budget' reports (by Directorate) are distributed to Management on a monthly basis for review and comment as required.	Nil.
	ii. A list of all payments is prepared and presented monthly to the Council; management reviews, investigates and explains any unusual or large payments.	A List of Payments Made is presented to the Council on a monthly basis, via the Finance Committee in the first instance. Whilst explanations for unusual or large payments are not included in the listing provided to the Council, any requests for specific information on payments made is provided to all Councillors for their information.	Nil.



Risk Area	Monitoring Activities	Comments	Further Controls Identified
	iii. Management reviews supporting documentation before approving payments.	The City has numerous processes and workflows relating to the authorisation of payments. Invoices must be authorised by a staff member with the necessary financial delegation; prior to an invoice being included in a payment run.	Nil.
16. Trade Payables	Management reviews trade payables ageing profile on a monthly basis and investigates any outstanding items.	An Aged Trail Balance for trade creditors is produced on a monthly basis, with this document also incorporating a reconciliation to the General Ledger. Long outstanding creditors are reviewed to ensure action is taken to clear the same.	Nil.
	<li>ii. Trade payables age reconciliation to the general ledger is reviewed at least monthly.</li>	This task is undertaken as part of the monthly review of the ageing of outstanding trade creditors.	Nil.
17. Fixed Assets	<ul> <li>Management compare actual fixed asset balance to budget; management reviews, investigates and explains significant variances.</li> </ul>	In addition to review as part of the monthly Financial Activity Statement (FAS) reporting, 'actuals to budget' reports (by Directorate) are distributed to Management on a monthly basis for review and comment as required.	Nil.
	ii. Activity recorded in fixed asset register is reviewed by management, including comparison to the capital budget.	A comprehensive reconciliation is undertaken on a monthly basis. Whilst incorporated within the overall reconciliation documentation, capital expenditure performance against budget forms part of monthly Directorate and FAS reporting.	Nil.
	iii. Management regularly reviews valuation of fixed assets (i.e. methodology and useful lives of assets) to ensure that assets' valuation is appropriate and in accordance with Australian Accounting Standards.	The reporting of non-current (fixed) assets at fair value has been mandated, with local governments required to value each asset class in accordance with the regulatory framework (i.e. three year cycle).	Nil.



Risk Area	Monitoring Activities	Comments	Further Controls Identified
18. Borrowings	iv. Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable.  v. Fixed asset register to the general ledger reconciliation is prepared and reviewed routinely.  i. Borrowings actual and interest charges are compared to budget monthly; management reviews, investigates and explains significant variances.	Individual assets acquired between initial recognition and the next revaluation of the asset class are carried at cost less accumulated depreciation as management believes this approximates fair value. These assets will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.  This matter is addressed as part of the fair value reporting processes and assets are reassessed annually to ensure that depreciation rates are reasonable and the correct useful lives apply.  A comprehensive reconciliation is undertaken monthly, which is reviewed and authorised by management.  The annual budget is developed in line with existing loan repayment schedules. However, repayments on new loans are based on interest rate and drawdown timing projections. Consequently, variances will only be evident in relation to new loans. As required, variances are reported as part of the monthly FAS.	Nil. Nil.
19. Journals	All journals are independently reviewed (including checks to ensure correct account allocation) and contain sufficient support information.	Staff within the Finance Department have varying levels of authority to process journals; without the need for independent review. However, all journals are printed and filed, along with relevant documentation supporting the purpose/ reason for the journal.	As previously mentioned under point 1. (ii) It is considered prudent to formally compile a monthly report listing of all journals posted on a periodic basis for management's perusal/ authorisation. This will ensure that efficiencies remain with regard to the timely processing of all required journals, whilst also adding assurances that the journals are being

## Key Control and Monitoring Activities Worksheet

## Attachment A



# Attachment A Key Control Activities and Monitoring Activities Per Section 7 of Local Government Accounting Manual

Risk Area	Monitoring Activities	Comments	Further Controls Identified
20. General IT Risks	i. Regular IT audits performed focusing on data accuracy, retention, recovery and security. Results of these IT Audits reviewed by management and action plan promptly implemented.	Regular audits are undertaken in relation to business systems data, backup and recovery operations and IT security principles and systems, by both internal and external resources	reviewed and are in accordance with expected practices and consistent with set budget constraints.  Whilst regular audits are conducted across all City managed systems and infrastructure, modern technologies have seen systems move outside of the City infrastructure and it is considered prudent the management of these systems be documented.



# **CITY OF BUSSELTON**

# **External Penetration Test Report**

April 13, 2016

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# 146 26 October 2016

### City of Busselton Digital Penetration Test Results

City of Busselton

**External Penetration Test Report** 

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### City of Busselton

**External Penetration Test Report** 

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# City of Busselton Digital Penetration Test Results

City of Busselton

**External Penetration Test Report** 

# 1. Executive Overview

City of Busselton (Busselton) contracted with Dell SecureWorks to perform the following security assessment task:

External Penetration Test

The security engagement occurred during the period from April 4, 2016, to April 8, 2016. The objective of this engagement was to identify vulnerabilities in Busselton's systems and network security that both internal and external adversaries could exploit.

Dell SecureWorks determined that minimal services are externally accessible on the targets provided by Busselton, and that Busselton is actively engaged in the use of automated technologies that help to prevent common information-gathering and vulnerability-enumeration activities. This appears to have impacted Dell SecureWorks' ability to identify and exploit vulnerabilities within Busselton 's public-facing environment, and should additionally help to limit the attack surface for all external threats. However, these technologies may also mask additional vulnerabilities of the underlying systems during legitimate vulnerability assessment activities. The identified targets appear to present limited or no direct security risk to the environment.

During the course of the assessment, Dell SecureWorks identified a minor set of vulnerabilities on one host relating to the encryption services provided by the Secure Sockets Layer(SSL) protocol. These vulnerabilities do not constitute a direct threat to the security of the environment, but in certain circumstances could allow an eavesdropper to defeat the encryption provided by the SSL protocol.

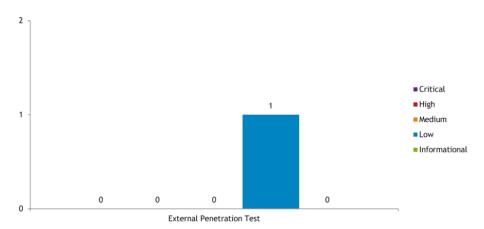
It is important to note that this report is not an objective measure, but is solely based upon observation and experience; it does not cover areas deemed out of scope or issues beyond the capabilities of this methodology.

#### 1.1. Summary of Findings

A high-level overview of the results is presented below. Detailed results can be found in subsequent sections of this document.







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External Penetration Test: Dell SecureWorks identified zero (0) critical-severity findings, zero
 (0) high-severity findings, zero (0) medium-severity findings, one (1) low-severity finding, and
 zero (0) informational-severity findings.

# 1.2. Summary of Recommendations

Dell SecureWorksDell SecureWorks provides the following recommendations to help maintain and improve upon Busselton's current security level:

- Disable support for SSLv3, which is no longer considered secure.
- Disable support for RC4-based ciphers.



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### 2. External Penetration Test

During the period from April 4, 2016, to April 8, 2016, Dell SecureWorks performed a technical network security assessment against a predetermined set of targets, including the IPs and hosts:



#### 2.1. Network Autopsy

The target scope consists of three IPs which appear to represent endpoint firewalls used for inbound VPN and SMB traffic. Though services are listening on common web service ports, no applications are accessible by IP-based addressing.

Connections to these hosts are monitored by some form of security monitoring system that shuns source IPs when it detects scanning. It appears to use rate-limiting, in that it blocks traffic sent above a certain rate that it allows at a much lower rate. It also uses some form of attack recognition, where it instantly shuns a source that sends certain types of probing traffic used to identify vulnerabilities.

# 2.2. Methodology

The assessment consisted of several phases, each detailed below along with the methodology, associated findings, and subsequent recommendations. Dell SecureWorks utilizes the Penetration Testing Execution Standard (PTES) as the standard basis for penetration testing execution. The standard can be found here: <a href="http://www.pentest-standard.org">http://www.pentest-standard.org</a>.

Tools utilized are covered in the Penetration Testing Execution Standard Technical Guidelines (PTES-G), which can be found here:

http://www.pentest-standard.org/index.php/PTES\_Technical\_Guidelines

#### 2.2.1. Scope Validation

This step validates the target list provided. This is a safety measure and ensures the accuracy of subsequent findings. Activities included were:

- Ping sweeps and route tracing
- Footprinting of networks and systems
- Internet domain name registration searches
- Internet registry number searches
- Domain name service (DNS) lookups

### 2.2.2. Vulnerability Analysis

Vulnerability testing is the process of discovering flaws, in systems and applications, that can be leveraged by an attacker. These flaws can range anywhere from host and service misconfiguration to insecure application design. The process used to look for flaws varies and is highly dependent on the particular component being tested.



