



AUDIT AND ORGANISATIONAL RISK COMMITTEE MEETING

MINUTES

**The Audit and Organisational Risk Committee Meeting
Was held in Council Chambers,
Welcome Road, Karratha,
on Tuesday, 10 March 2020**

A handwritten signature in black ink, appearing to read "Chris Adams", is positioned above a horizontal line.

**CHRIS ADAMS
CHIEF EXECUTIVE OFFICER**



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WRITTEN CONFIRMATION

of the outcome of the application, and any conditions attaching to the decision made by the City of Karratha in respect of the application.

Signed: _____
Chris Adams - Chief Executive Officer

DECLARATION OF INTERESTS (NOTES FOR YOUR GUIDANCE) (updated 13 March 2000)

A member who has a **Financial Interest** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (c) Preside at the part of the Meeting, relating to the matter or;
- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have a **Financial Interest** in a matter. I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
 - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
 - 6.2 Where the Minister allows the Councillor to participate under s5.69 (3) of the Local Government Act, with or without conditions.

INTERESTS AFFECTING IMPARTIALITY

DEFINITION: *An interest that would give rise to a reasonable belief that the impartiality of the person having the interest would be adversely affected, but does not include an interest as referred to in Section 5.60 of the 'Act'.*

A member who has an **Interest Affecting Impartiality** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest;

- (a) in a written notice given to the Chief Executive Officer before the Meeting; or
- (b) at the Meeting, immediately before the matter is discussed.

IMPACT OF AN IMPARTIALITY CLOSURE

There are very different outcomes resulting from disclosing an interest affecting impartiality compared to that of a financial interest. With the declaration of a financial interest, an elected member leaves the room and does not vote.

With the declaration of this new type of interest, the elected member stays in the room, participates in the debate and votes. In effect then, following disclosure of an interest affecting impartiality, the member's involvement in the Meeting continues as if no interest existed.

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MINUTES

1 OFFICIAL OPENING

The Meeting was officially opened at 3.06 pm.

2 NOMINATIONS FOR THE CHAIRPERSON

The Chief Executive Officer called for nominations for the position of Chairperson.

There being one nomination for Cr Evette Smeathers and no further nominations received, Cr Smeathers was declared the Chairperson of the Audit & Organisational Risk Committee (AORC).

COMMITTEE RESOLUTION

Res No : AOR82

MOVED : Cr Long

SECONDED: Cr Scott

That the Committee appoint Cr Smeathers as the Chairperson of the Audit Committee for a term concluding October 2021.

CARRIED

FOR : Cr Smeathers, Cr Long, Cr Scott
AGAINST : Nil

Cr Smeathers assumed the position of Chairperson for the remainder of the AORC Meeting.

3 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members: Cr Evette Smeathers (Chairperson)
Cr Peter Long
Cr Daniel Scott

Staff:	Chris Adams Phillip Trestrail Henry Eaton	Chief Executive Officer Director Corporate Services Manager Governance & Organisational Strategy
	Ray McDermott Linda Phillips	Manager Financial Services/CFO Minute Secretary

External: Nil

Apologies: Nil

4 DECLARATIONS OF INTEREST

Nil

5 CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR83
MOVED : Cr Long
SECONDED : Cr Scott

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Friday, 15 March 2019, be confirmed as a true and correct record of proceedings.

CARRIED

FOR : Cr Smeathers, Cr Long, Cr Scott
AGAINST : Nil

6 ITEMS FOR DISCUSSION

6.1 AUDIT AND ORGANISATIONAL RISK COMMITTEE – TERMS OF REFERENCE

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance & Organisational Strategy
Date of Report:	18 February 2020
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Audit and Organisational Risk Committee Terms of Reference

PURPOSE

For the Audit and Organisational Risk Committee to consider and recommend to Council any amendments to its Terms of Reference

BACKGROUND

Council is required to have an audit committee in accordance with the Local Government Act. The Audit and Organisational Risk Committee is the only formal committee of Council and whilst the terms of reference permit the committee to have delegated powers, no powers have been granted by Council. The committee's terms of reference have been reviewed every new term of Council following the local government elections.