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#### 2.2.3. Manual Verification

Automated scanning tools occasionally fail to report some vulnerabilities. Therefore, manual verification does not rely on automated scanning. A testing methodology that solely relies on automated scan results can give a false sense of security.

Automated scanning tools often report false positives - reported vulnerabilities that are not actually present. For vulnerabilities discovered through automated scanning, manual verification ensures report findings are accurate and that the vulnerabilities reported are an accurate representation of your environment. Without this often-overlooked step, time may be wasted attempting to remediate vulnerabilities that don't exist.

#### 2.2.4. Exploitation

The exploitation phase of the penetration test focuses solely on establishing access to a system or resource by bypassing security restrictions. The main focus is to identify the main entry point into the organization and to identify high-value target assets. Ultimately, the attack vector should take into consideration the success probability and highest impact on the organization.

#### 2.3. Rules of Engagement

Systems were assessed and exploited to the extent described in the methodology. Any deviations from the stated methodology are noted in this section.

#### 2.4. Narrative

Dell SecureWorks began testing by attempting to discover what services are offered by the target hosts by running a simple nmap scan. The lack of results from this test was the first indication of the shunning behavior of the IPS. By reducing the speed of the scan and varying the source IPs, Dell SecureWorks was able to work around this detection method to determine a list of open ports as described in section 2.6.

Dell SecureWorks then attempted to fingerprint those identified services. This is typically done by sending a series of malformed packets to a host and recording the ways in which it responds. Taken together, those responses create a fingerprint profile that can be used to identify underlying software. In this case, the IPS recognized the non-standard traffic and again shunned the source device, preventing the fingerprinting from being successful.

Over the course of several days, using variety of tools and source IPs so as to avoid the IPS as much as possible, Dell SecureWorks attempted to identify vulnerabilities on the enumerated services. Automated scanning software was typically very quickly blocked, but slower, manual testing was typically able to get through as long as the traffic appeared legitimate. Though this allowed for some testing, such as the cipher enumeration that was used to discover the vulnerabilities described in section 2.5, to succeed, the bulk of the testing only resulted in source address shunning.

# 2.5. Key Findings and Recommendations

The following set of tables lists key findings identified during the assessment, describes their severity, provides a remediation plan, and lists additional information where applicable.

#### 2.5.1. Critical-Severity Findings

No critical-severity vulnerabilities were identified.

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### 2.5.2. High-Severity Findings

No high-severity vulnerabilities were identified.

#### 2.5.3. Medium-Severity Findings

No medium-severity vulnerabilities were identified.

#### 2.5.4. Low-Severity Findings

### 2.5.4.1. Insecure Cryptographic Ciphers and Protocols

Insecure Cryptographic Ciphers and Protocols		Severity	CVSSv2
Description	The HTTPS web services on the affected systems are using the SSLv3 and/or SSLv2 protocols, which are insecure.  SSLv3 is vulnerable to multiple attacks, including:  The POODLE (Padding Oracle On Downgrade Legacy Encryption) attack.  The BEAST (Browser Exploit Against SSL/TLS) attack.  In addition to the insecure protocols, the servers are using insecure ciphers. Insecure ciphers are those with the following weaknesses:  Ciphers that use the RC4-based encryption.		affected 8
Remediation	Reconfigure the web services to use secure protocols and strong ciphers.  The links in the reference section of this finding provide various guides for configuring web servers with the optimal encryption protocols and ciphers.		

#### Reference

https://www.owasp.org/index.php/Transport\_Layer\_Protection\_Cheat\_Sheet

https://www.ssllabs.com/downloads/SSL\_TLS\_Deployment\_Best\_Practices.pdf

http://nvipubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-52r1.pdf

http://weakdh.org/

#### Notes

In the truncated example below, we use the sslscan tool to quickly enumerate supported protocols and ciphers. We have highlighted key parts that illustrate the above-mentioned issues.

Supported Server Cipher(s):

Accepted SSLv3 128 bits RC4-SHA

Accepted SSLv3 128 bits RC4-MD5

Accepted SSLv3 112 bits DES-CBC3-SHA

Accepted TLSv1.0 256 bits ECDHE-RSA-AES256-SHA

Accepted TLSv1.0 256 bits AES256-SHA

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Curve P-256 DHE 256

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Insecure Cr	yptographic	Ciphers and	Protocols		Severity	CVSSv2
					Low	2.6
Accepted	TLSv1.0	128 bits	ECDHE-RSA-AES128-SHA	Curv	e P-256 D	HE 256
Accepted	TLSv1.0	128 bits	AES128-SHA			
Accepted	TLSv1.0	128 bits	RC4-SHA			
Accepted	TLSv1.0	128 bits	RC4-MD5			
Accepted	TLSv1.0	112 bits	DES-CBC3-SHA			
Accepted	TLSv1.1	256 bits	ECDHE-RSA-AES256-SHA	Curv	e P-256 D	HE 256
Accepted	TLSv1.1	256 bits	AES256-SHA			
Accepted	TLSv1.1	128 bits	ECDHE-RSA-AES128-SHA	Curv	e P-256 D	HE 256
Accepted	TLSv1.1	128 bits	AES128-SHA			
Accepted	TLSv1.1	128 bits	RC4-SHA			
Accepted	TLSv1.1	128 bits	RC4-MD5			
Accepted	TLSv1.1	112 bits	DES-CBC3-SHA			
Accepted	TLSv1.2	256 bits	ECDHE-RSA-AES256-SHA384	Curv	e P-256 D	HE 256
Accepted	TLSv1.2	256 bits	ECDHE-RSA-AES256-SHA	Curv	e P-256 D	HE 256
Accepted	TLSv1.2	256 bits	DHE-RSA-AES256-GCM-SHA384	DHE	1024 bits	
Accepted	TLSv1.2	256 bits	AES256-GCM-SHA384			
Accepted	TLSv1.2	256 bits	AES256-SHA256			
Accepted	TLSv1.2	256 bits	AES256-SHA			
Accepted	TLSv1.2	128 bits	ECDHE-RSA-AES128-SHA256	Curv	re P-256 D	HE 256
Accepted	TLSv1.2	128 bits	ECDHE-RSA-AES128-SHA	Curv	e P-256 D	HE 256
Accepted	TLSv1.2	128 bits	DHE-RSA-AES128-GCM-SHA256	DHE	1024 bits	
Accepted	TLSv1.2	128 bits	AES128-GCM-SHA256			
Accepted	TLSv1.2	128 bits	AES128-SHA256			
Accepted	TLSv1.2	128 bits	AES128-SHA			
Accepted	TLSv1.2	128 bits	RC4-SHA			
Accepted	TLSv1.2	128 bits	RC4-MD5			
Accepted	TLSv1.2	112 bits	DES-CBC3-SHA			

# 2.5.5. Informational-Severity Findings

No information-severity findings were identified.



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# 2.6. Open Ports

At the time of the assessment, the following systems and services were identified:

IP Address	Hostname (if resolved)	Protocol	Port	Service
220.101.7.17	220.101.7.17	ТСР	25	smtp
		ТСР	80	http
		ТСР	465	smtps
		ТСР	587	submission
		ТСР	4443	pharos
220.101.7.18	220.101.7.18	ТСР	25	smtp
		ТСР	443	https
		ТСР	465	smtps
		ТСР	587	submission
		ТСР	4443	pharos
61.88.8.54	mail.busselton.wa.gov. au	ТСР	25	smtp
		ТСР	80	http
		ТСР	443	https
		ТСР	465	smtps
		ТСР	587	submission



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# Appendix A: Key Terms

### A.1 CVSSv2 - Common Vulnerability Scoring System

Dell SecureWorksDell SecureWorks captures the characteristics of vulnerabilities consistent with CVSSv2 (<a href="https://www.first.org/cvss">https://www.first.org/cvss</a>) across the assessed environments. CVSSv2 provides a universal, open, and standardized method for rating IT vulnerabilities. CVSS helps organizations prioritize and coordinate a joint response to security vulnerabilities, by communicating the properties of a vulnerability. An overall severity rating of high, medium, or low is then assigned, based upon the CVSSv2 score.

#### A.2 Definitions

The following terms and ratings are used to describe each vulnerability that was found:

Systems/URLs Affected: Describes by name, URL, or Internet Protocol (IP) Address the systems which are affected by the named vulnerability.

**Description:** A detailed explanation of the vulnerability and possible consequences of its successful exploitation.

Remediation: Describes possible or suggested steps to take to resolve the vulnerability.

**Reference:** If additional outside information is available, such as that found on websites, it will be listed here.

Notes: Where applicable, additional detail or clarifying information is included.

### A.3 Severity Ratings

The following table defines Dell SecureWorksDell SecureWorks Severity Ratings as used throughout this report.



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Severity	Attributes
Critical	<ul> <li>Evidence of previous compromise (active incident).</li> <li>Exploitation results in a disclosure of sensitive information or can pose a severe impact to Client's reputation.</li> <li>Business Critical systems are heavily impacted, with the ability to alter information or change system settings.</li> <li>The issue described resulted in a complete system compromise that gave the attacker the highest-level user privileges on the system.</li> <li>The vulnerability resides directly on business critical systems.</li> <li>Exploitation is trivial with publically available exploit code, or no exploit code is needed.</li> <li>No authentication is required to exploit the vulnerable service or application.</li> <li>Client has no countermeasures in place to defend against this successful attack, or the deployed countermeasures were ineffective.</li> </ul>
High	<ul> <li>Exploitation may result in a disclosure of sensitive information, or may impact Client's reputation.</li> <li>The issue described results in user-account or system compromise.</li> <li>Exploitation is trivial with publically available exploit code, or no exploit code is needed.</li> <li>No authentication is required or authentication is easily guessed/bypassed.</li> <li>Client has no countermeasures in place to defend against this successful attack, or the deployed countermeasures were ineffective.</li> </ul>
Medium	<ul> <li>Exploitation may result in the disclosure of a limited amount of moderately sensitive information.</li> <li>Exploitation requires a skilled attacker.</li> <li>Exploitation is non-trivial, and known exploit code either does not exist, or needs to be heavily modified to work effectively.</li> <li>Client has countermeasures in place that might impede this attack.</li> <li>Another attack vector is needed for successful exploitation, such as:         <ul> <li>Client interaction</li> <li>Social Engineering</li> <li>Network or system misconfiguration</li> </ul> </li> </ul>
Low	<ul> <li>Critical client information/data is not directly at risk.</li> <li>Requires several additional attack vectors, or one very complicated/rare vector, such as:         <ul> <li>Control of the client system's internet connection</li> <li>Man-in-the-Middle access</li> <li>Previous compromise of a system</li> <li>Insider access/knowledge</li> </ul> </li> <li>Exploitation is extremely difficult and/or time and resource intensive.</li> <li>Client has countermeasures in place that prevent exploitation.</li> </ul>
Informational	<ul> <li>Information that may be of interest to an attacker.</li> <li>May provide data that can be used in conjunction with another attack.</li> <li>Can aid in a higher-severity vulnerability</li> </ul>



# Attachment C

SAMEngCertificate



This Certificate recognizes that

# City of Busselton Australia

has completed a Software Asset Management engagement. As a result, no further license review should be required for a period of twelve months from the date below.

3/15/2016

Jacai Centuc

Jackie Carriker Sr. Director - Software Asset Management

Microsoft

#### 6.4 LOCAL GOVERNMENT (AUDIT) REGULATION 17 - AUDIT OF LEGISLATIVE COMPLIANCE

**SUBJECT INDEX:** Reporting and Compliance

**STRATEGIC OBJECTIVE:** Governance systems that deliver responsible, ethical and accountable

decision-making.

**BUSINESS UNIT:** Finance and Corporate Services

**ACTIVITY UNIT:** Governance Support

**REPORTING OFFICER:** Director, Finance and Corporate Services - Matthew Smith **AUTHORISING OFFICER:** Director, Finance and Corporate Services - Cliff Frewing

**VOTING REQUIREMENT:** Simple Majority

ATTACHMENTS: Attachment A Legislative Compliance Report - Local Government Act

1995 and Associated Regulations.

### **PRÉCIS**

Regulation 17 of the *Local Government (Audit) Regulations* (the "Audit Regulations") requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to several matters, including legislative compliance. The results of the review are to be reported to the Audit Committee for review and deliberation, prior to formal presentation to the Council.

The first review of the City's legislative compliance was submitted to the Audit Committee in December 2014 and was ultimately considered at the Council meeting of 28 January 2015. However Regulation 17 requires that the City's legislative compliance systems, along with risk management and internal compliance systems, be reviewed at least once every two years. Thus a second review has recently been undertaken by officers.

This report presents the Audit Committee with the results of the second review of the appropriateness and effectiveness of the City's systems and procedures in respect to legislative compliance.

#### **BACKGROUND**

In February 2013, several amendments to the Audit Regulations were made. At this time, a new Regulation number 17 was effected, requiring the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance; with the results of the review to be reported to the Audit Committee.

In order to be compliant with the new review and reporting requirements, the initial review of the City's legislative compliance was presented to the Audit Committee on 11 December 2014 and then to the Council on 28 January 2015. This report is now presented to the Audit Committee and the Council in order to meet the requirements of Regulation 17 of the Audit Regulations that systems in relation to legislative compliance be reviewed once at least every two calendar years.

The same approach has been taken to this second review as was taken upon the initial review of the City's legislative compliance. That is, officers have primarily relied on the outcome of the Annual Statutory Compliance Audit Return for the most recent calendar year, which was conducted in March 2016. This return and the external Auditor's report and review of the Statutory Compliance Audit was presented to Council at the meeting held on 23 March 2016 (item 10.7) and approved. In addition to this, officers have undertaken a broader review of compliance with the *Local Government Act* and associated regulations utilising the format of the older version of the Statutory Compliance Audit Return (Attachment A) which used to include questions in relation to a much larger number of provisions of the *Local Government Act* and regulations. Similarly to last time, the Officer Comment

section of this report also makes reference to a number of management systems and approaches which the City utilises to endeavour to ensure understanding of and compliance with the vast range of other legislation which regulates and impacts on the City's operations.

#### STATUTORY ENVIRONMENT

The *Local Government (Audit) Regulations* now require local governments to present formal reports from the CEO to its Audit Committee. The regulations provide:

#### 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –
- (a) Risk management; and
- (a) Internal control; and
- (b) Legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

In addition to the new regulation, a further subregulation was also introduced as part of existing Regulation 16, further clarifying the Audit Committee's actions upon receipt of the aforementioned report from the CEO. This addition is detailed as follows:

### 16. Audit committee, function of

- (c) is to review a report given to it by the CEO under regulation 17(3) (**the CEO's report**) and is to -
- (i) Report to the council the results of that review; and
- (ii) Give a copy of the CEO's report to the Council.

This report provides an overview of the organisation's compliance with a range of requirements in the *Local Government Act 1995* and its associated regulations, including *Elections Regulations, Administration Regulations, Financial Management Regulations and Functions and General Regulations.* 

#### **RELEVANT PLANS AND POLICIES**

A number of Council Policies guide activities which have assisted the organisation to remain compliant with a range of provisions of the Act and Regulations. These include, but are not limited to, the Fees, Allowances and Expenses for Elected Members Policy, Purchasing Policy, Regional Price Preference Policy, Meetings, Information Sessions and Decision-making Processes Policy, Complaints Handling Policy and the Code of Conduct.

#### **FINANCIAL IMPLICATIONS**

There are no direct financial implications associated with the recommendations as detailed within this report.

#### **Long-term Financial Plan Implications**

Nil

#### STRATEGIC COMMUNITY OBJECTIVES

Ensuring understanding of and compliance with the legislation impacting on the operations of the City is consistent with key goal area 6 of the City's Strategic Community Plan 2013 (Reviewed 2015) and in particular Community Objective 6.2 "Governance systems that deliver responsible, ethical and accountable decision-making".

#### **RISK ASSESSMENT**

There are no risks of a medium or higher level identified as part of this review, noting that a separate report will be put to the Audit Committee and Council in respect of the second review of the systems and procedures relating to risk management, which discusses the City's procedures for identifying and dealing with risks associated with the City's operations.

#### **CONSULTATION**

Not applicable as this report relates to a review of internal operational statutory compliance.

#### **OFFICER COMMENT**

A similar approach has been taken in respect of the second review of the appropriateness and effectiveness of the City's systems and procedures in relation to legislative compliance, as was taken at the initial review in 2014. The primary focus of the review has been on the Statutory Compliance Audit Return which the City has most recently completed, in this case being the return completed in March 2016 and the report from the external auditor accompanying that return. In addition, officers have completed the broader format of the Compliance Audit Return that used to be required by the Department of Local Government until 2011. This broader format contains many additional questions dealing with many aspects of the City's operations and their compliance with legislative requirements. The broader Compliance Audit Return is shown at Annexure A, noting that the format in this Annexure only contains questions which are additional to the current Compliance Audit Return and generally officers have not doubled up and answered the same question in both forms.