No material changes are proposed to the Committee's Terms of Reference. Major changes were made in March 2018 when the *Local Government Act* was amended to incorporate the introduction of audits by the Office of the Auditor General (OAG). A paragraph has been removed from the Terms of Reference that prefaced potential changes to the *Local Government (Audit) Regulations 1996*. Whilst changes did occur in the regulations, the Terms of Reference were not affected and are broad enough to still support the requirements of the OAG. In addition, the quorum has been amended from three to two to reflect the reduced minimum membership adopted at the last review.

It should be noted that the Terms of Reference were amended in March 2018 to reduce the minimum number of meetings from quarterly to at least 3 per annum. This was not achieved in 2019 when only one meeting was held in March 2019 owing to delays in both the interim and final audits conducted by the OAG.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of low significance in terms of Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Section 7.1A of the *Local Government Act 1995* requires a local government to establish an audit committee of three or more persons. Functions of the audit committee are outlined in r16 of the *Local Government (Audit) Regulations 1996*.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2019-2020 provided for this activity:

Programs/Services: 4.c.1.1 Management Accounting Services
 4.e.1.2 Corporate Governance Support
 4.e.1.3 Risk Management

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	N/A	Nil
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	N/A	Nil
Compliance	Low	Legislation requires that local governments establish an audit committee. The terms of reference provide guidance as to how the committee is to operate and what its responsibilities are to Council.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

The Audit and Organisational Risk Committee terms of reference were last amended in March 2018.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to ACCEPT the modifications to the Terms of Reference proposed with the following amendments:

1. _____
2. _____

Option 3

That Council by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to DEFER any decision on the terms of reference.

CONCLUSION

Only minor changes are proposed to the Audit and Organisational Risk Committee's Terms of Reference.

OFFICER'S RECOMMENDATION

That Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Section 7 of the *Local Government Act 1995* RESOLVES to ACCEPT the updated Audit and Organisational Risk Committee Terms of Reference as attached.

COMMITTEE AMENDED RESOLUTION

Res No : AOR84

MOVED : Cr Long

SECONDED : Cr Scott

That Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Section 7 of the *Local Government Act 1995* RESOLVES to ACCEPT the updated Audit and Organisational Risk Committee Terms of Reference as attached with the following modifications:

- a) Quorum to be no less than fifty percent of members
- b) Delete clauses 3.4.1-3.4.3

CARRIED

FOR : Cr Smeathers, Cr Long, Cr Scott

AGAINST : Nil

REASON : The Committee modified the AORC Terms of Reference to delete clauses 3.4.1-3.4.3 as the Office of Auditor General has responsibility for conducting local government audits.



Audit & Organisational Risk Committee Terms of Reference

1. Establishment

An amendment to the *Local Government Act 1995* (the Act) in 2005 introduced a requirement that all local governments establish an audit committee.

Pursuant to section 7.1A of the *Local Government Act 1995*, Council established on 21 November 2005 an Audit Committee. Given its expanded scope, Council on 19 April 2010 considered that the Committee be renamed the Audit & Organisational Risk Committee.

2. Scope

The Committee is to provide an independent oversight of the financial systems of the local government on behalf of the Council as provided by r.16 of the *Local Government (Audit) Regulations 1996* and under Part 7 of the Act. As such, the Committee will operate to assist Council to fulfill its corporate governance, stewardship, leadership and control responsibilities in relation to the local government's financial reporting, audit and risk management responsibilities.

~~(As at the time of reviewing these Terms of Reference there are proposed amendments to the Local Government Act 1995 and more specifically consequential amendments to the Local Government (Audit) Regulations 1996 as a result of the transfer of responsibility for external audits to the Office of the Auditor General. Amendments are proposed to come into force as from 1 July 2018.)~~

3. Objectives

The primary role of the Committee is to assist the Council in the effective discharge of its responsibilities for audit related matters, compliance with legislation and policy, accounting policy, review of the annual accounts and internal controls and risk management processes and procedures.

The specific functions of the Audit & Organisational Risk Committee include:

3.1 Risk Management

- 3.1.1 Providing oversight to the development of an endorsed risk management framework appropriate for the City's operations.
- 3.1.2 Ensuring controls are operating to mitigate business risks to an acceptable level.
- 3.1.3 Reviewing the approved Risk Register for Council.
- 3.1.4 Recommending the risk appetites for business operations.
- 3.1.5 Reviewing appropriate documentation and policies in relation to risk management and mitigation.