In his report, Lindsay Delahaunty, the external consultant appointed by the City to review the most recent (2015 Statutory Compliance Return), noted that "overall the City has continued to attain a high level of compliance in the areas under review and all supporting documentation has been maintained to a high standard". In his report Mr Delahaunty noted a range of statutory processes in respect of which he had reviewed all relevant documentation and come to the view that the City was fully compliant, including a number of property disposals under the *Local Government Act*, the tender register and a number of specific tender and expression of interest processes and an extensive review of the Council and Committee meetings minutes and agendas. The very good outcome and extremely high level of statutory compliance noted in this review should give the Council a high level of confidence in the internal systems and procedures of the City which are aimed to ensure legislative compliance.

A similar result has been achieved in the broader review of statutory and regulatory compliance contained at Annexure A. While it is noted that at the time of completing the broader review, some of the questions related to matters which were not currently relevant to the City's operations and other requirements were still in the process of being complied with, generally the outcome of the review demonstrates the City's high level of statutory compliance with only relatively minor issues of concern being noted.

While the City is formed as a statutory body under the *Local Government Act* and the Act and Regulations contain many of its key statutory functions, there is a broad range of other State and Federal laws that the City carries out statutory processes under or which otherwise impact on the City's operations.

A small snapshot of some of the other Acts that the City implements or adheres to is provided below:

- Bush Fires Act 1954
- Caravan Parks and Camping Grounds Act 1995
- Cat Act 2011
- Cemeteries Act 1986
- Dog Act 1976
- Emergency Management Act 2005
- Environmental Protection Act 1986
- Health Act 1911
- Land Administration Act 1997
- Liquor Control Act 1988
- Litter Act 1979
- Local Government (Miscellaneous Provisions) Act 1960
- Occupational Safety and Health Act 1984
- Planning and Development Act 2005
- Public Interest Disclosure Act 2003
- Rail Safety Act 2010
- State Records Act 2000
- Strata Titles Act 1985

There are a variety of processes and procedures that the City has in place in respect of these pieces of legislation and a variety of ways in which the City ensures that it complies with them. For example, many of the City's development consent and scheme amendment processes are carried out in accordance with the *Planning and Development Act 2005* and the City of Busselton Local Planning Scheme No. 21 which is delegated legislation made under that Act. Those statutory processes are reflected in a number of the City's business systems which are automated through the City's information technology systems, including document retention and retrieval process and online applications. Further, the City relies on employing qualified staff who are trained in and are aware of these statutory requirements and the requirement for this knowledge is reflected in the position descriptions for those staff, as is their authority to act in accordance with these laws.

A similar approach is taken in respect of Environmental Health Officers under the *Health Act 1911*, who are required to be sufficiently qualified to carry out processes under that Act and who in many instances require written authorisation reflecting this, which is held by the City. The statutory processes relevant to the City's Busselton and Dunsborough cemeteries under the *Cemeteries Act 1986* are reflected in written procedures and to some degree enshrined in IT business systems. The City has many occupational safety and health policy documents and guidelines which reflect the requirements of the *Occupational Safety and Health Act 1984* and again the City employs an OSH and Risk Officer who must be qualified and have sufficient knowledge in respect of the legislative requirements of that Act as they relate to the City's operations.

As well as making use of appropriately qualified officers who have appropriate knowledge, skills and training, and designed information technology software systems or documented internal processes, the City sometimes also utilises systems and guidelines designed by relevant State or Federal regulatory bodies to ensure statutory compliance with the legislation they regulate. Thus, for example, in order to ensure compliance with *Public Interest Disclosure Act 2003*, the City has a designated Public Interest Disclosure Officer who has received the appropriate training from the

regulatory body and utilises guidelines and manuals published by the regulatory body in conjunction with the City's own information and guidelines which are on the City's intranet and external website. Similarly, many of the City's dealings in property involve carrying out processes under the *Land Administration Act 1997* and other legislation relevant to dealings involving State land and the City, as well as utilising the skills of officers knowledgeable in these areas, retains an up to date copy of the Land Titles Registration Practice Manual produced by Landgate which identifies the forms and processes required in relation to dealings in land.

These are examples of some of the ways in which the City ensures compliance with the requirements and processes of the various legislation which it is involved in the implementation of or has to comply with in carrying out City processes. Ultimately the City relies on a combination of properly structured and configured IT business systems, documented processes and procedures and appropriately qualified, knowledgeable and authorised staff (whose position descriptions reflect the necessary qualifications and skills for their role) to ensure it complies with the many and varied laws impacting on its operations.

#### **CONCLUSION**

The Statutory Compliance Returns, both the most recent Annual Return for the 2015 calendar year and the more detailed review carried out for the purpose of this report, demonstrate the generally very high level of statutory compliance which the City achieves in relation to a range of key legislative functions. The high standard of statutory compliance in the City's operations was also noted by the external auditor appointed by the City to review the 2015 Annual Compliance Return.

In addition to this, the Officer Comment section of this report details the approach the City takes to ensuring compliance with a range of different types of legislation which the City implements or has to comply with in carrying out its operations. Achieving compliance in relation to these laws primarily relies on the knowledge and skills of the appropriately qualified officers the City employs and the systems and processes they help design and oversee.

Officers believe that the information provided in this report, together with the Compliance Returns and independent report, sufficiently demonstrates that the City has appropriate and effective systems and procedures in place to ensure legislative compliance in respect of its operations.

#### **OPTIONS**

The recommendation is for the report to be received and noted and then provided to the Council. The Audit Committee may determine that more information is required prior to presenting the report to Council.

#### TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The recommendation is effective upon receipt of the report by the Audit Committee and the Council.

### **OFFICER RECOMMENDATION**

That the Audit Committee note the contents of this report in relation to the review of legislative compliance as required by Regulation 17 of the Local Government (Audit) Regulations (1996).

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

# Additional Local Government Act and Regulations Compliance Report

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Reference to Statute	Question	Response	Comments
Disclosure of Interest			
S5.66(b) Local Government Act 1995	Did the person presiding at the meeting, on all occasions, when given a member's written financial interest disclosure by the CEO, bring its contents to the attention of the persons present immediately before any matters to which the disclosure relates were discussed	Yes	Recorded in relevant meeting minutes.
S5.71(a) Local Government Act 1995	Did the CEO disclose to the Mayor or the President the nature of the interest as soon as practicable after becoming aware that he or she has an interest in the matter to which the delegated power or duty related	NA	
S5.71(b) Local Government Act 1995	Did an employee disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she had an interest in the matter to which the delegated power or duty related	NA	
S5.71 Local Government Act 1995	On all occasions were delegated powers and duties not exercised by employees that had an interest in the matter to which the delegated power or duty related	Yes	
Elections		•	
S4.17(3) Local Government Act 1995	Was approval sought from the Electoral Commissioner where Council allowed a vacancy to remain unfilled as a result of a Councillor's position becoming vacant under S2.32 and in accordance with S4.17(3)(a) and (b)	NA	
S4.20(2) Local Government Act 1995	Did the local government appoint a person other than the CEO to be the returning officer of the local government for an election or all other elections held while that appointment applied, after having written agreement of the person concerned and the Electoral Commissioner	NA	The election was conducted by the Western Australian Electoral Commission as a postal election and not as an in-person election requiring the internal appointment of a returning officer.
S4.20(4) Local Government Act 1995	Did the local government declare the Electoral Commissioner to be responsible for the conduct of an election, after having first obtained the written agreement of the Electoral Commissioner	Yes	The City of Busselton had a pre-existing written agreement in place with the Electoral Commissioner.
S4.20(5) Local Government Act 1995	Where a declaration had not already been made, was a declaration made under S4.20(4) prior to the 80th day before the election day	NA	Refer to comment above.
S4.32(4) Local Government Act 1995	Did the CEO, within 14 days after receiving a claim for enrolment, decide whether the claimant was eligible or not eligible under S4.30(1)(a) and (b) and accept or reject the claim accordingly	Yes	

Reference to Statute	Question	Response	Comments
S4.32(6) Local Government Act 1995 and Elections Regulation 13	Did the CEO record on all occasions the decision in the owners and occupiers register in accordance with Regulation 13 of the Local Government (Elections) Regulations 1997 and give written notice of the decision to the claimant without delay, for eligibility to enrol	Yes	
S4.32(5) Local Government Act 1995	Did the CEO give written notice to the person before making a decision under subsection (1)(c) and allow 28 days for the person to make submissions on the matter	NA	
S4.35(3) Local Government Act 1995	Did the CEO after making a decision under subsection (1)(c) give written notice of it to the person	NA	
S4.35(5) Local Government Act 1995	Did the CEO, on receipt of advice of the Electoral Commissioner's decision on an appeal, take any action necessary to give effect to that decision	NA	No appeals processed.
S4.35(6) Local Government Act 1995	Did the CEO give written notice on all occasions to the person, where after considering submissions made under subsection 2, the CEO decided that the person was still eligible under S4.30 to be enrolled to vote at elections for the district or ward	NA	
S4.35(7) Local Government Act 1995	Did the CEO, on all occasions, record any decision under subsection (1) or (6) in the register referred to in S4.32(6)	Yes	All adjustments made on the basis of ineligibility or death have been recorded in the register.
S4.39(2) Local Government Act 1995	Did the CEO on or after the $70\text{th}$ day, but no later than the $56\text{th}$ day give statewide public notice of the time and date of the close of enrolments	Yes	This was undertaken by the Electoral Commission under the contract for electoral services, however, the notice was also advertised locally by the City of Busselton.
S4.41(1) Local Government Act 1995	Did the CEO prepare an owners and occupiers role for the election on or before the 36th day before election day	Yes	While the election was conducted by the Electoral Commission, this matter remains a responsibility of the CEO. The owners and occupiers role which records all eligible voters due to being an absentee landowner or lessee of rateable property is prepared by the CEO and sent to the Commission to be combined with the residents' role for voting eligibility purposes.
S4.41(2) Local Government Act 1995	Did the CEO certify that the owners and occupiers roll included the names of all persons who were electors of the district or ward under S4.30 at the close of enrolments	Yes	

Reference to Statute	Question		Comments	
S4.43(1) Local Government Act 1995	Where the CEO was returning officer (RO) and the rolls were not consolidated, did the RO delete the names of any person from the owners and occupiers roll whose name also appeared on the residents roll on or before the 22nd day before election day	NA		
S4.47(1) Local Government Act 1995	Where the CEO was RO, did the RO give statewide public notice calling for nominations of candidates for the election on or after the 56th day before election day but no later than the 45th day before election day	NA	The CEO was not RO. This was undertaken by the Electoral Commission under the contract for electoral services, however, the notice was also advertised locally by the City of Busselton	
S4.47(2)(a) Local Government Act 1995	Did the notice referred to in S4.47(1) calling for nominations specify the kind of election to be held and the vacancy or vacancies to be filled	Yes		
S4.47(2)(b) Local Government Act 1995	Did the notice referred to in S4.47(1) calling for nominations specify the place where nominations may be delivered or sent	Yes		
S4.47(2)(c) Local Government Act 1995	Did the notice referred to in S4.47(1) calling for nominations specify the period within which nominations had to be delivered or sent	Yes		
S4.47(2)(d) Local Government Act 1995	Did the notice referred to in s4.47(1) calling for nominations specify any other arrangements made for the receipt by the returning officer of nominations	NA		
S4.61(2) Local Government Act 1995	Did the Council of the local government, where it decided to conduct the election as a postal election, make that decision by absolute majority	Yes	The decision to appoint the Electoral Commissioner to conduct all elections within a specified period was made by absolute majority	
S4.61(3) Local Government Act 1995	Where a decision was made under s4.61(2) and a relevant declaration had not already been made, was that decision made prior to the 80th day before election day	NA	The agreement was already in place	
S4.64 Local Government Act 1995	Where the CEO was RO, did the RO give Statewide public notice (election notice) as soon as practicable after preparations for the election, but no later than on the 19th day before election day, in accordance with regulations that included details of how, when and where the election would be conducted and the names of the candidates	Yes	The CEO was not RO. This was undertaken by the Electoral Commission under the contract for electoral services, however, the notice was also advertised locally by the City of Busselton.	
Local Government (Elections) Regulation 7	Did a person, before acting as an electoral officer, make the required declaration as stated in election regulation 7	Yes		
Local Government (Elections) Regulation 8(2)	Where the CEO was RO, did the RO prepare and adopt a Code of Conduct for any Extraordinary Elections	NA		
Local Government (Elections) Regulation 8(3)	Where the CEO was RO, did the RO provide each electoral officer a copy or access to a copy of the electoral code of conduct for any Extraordinary Elections	NA		

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

# Additional Local Government Act and Regulations Compliance Report

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Reference to Statute	Question	Response	Comments
Local Government (Elections) Regulation 13(1)	Has the relevant information as listed in Election Reg 13 been recorded in the owners and occupiers register	Yes	
13(4)	Did the CEO amend the register from time to time to make sure that the information recorded in it is accurate	Yes	
Local Government (Elections) Regulation 17	Did the local government keep an enrolment eligibility claim form, if accepted, a copy of a notice of acceptance for 2 years after the claim and notice expired, and a copy of a notice of rejection for 2 years after the claim was rejected	Yes	
Local Government (Elections) Regulation 26(4)	Did the CEO or an employee of the local government appointed as Returning Officer keep the deposit referred to in s4.49(d) separate from other money and credited to a fund of the local government	NA	The CEO was not RO, however, even under the contract for services with the Electoral Commission, the City undertook the cash receipting process and held the deposits in accordance with these requirements.
Local Government (Elections) Regulation 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	The register was established, however, no gifts were disclosed by any candidate.
Local Government (Elections) Regulation 30G(3)	Did the CEO remove any "disclosure of gifts" forms completed by unsuccessful candidates from the electoral gift register in accordance with the period under regulation 30C and retain those forms separately for a period of at least 2 years	NA	
Local Government (Elections) Regulation 30H	Has the electoral gift register been kept at the appropriate local government offices	Yes	
	Has a postal voters register been kept of electors whose applications are under regulation 37(1)(b) and are accepted under regulation 38(1), which contains the enrolment details of each elector included on it and any ward in respect of which the elector is registered	Yes	
Local Government (Elections) Regulation 81	Was the report relating to an election under s4.79 provided to the Minister within 14 days after the declaration of the result of the election	Yes	This was the responsibility of the Electoral Commission under the contract for services with the City.
Executive Functions		•	
S3.18(3)(a) Local Government Act 1995	Has the local government satisfied itself that the services and facilities that it provides ensure integration and co-ordination of services and facilities between governments	Yes	Services provided have not changed substantially in the last 2 years. Most significant new facilities have been provided in cooperation with other levels of government and/or have been partially funded by them.

Reference to Statute	Question	Response	Comments
S3.32(1) Local Government Act 1995	Was a notice of intended entry given to the owner or occupier of the land, premises or thing that had been entered	Yes	
S3.50 Local Government Act 1995	Did the local government close a thoroughfare wholly or partially for a period not exceeding 4 weeks under the guidelines of 3.50	Yes	
S3.18(3)(b) Local Government Act 1995	Has the local government satisfied itself that the services and facilities that it provides avoid unnecessary duplication of services or competition particularly with the private sector	Yes	Noting no significant new services have been provided in the last 2 years and new facilities are generally of a 'public' nature.
S3.18(3)(c) Local Government Act 1995	Has the local government satisfied itself that the services and facilities that it provides ensure services and facilities are properly managed	Yes	The City has operational and asset management plans for major facilities and most services.
S3.40A(1) Local Government Act 1995	Where in the opinion of the local government a vehicle was an abandoned vehicle wreck, was it removed and impounded by an employee authorised (for that purpose) by the local government	Yes	
S3.40A(2) Local Government Act 1995	Where the owner of the vehicle was identified within 7 days after its removal under s3.40A(1), did the local government give notice to that person advising that the vehicle may be collected from a place specified during such hours as are specified in the notice	Yes	
S3.40A(3) Local Government Act 1995	Where notice was given under s3.40A(2) did it include a short statement of the effect of subsection (4)(b) and the effect of the relevant provisions of sections 3.46 and 3.47	Yes	
S3.51(3) Local Government Act 1995	Did the local government give notice of what is proposed to be done giving details of the proposal and inviting submissions from any person who wishes to make a submission and allow a reasonable time for submissions to be made and consider any submissions made	NA	
S3.52(4) Local Government Act 1995	Has the local government kept plans for the levels and alignments of public thoroughfares that are under its control or management, and made those plans available for public inspection	Yes	Plans, or detail of levels and alignments, in either hard copy or electronic format can be made available upon request. The City has had some difficulty retreiving all information in relation to older services located on the Busselton Foreshore in the context of works being done by the City.
S3.32(2) Local Government Act 1995	Did the notice of intended entry specify the purpose for which the entry was required	Yes	
S3.32(2) Local Government Act 1995	Was the notice of intended entry given not less than 24 hours before the power of entry was exercised	Yes	
Finance			