3.2 Internal Controls and Internal Audit

- 3.2.1 Ensuring adequate systems of internal control are in operation to mitigate key business risks, promote the effectiveness, efficiency and economy of operations, and report accurate and meaningful management information.
- 3.2.2 Confirming major operational areas of the City are subject to internal review on a periodical basis.
- 3.2.3 Approving Internal Audit Program and Annual Audit Plans and ensuring the internal audit function is operating effectively, independently and in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 3.2.4 Confirming the Internal Audit and Risk Management function is resourced to fulfill its purpose and is given access to all necessary information.
- 3.2.5 Monitoring appropriate and timely action to rectify major areas of concern identified by internal and external audit.

3.3 Financial Reporting

- 3.3.1 Reviewing the annual financial statements, key performance indicators and Annual Report considering whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- 3.3.2 Recommending the annual statutory accounts, key performance indicators, certifications and Annual Report to Council.
- 3.3.3 Reviewing significant accounting policy changes made by the City, major frauds and thefts.
- 3.3.4 Overseeing reliability and integrity of financial and related information systems.

3.4 External Audit

- ~~3.4.1 Recommending to Council an appropriate process for the selection and appointment of persons as the City's auditor if required.~~
- ~~3.4.2 Recommending to Council the person(s) to be appointed as auditor if required.~~
- ~~3.4.3 Recommend to Council a written agreement for the appointment of the auditor. The agreement is to include the External Auditor's audit fee, audit plan, audit scope and approach, including their review of internal controls over financial reporting, coordination of audit effort with internal audit and discusses accounting and reporting issues. This will involve meeting with the Auditor prior to the commencement of the audit, receiving feedback during the audit and on completion.~~
- ~~3.4.4~~ 3.4.1 Considering the audit opinion, audit findings and other reports provided to the Committee by the Auditor.

~~3.4.5~~3.4.2 Reviewing the report on any actions taken in respect of any matters raised in the report of the Auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time.

~~3.4.6~~3.4.3 Confirming that high risk external audit recommendations are closed out on a timely basis and other issues as appropriate.

~~3.4.7~~3.4.4 Reviewing the scope of the audit plan and program and its effectiveness.

3.5 Compliance

3.5.1 Reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of investigation and follow-up (including disciplinary action) of any instances of non-compliance.

3.5.2 Reviewing reports issued to, and findings resulting from, any compliance examinations by regulatory agencies, and any Auditor observations.

3.5.3 Receiving regular updates regarding compliance matters.

3.5.4 Considering the outcomes of any investigation of matters of non-compliance. Where appropriate a recommendation will be submitted by the Committee to the Council for deliberation.

4. Powers of the Audit Committee

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

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

5. Term of Committee

The Committee shall have an ongoing existence until such time as the Council determines its need to vary or terminate the Committee.

6. Membership

6.1 Voting Members

Membership shall comprise a minimum of three (3) City Council Members appointed by the Council following each local government ordinary election. Each member shall have full voting rights.

6.2 Proxy Members: Nil

(The Audit Committee shall have a minimum membership of three (3) elected members. If the Committee is to have a larger membership, then the majority of members must be members of Council – Section 7.1A(2) of the Local Government Act 1995).

6.3 Ex-Officio Participants

The following City officers shall be support to this Committee. Officers do not carry any voting entitlements in terms of decision making.

- Chief Executive Officer
- Director Corporate Services
- Manager Governance and Organisational Strategy

Other staff may be co-opted onto the Committee from time to time as appropriate to facilitate discussions on agenda related matters.

7. Meetings

To be held at least three times per year, or as required more frequently, in order to expedite matters of governance and risk.

Notice of meetings shall be provided no less than five (5) working days before the meeting date. Members to be supplied with an agenda no less than 72 hours prior to the meeting date.

Standing Orders

Standing Orders are permitted to be relaxed throughout the duration of the meeting at the approval of the Committee.

Notwithstanding any relaxation of Standing Orders, it is incumbent on the members to declare any interests they may have in relation to matters contained in the agenda; and follow proper protocols in respect to the interest had Standing Orders not been relaxed.