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

# Additional Local Government Act and Regulations Compliance Report

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Reference to Statute	Question	Response	Comments
S5.53 Local Government Act 1995, Administration Regulation 19B	Has the local government prepared an annual report for the financial year ended 30 June 2010 that contained the prescribed information under the Act and Regulations	Yes	
S5.54(1), (2) Local Government Act 1995	Was the annual report accepted by absolute majority by the local government by 31 December 2013	Yes	
S5.54(1), (2) Local Government Act 1995	Where the Auditor's report was not available in time for acceptance by 31 December, was it accepted no more than two months after the Auditor's report was made available	NA	
S5.55 Local Government Act 1995	Did the CEO give local public notice of the availability of the annual report as soon as practicable after the local government accepted the report	Yes	
S5.56 Local Government Act 1995, Administration Regulation 19C	Has the local government made a Strategic Community Plan for its district in respect of the period specified in the plan (being at least 10 financial years)	Yes	
Local Government Administration Regulation 19C	Before a Strategic Community Plan, or modifications to a plan were adopted under regulation 19C, did the local government consult with its electors and ratepayers	Yes	
S5.94 , 5.95 Local Government Act 1995	Did the local government allow any person attending the local government during office hours to inspect information, free of charge, listed in s5.94 of the Act and subject to s5.95 whether or not the information was current at the time of inspection	Yes	
S5.96 Local Government Act 1995	Where a person inspected information under Part 5, Division 7 of the Act and requested a copy of that information, did the local government ensure that copies were available at a price that did not exceed the cost of providing those copies	Yes	Photocopying charges are reviewed annually. The price per copy does not exceed the cost of providing the service.
S5.98 Local Government Act 1995, Administration Regulation 30	Was the fee made available to elected members for attending meetings within the prescribed range	Yes	Following the Salaries and Allowances Tribunal's determination on 12 April, 2016, the Fees, Allowances and Expenses for Elected Members Policy was updated on 10 August 2016, ensuring that any allowances established were within prescribed ranges.
S5.98 Local Government Act 1995, Administration Regulation 31	Was the reimbursement of expenses to elected members within the prescribed ranges or as prescribed	Yes	Refer comment above.
S5.98A Local Government Act 1995, Administration Regulation 33A	Where a local government decided to pay the deputy mayor or the deputy president an allowance, was it resolved by absolute majority	Yes	This decision was included in the policy adoption mentioned above, a decision made by absolute majority.

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

Reference to Statute	Question	Response	Comments
S5.98A Local Government Act 1995, Administration Regulation 33A	Where a local government decided to pay the deputy mayor or the deputy president an allowance, was it up to (or below) the prescribed percentage of the annual local government allowance to which the mayor or president is entitled under section 5.98(5)	Yes	
S5.99 Local Government Act 1995, Administration Regulation 34	Where a local government decided to pay Council members an annual fee in lieu of fees for attending meetings, was it resolved by absolute majority	Yes	This decision was included in the policy adoption mentioned above, a decision made by absolute majority
S5.99 Local Government Act 1995, Administration Regulation 34	Where a local government decided to pay Council members an annual fee in lieu of fees for attending meetings, was it within the prescribed range	Yes	Following the Salaries and Allowances Tribunal's determination on 12 April, 2016, the Fees, Allowances and Expenses for Elected Members Policy was updated on 10 August 2016, ensuring that any allowances established were within prescribed ranges.
S5.99A Local Government Act 1995, Administration Regulation 34A, AA, AB	Where a local government decided to pay Council members an allowance instead of reimbursing telephone, facsimile machine rental charges and other telecommunication, information technology, travelling and accommodation expenses, was it resolved by absolute majority	Yes	This decision was included in the policy adoption mentioned above, a decision made by absolute majority
S5.99A Local Government Act 1995, Administration Regulation 34A, AA, AB	Where a local government decided to pay Council members an allowance instead of reimbursing telephone, facsimile machine rental charges and other telecommunication, information technology, travelling and accommodation expenses, was it within the prescribed range	Yes	Following the Salaries and Allowances Tribunal's determination on 12 April, 2016, the Fees, Allowances and Expenses for Elected Members Policy was updated on 10 August 2016, ensuring that any allowances established were within prescribed ranges.
S5.1000(1) Local Government Act 1995	Did the local government pay a fee for attending committee meetings only to a committee member who was a council member	Yes	
S5.100(2) Local Government Act 1995	Where the local government decided to reimburse a committee member, who was not a council member or employee, for an expense incurred by the person in relation to a matter affecting the local government, was it within the prescribe range	NA	
S6.8 Local Government Act 1995	Was expenditure that the local government incurred from its municipal fund, but not included in its annual budget, authorised in advance on all occasions by absolute majority resolution	Yes	A number of budget amendments throughout the year were processed as reports to the Finance Committee and Council accordingly.

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

Reference to Statute	Question	Response	Comments
S6.8(1)(c) Local Government Act 1995	Did the Mayor or President authorise expenditure from the municipal fund in an emergency. (Please indicate circumstances in the "Comments" column)	NA	
S6.8 Local Government Act 1995	In relation to expenditure that the local government incurred from its municipal fund that was authorised in advance by the mayor or president in an emergency, was it reported on all occasions to the next ordinary meeting of council	NA	
S6.12, 6.13, 6.16(1), (3) Local Government Act 1995	Did Council at the time of adopting its budget, determine the granting of a discount or other incentive for early payment by absolute majority	NA	No early payment discount or incentive offered.
S6.12, 6.13, 6.16(1), (3) Local Government Act 1995	Did Council determine the setting of an interest rate on money owing to Council by absolute majority	NA	No interest on monies outstanding other than rates.
S6.12, 6.13, 6.16(1), (3) Local Government Act 1995	Did Council determine to impose or amend a fee or charge for any goods or services provided by the local government by absolute majority. (Note: this applies to money other than rates and service charges)	Yes	
S6.17(3) Local Government Act 1995	Were the fees or charges imposed for receiving an application for approval, granting an approval, making an inspection and issuing a licence, permit, authorisation or certificate, limited to the cost of providing the service or goods	Yes	While some of these types of fees are not determined by the Council (being regulated by the State), those that are have been reviewed annually (last review in April 2016) cognisant of the cost of providing the goods and services.
S6.17(3) Local Government Act 1995	Were the fees or charges imposed for any other service prescribed in section 6.16 (2)(f), limited to the cost of providing the service or goods	NA	No fees are imposed under this subsection.
S6.19 Local Government Act 1995	After the budget was adopted, did the local government give local public notice for all fees and charges stating its intention to introduce the proposed fees or charges and the date from which it proposed to introduce the fees or charges	Yes	
S6.20(2) Local Government Act 1995, Financial Management Regulation 20	On each occasion where the local government exercised the power to borrow, was the Council decision to exercise that power by absolute majority (Only required where the details of the proposal were not included in the annual budget for that financial year)	Yes	
S6.76(6) Local Government Act 1995	Was the outcome of an objection under section 6.76(1) promptly conveyed to the person who made the objection including a statement of the local government's decision on the objection and its reasons for that decision	Yes	There was one objection in 2016 and the outcome was communicated by letter dated 30 September 2016.
Local Government Financial Management Regulation 5	Has efficient systems and procedures been established by the CEO of a local government as listed in Finance Reg 5	Yes	As evidenced by results of externally conducted Financial Management System Review last undertaken in June 2016. Outcomes of review

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

Reference to Statute	Question	Response	Comments
Local Government Financial Management Regulation 6	Has the local government ensured that an employee to whom is delegated responsibility for the day to day accounting or financial management operations of a local government is not also delegated the responsibility for conducting an internal audit or reviewing the discharge of duties by that employee	Yes	No such delegation is in place. Further information on segregation of duties is contained in the report in relation to systems for internal control.
Local Government Employees			
S5.36(4), 5.37(3) Local Government Act 1995, Administration Regulation 18A(1)	Did the local government advertise for the position of CEO and for designated senior employees in a newspaper circulated generally throughout the State	NA	No recruitment processes for CEO or designated senior employees have been undertaken. Note the appointment of the Acting Director of Finance and Corporate Servies was for a period of just less than 1 year and thus while a senior employee this apointment is not for a "designated" senior employee under the Act.
S5.36(4), 5.37(3) Local Government Act 1995, Administration	Did all advertisements for the position of CEO and for designated senior employees contain details of the remuneration and benefits offered	NA	
S5.36(4), 5.37(3) Local Government Act 1995, Administration	Did all advertisements for the position of CEO and for designated senior employees contain details of the place where applications for the position were to be submitted	NA	
S5.36(4), 5.37(3) Local Government Act 1995, Administration	Did all advertisements for the position of CEO and for designated senior employees detail the date and time for closing of applications	NA	
S5.36(4), 5.37(3) Local Government Act 1995, Administration Regulation 18A	Did all advertisements for the position of CEO and for designated senior employees indicate the duration of the proposed contract	NA	
S5.36(4), 5.37(3) Local Government Act 1995, Administration Regulation 18A	Did all advertisements for the position of CEO and for designated senior employees provide contact details of a person to contact for further information	NA	
S5.37(2) Local Government Act 1995	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee	NA	Noting there was a report to appoint the Acting Director of Finance and Corporate Services put to the 10 August, 2016 Council meeting even though this was not required by this section because the appointment was for less than 1 year.
S5.38 Local Government Act 1995	CEO and each senior employee), reviewed within the most recently completed 12 months of their term of employment	Yes	Yes in 2015. At the time of completion of this report some performance reviews were still to be completed in 2016 but there is a process in place to ensure all reviews are completed by the end of the calendar year.
Local Government Administration Regulation 18D	Where Council considered the CEO's performance review did it decide to accept the review with or without modification (if Council did not accept the review, the preferred answer is N/A & refer Q12)	Yes	