8. Quorum

A quorum is constituted of not less than fifty percent of the total number of members of the Committee in office for the time being. ~~In the above context there shall be no less than 3 2 voting members in attendance at all times.~~

9. Place and Duration of Meeting

Meetings will be conducted at the City Council Chambers in Welcome Road, Karratha. Meetings will have a duration that generally does not exceed one (1) hour.

10. Reporting

Minutes are to be prepared of the meeting and circulated to Members within 72 hours and shall also be presented to the next ordinary meeting of Council for the receipt of minutes and deliberating on any recommendations where delegated authority has not been provided.

Minutes shall also be re-presented to the next meeting of the Committee for endorsement.

11. Delegated Authority

The only powers and duties that can be delegated to the committee are any of the powers and duties of the local government under Part 7 of the Act. The committee cannot on-delegate the powers and duties delegated to it.

12. Ethical Behaviour

Members of the Committee will at all times in the discharge of their duties and responsibilities exercise honesty, objectivity and probity. Members will refrain from entering into any activity that may prejudice their ability to do so. At all times members must act in a proper and prudent manner in the use of information acquired in the course of their work.

Further, members will not publicly discuss or comment on matters relevant to the activities of the Committee, other than as authorised by the Council.

13. Liabilities of Members

No civil liability attaches to a member of a committee for an honest act or omission in the exercise, performance or discharge, or purported exercise, performance or discharge, of the members' or committee's powers, functions or duties.

14. Amendments to Terms of Reference

These Terms of Reference can only be amended by resolution of Council on the basis of a report directly to Council.

Original Date of Establishment	21 November 2005
Amendment #1	22 October 2007
Amendment #2	19 October 2009
Amendment #3	19 April 2010
Amendment #4	16 May 2011
Amendment #5	20 February 2012
Amendment #6 (Resolution No 152639)	28 October 2013
Amendment #7 (Resolution No 154031)	19 March 2018

6.2 COMPLIANCE AUDIT RETURN 2019

File No:	FM.12
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Governance Officer - Compliance
Date of Report:	23 February 2020
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Compliance Audit Return 2019

PURPOSE

To consider the review of the City's level of compliance with legislation to inform the 2019 Compliance Audit Return (CAR).

BACKGROUND

Each local government is required to carry out a compliance audit in relation to the period 1 January to 31 December each year against the requirements set out in the 2019 CAR.

The Audit and Organisational Risk Committee is required to review the completed CAR and report the results to Council. After the CAR has been reviewed by the Audit & Organisational Risk Committee and a report presented to Council, a certified copy of the CAR is to be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2020.

The CAR requires local governments to carry out an audit of compliance with statutory requirements in the areas of:

- a) Commercial Enterprises by local governments;
- b) Delegation of Power/Duty;
- c) Disclosure of Interest;
- d) Disposal of Property;
- e) Elections;
- f) Finance;
- g) Integrated Planning and Reporting;
- h) Local Government Employees;
- i) Official Conduct;
- j) Optional Questions; and
- k) Tenders for Providing Goods and Services.

The questions in the 2019 CAR were essentially the same as the 2018 CAR but with nine extra questions overall. Of the 104 questions, there are four instances of non-compliance, resulting in a 96.2% compliance rate.