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

Reference to Statute	Question	Response	Comments
Local Government Administration Regulation 18D	Where the Council considered the CEO's performance review, but decided not to accept the review, did it decide to reject the review (if Council accepted the review, the preferred answer is N/A refer Q11)	NA	
S5.39 Local Government Act 1995	During the period covered by this Return, were written performance based contracts in place for the CEO and all designated senior employees who were employed since 1 July 1996	Yes	
S5.39 Local Government Act 1995, Administration Regulation 18B	Does the contract for the CEO and all designated senior employees detail the maximum amount of money payable if the contract is terminated before the expiry date. This amount is the lesser of the value of one year's remuneration under the contract	Yes	
S5.39 Local Government Act 1995, Administration Regulation 18B	Does the contract for the CEO and all designated senior employees detail the maximum amount of money payable if the contract is terminated before the expiry date and this amount is the lesser of the value of the remuneration they would be entitled to had the contract not been terminated	Yes	
S5.50(1) Local Government Act 1995	Did Council adopt a policy relating to employees whose employment terminates, setting out the circumstances in which council would pay an additional amount to that which the employee is entitled under a contract or award	Yes	
S5.50(1) Local Government Act 1995	Did Council adopt a policy relating to employees whose employment terminates, setting out the manner of assessment of an additional amount	Yes	
S5.50(2) Local Government Act 1995	Did the local government give public notice on all occasions where council made a payment that was more than the additional amount set out in its policy	NA	
S5.53(2)(g) Local Government Act 1995, Administration Regulation 19B	For the purposes of section 5.53(2)(g) did the annual report of a local government for a financial year contain the number of employees of the local government entitled to an annual salary of \$100,000 or more	Yes	Provided on page 43 of the City of Busselton's 2015-16 annual report.
S5.53(2)(g) Local Government Act 1995, Administration Regulation 19B	For the purposes of section $5.53(2)(g)$ did the annual report of a local government for a financial year contain the number of those employees with an annual salary entitlement that falls within each band of \$10,000 and over \$100,000	Yes	Provided on page 43 of the City of Busselton's 2015-16 annual report.
Local Government Administration Regulation 33	Was the allowance paid to the mayor or president for the purposes of s5.98(5) within the prescribed range	Yes	Following the Salaries and Allowances Tribunal's determination on 12 April, 2016, the Fees, Allowances and Expenses for Elected Members Policy was updated on 10 August, 2016, ensuring that any allowances established were within prescribed ranges.

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

# Additional Local Government Act and Regulations Compliance Report

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Reference to Statute	Question	Response	Comments
Local Laws			
S3.12(2) Local Government Act 1995, Functions and General Regulation 3	On each occasion that Council resolved to make a local law, did the person presiding at the Council meeting give notice of the purpose and effect of each proposed local law in the manner prescribed in Functions and General Regulation 3	Yes	Dogs Amendment Local Law 2015 Jetties Amendment Local Law 2015 and Cemeteries Local Law 2015.
S3.12(4) Local Government Act 1995	Have all Council's resolutions to make local laws been by absolute majority	Yes	
S3.12(4) Local Government Act 1995	Have all Council's resolutions to make local laws been recorded as such in the minutes of the meeting	Yes	
S3.12(6) Local Government Act 1995	After the local law was published in the Gazette, did the local government give local public notice summarising the purpose and effect of the local law and the day on which it came into operation	Yes	
S3.12(6) Local Government Act 1995	After the local law was published in the Gazette, did the local government give local public notice advising that copies of the local law may be inspected or obtained from its office	Yes	
S3.16(1) Local Government Act 1995	Have all reviews of local laws under section 3.16(1) of the Act been carried out within a period of 8 years	Yes	All local laws have been reviewed, although the Health Local Law 1997 requires substantial amendment which will occur following the making of the new State Health Act.
S3.16(1), (2) Local Government Act 1995	If the local government carried out a review of a local law under section 3.16 of the Act, to determine whether or not the local law should be repealed or amended, did it give Statewide public notice stating that it intended to review the local law	Yes	
S3.16(1), (2) Local Government Act 1995	If the local government carried out a review of a local law under section 3.16 of the Act, to determine whether or not the local law should be repealed or amended, did it give Statewide public notice advising that a copy of the local law could be inspected or obtained at the place specified in the notice	Yes	
S3.16(1), (2) Local Government Act 1995	If the local government carried out a review of a local law under section 3.16 of the Act, to determine whether or not the local law should be repealed or amended, did it give Statewide public notice detailing the closing date for submissions about the local law	Yes	
S3.16(3) Local Government Act 1995	Did the local government (after the last day for submissions) prepare a report of the review and have it submitted to Council	Yes	
S3.16(4) Local Government Act 1995	Was the decision to repeal or amend a local law determined by absolute majority on all occasions	Yes	

Reference to Statute	Question	Response	Comments
Meeting Process			
S2.25(1)(3) Local Government Act 1995	Where Council granted leave to a member from attending 6 or less consecutive ordinary meetings of Council was it by Council resolution	Yes	
S2.25(1)(3) Local Government Act 1995	Where Council granted leave to a member from attending 6 or less consecutive ordinary meetings of Council, was it recorded in the minutes of the meeting at which the leave was granted	Yes	
S2.25(3) Local Government Act 1995	Where Council refused to grant leave to a member from attending 6 or less consecutive ordinary meetings of Council, was the reason for refusal recorded in the minutes of the meeting	NA	
S2.25(2) Local Government Act 1995	Was Ministerial approval sought (on all occasions) before leave of absence was granted to an elected member in respect of more than 6 consecutive ordinary meetings of council	NA	
S5.4 Local Government Act 1995	On all occasions when the mayor or president called an ordinary or special meeting of Council, was it done by notice to the CEO setting out the date and purpose of the proposed meeting	Yes	
S5.5 Local Government Act 1995	On all occasions when councillors called an ordinary or special meeting of Council was it called by at least 1/3 (one third) of the councillors, by notice to the CEO setting out the date and purpose of the proposed meeting	NA	
S5.5(1) Local Government Act 1995	Did the CEO give each council member at least 72 hours notice of the date, time, place and an agenda for each ordinary meeting of Council	Yes	
S5.5(2) Local Government Act 1995	Did the CEO give each council member notice before the meeting, of the date, time, place and purpose of each special meeting of Council	Yes	
S5.7 Local Government Act 1995	Did the local government seek approval (on each occasion as required) from the Minister or his delegate, for a reduction in the number of offices of member needed for a quorum at a Council meeting	NA	
S5.7 Local Government Act 1995	Did the local government seek approval (on each occasion as required) from the Minister or his delegate, for a reduction in the number of offices of member required for absolute majorities	NA	
S5.8 Local Government Act 1995	Did the local government ensure all Council committees (during the review period) were established by an absolute majority	Yes	Committees generally on 19 October, 2015 (C1510/275) and Meelup Committee terms of reference altered on 29 September 2015 (C1510/280).
S5.10(1)(a) Local Government Act 1995	Did the local government ensure all members of Council committees, during the review period, were appointed by an absolute majority (other than those persons appointed in accordance with section 5.10 (1)(b))	Yes	

Reference to Statute	Question	Response	Comments
S5.10(2) Local Government Act 1995	Was each Council member given their entitlement during the review period, to be appointed as a committee member of at least one committee, as referred to in section 5.9(2)(a) & (b) of the Act	Yes	
S5.12(1) Local Government Act 1995	Were Presiding members of committees elected by the members of the committees (from amongst themselves) in accordance with Schedule 2.3, Division 1 of the Act	Yes	
S5.12(2) Local Government Act 1995	Were Deputy presiding members of committees elected by the members of the committee (from amongst themselves) in accordance with Schedule 2.3 Division 2 of the Act	Yes	
S5.15 Local Government Act 1995	Where the local government reduced a quorum of a committee meeting, was the decision made by absolute majority on each occasion	NA	
S5.21(4) Local Government Act 1995	When requested by a member of Council or committee, did the person presiding at a meeting ensure an individual vote or the vote of all members present, were recorded in the minutes	NA	No such requests were made on the basis that it is the standard practice, in accordance with the Standing Orders, for the votes of all members to be recorded in the minutes.
S5.22(1) Local Government Act 1995	Did the person presiding at a meeting of a Council or a committee ensure minutes were kept of the meeting's proceedings	Yes	
S5.22(2), (3) Local Government Act 1995	Were the minutes of all Council and committee meetings submitted to the next ordinary meeting of Council or committee, as the case requires, for confirmation	Yes	
S5.22(2), (3) Local Government Act 1995	Were the minutes of all Council and committee meetings signed to certify their confirmation by the person presiding at the meeting at which the minutes of Council or committee were confirmed	Yes	
S5.23(1) Local Government Act 1995	Were all council meetings open to members of the public (subject to section 5.23(2) of the Act)	Yes	
S5.23(1) Local Government Act 1995	Were all meetings of committees to which a power or duty had been delegated open to members of the public (subject to section 5.23(2) of the Act)	Yes	
S5.23(2), (3) Local Government Act 1995	On all occasions, was the reason, or reasons, for closing any Council or committee meeting to members of the public, in accordance with the Act	Yes	
S5.23(2), (3) Local Government Act 1995	On all occasions, was the reason, or reasons, for closing any Council or committee meeting to members of the public recorded in the minutes of that meeting	Yes	
S5.24(1) Local Government Act 1995, Administration Regulations 5.6	Was a minimum time of 15 minutes allocated for questions to be raised by members of the public and responded to at every ordinary meeting of Council	Yes	A minimum time of 15 minutes was made available albeit rarely required.
S5.24(1) Local Government Act 1995, Administration Regulations 5, 6	Was a minimum time of 15 minutes allocated for questions to be raised by members of the public and responded to at every special meeting of Council	Yes	A minimum time of 15 minutes was made available albeit rarely required.

Reference to Statute	Question	Response	Comments
S5.24(1) Local Government Act 1995,	Was a minimum time of 15 minutes allocated for questions to be raised by members of the public	Yes	A minimum time of 15 minutes was made
Administration Regulations	and responded to at every meeting of a committee to which the local government has delegated a		available albeit rarely required.
5, 6	power or duty		, ,
Local Government Administration	Was a period of 30 minutes allowed from the advertised commencement time before any Council or	NA	
Regulation 8	committee was adjourned due to the lack of a quorum		
Local Government Administration	Was voting at Council or committee meetings conducted so that no vote was secret	Yes	
Regulation 9			
Local Government Administration	Were all motions to revoke or change decisions at Council or committee meetings supported in the	NA	
Regulation 10(1)	case where an attempt to revoke or change the decision had been made within the previous 3		
	months but failed, by an absolute majority		
Local Government Administration	Were all motions to revoke or change decisions at Council or committee meetings supported in any	Yes	
Regulation 10(1)	other case, by at least one third of the number of officers of member (whether vacant or not) of the		
	Council or committee		
Local Government Administration	Were all decisions to revoke or change decisions made at Council or committee meetings made (in	Yes	
Regulation 10(2)	the case where the decision to be revoked or changed was required to be made by an absolute		
	majority or by a special majority), by that kind of majority		
Local Government Administration	Were all decisions to revoke or change decisions made at Council or committee meetings made in	Yes	
Regulation 10(2)	any other case, by an absolute majority		
Local Government Administration	Did the contents of minutes of all Council or committee meetings include the names of members	Yes	
Regulation 11	present at the meeting		
Local Government Administration		Yes	
Regulation 11	or left the meeting, the time of entry or departure, as the case requires, in the chronological		
	sequence of the business of the meeting		
Local Government Administration	Did the contents of minutes of all Council or committee meetings include details of each motion	Yes	
Regulation 11	moved at the meeting, including details of the mover and outcome of the motion		
Local Government Administration	Did the contents of minutes of all Council or committee meetings include details of each decision	Yes	
Regulation 11	made at the meeting		
Local Government Administration	Did the contents of the minutes of all Council or committee meetings include, where the decision	Yes	
Regulation 11	was significantly different from written recommendation of a committee or officer, written reasons		
	for varying that decision		
Local Government Administration	Did the contents of minutes of all Council or committee meetings include a summary of each	Yes	
Regulation 11	question raised by members of the public and a summary of the response given		
		1	

# Additional Local Government Act and Regulations Compliance Report

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Reference to Statute	Question	Response	Comments
Local Government Administration Regulation 11	Did the contents of minutes of all Council or committee meetings include in relation to each disclosure made under sections 5.65 or 5.70, where the extent of the interest has been disclosed, the extent of the interest	NA	
Local Government Administration Regulation 12(1)	Did the local government, at least once during the period covered by this return, give local public notice for the next twelve months of the date, time and place of ordinary Council meetings	Yes	
Local Government Administration Regulation 12(1)	Did the local government, at least once during the period covered by this return, give local public notice for the next twelve months of the date, time and place of those committee meetings that were required under the Act to be open to the public or that were proposed to be open to the public	Yes	
Local Government Administration Regulation 12(2)	Did the local government give local public notice of any changes to the dates, time or places referred to in the question above	Yes	All meeting dates for 2016 advertised in December 2015. Changes to date and time of Policy and Legsilative Committee and Finance Committee meetings were advertised in May, June, August and September 2016.
Local Government Administration Regulation 12(3), (4)	In the CEO's opinion, where it was practicable, were all special meetings of Council (that were open to members of the public) advertised via local public notice	Yes	
Local Government Administration Regulation 12(3), (4)	Did the notice referred to in the question above include details of the date, time, place and purpose of the special meeting	Yes	
Local Government Administration Regulation 13	Did the local government make available for public inspection unconfirmed minutes of all Council meetings within 10 business days after the Council meetings	Yes	
Local Government Administration Regulation 13	Did the local government make available for public inspection unconfirmed minutes of all committee meetings within 5 business days after the committee meetings	No	There were a few occasions identified where the availability of the minutes of a Committee meeting has exceeded the prescribed five days, particularly only in the first 6 months of 2016. Actions have since been taken to ensure this requirement is being met.
Local Government Administration Regulation 14 (1), (2)	Were notice papers, agenda and other documents relating to any Council or committee meeting, (other than those referred to in Admin Reg 14(2)) made available for public inspection	Yes	
Local Government Administration Regulation 14A	On all occasions where a person participated at a Council or committee meeting by means of instantaneous communication, (by means of audio, telephone or other instantaneous contact) as provided for in Administration Regulation 14A, did the Council approve of the arrangement by absolute majority	NA	
Local Government Administration Regulation 14A	On all occasions where a person participated at a Council or committee meeting by means of instantaneous communication, (as provided for in Administration Regulation 14A) was the person in a suitable place as defined in Administration Regulation 14A(4)	NA	

# Legislative Compliance Report - Local Government Act 1995 and Associated Regulations

# Additional Local Government Act and Regulations Compliance Report

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Reference to Statute	Question	Response	Comments
S5.27(2) Local Government Act 1995	Was the annual general meeting of electors held within 56 days of the local government's acceptance of the annual report for the previous financial year	Yes	The annual report was accepted on 28 October 2015 and the annual general meeting of electors was held on 30 November 2015.
S5.29 Local Government Act 1995	Did the CEO convene all electors' meetings by giving at least 14 days local public notice and each Council member at least 14 days notice of the date, time, place and purpose of the meeting	Yes	
S5.32 Local Government Act 1995	Did the CEO ensure the minutes of all electors' meetings were kept and made available for public inspection before the Council meeting at which decisions made at the electors' meeting were first considered	Yes	
S5.33(1) Local Government Act 1995	Were all decisions made at all electors' meetings considered at the next ordinary Council meeting, or, if not practicable, at the first ordinary Council meeting after that, or at a special meeting called for that purpose	N/A	There were no Electors' motions passed at the Electors meeting held on 30 November 2015.
S5.33(2) Local Government Act 1995	Were the reasons for Council decisions in response to decisions made at all electors' meetings recorded in the minutes of the appropriate Council meeting	Yes	
S5.103(3) Local Government Act 1995, Administration Regulation 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees	Yes	
Miscellaneous Provisions			
S9.4 Local Government Act 1995	Has each person who received an unfavourable decision from Council, or from an employee of the local government exercising delegated authority, (that is appealable under Part 9 of the Act) been informed of his or her right to object and appeal against the decision	Yes	Templates for notice of decisions have been established in the City's technology systems and information relating to the appeal rights is included in the templates.
S9.29(2)(b) Local Government Act 1995	On all occasions, were those employees who represented the local government in court proceedings, appointed in writing by the CEO	Yes	
S9.6(5) Local Government Act 1995	Did the local government ensure that the person who made the objection was given notice in writing of how it has been decided to dispose of the objection and the reasons why	NA	

- 7. GENERAL DISCUSSION ITEMS
- 8. <u>NEXT MEETING DATE</u>

To be advised.

9. <u>CLOSURE</u>