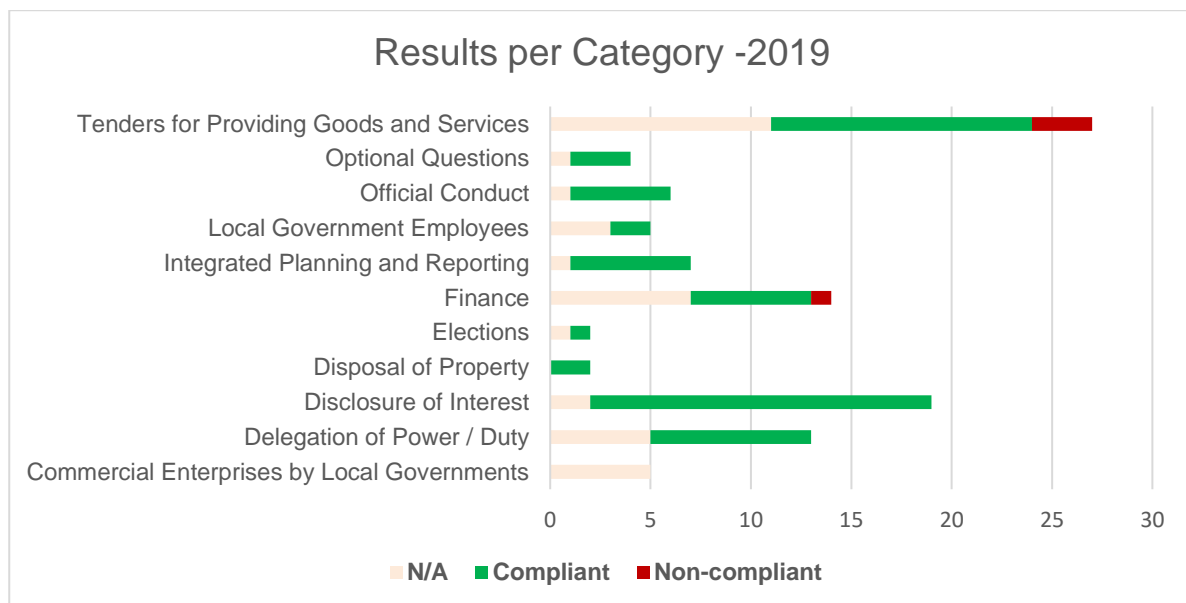
The non-compliances related to:

- 1. AUDIT – the 2018/19 audit report was not received from the OAG by 31 December 2019.
- 2. F&G Reg 19 – There were three tenders where notices of outcome were not signed by the authorised officer and in one instance particulars of the successful tenderer was not

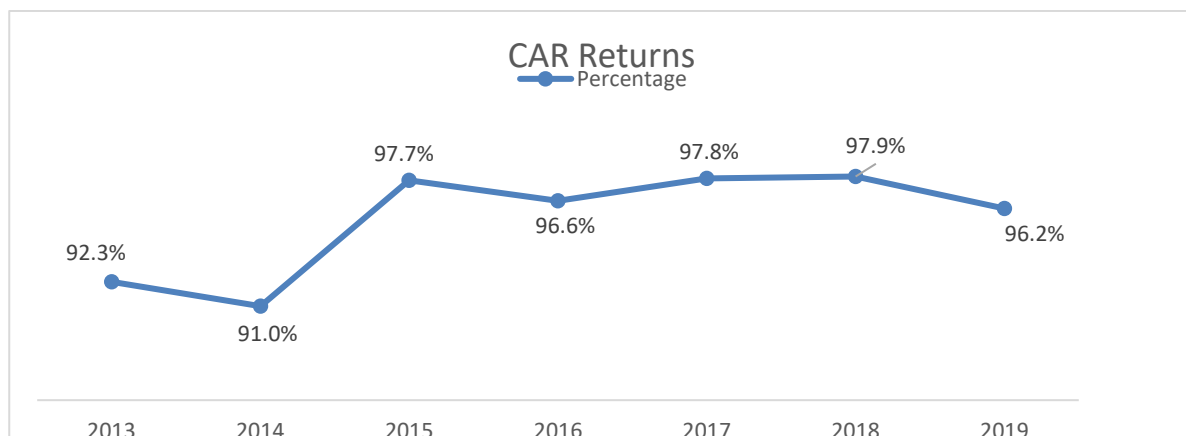
disclosed to the unsuccessful tenderers. Letter templates have been updated with instructional text.

3. F&G Reg 24 – There was one Expressions of Interest where respondents were provided notice of the outcome of the EOI, however the letters did not disclose the list of acceptable tenderers. Letter templates have been updated with instructional text.
4. F&G Reg 11A – There were seven known non-compliances with the City's Purchasing Policy for contracts under the value of \$150,000. Issues included threshold requirements not being adhered to; officers with insufficient purchasing authority committing expenditure on behalf of the City; quotations not being obtained for purchases under \$5,000; POs being raised after invoice received: unauthorised variations; and contract splitting. Additional training and performance management has been implemented. The Purchasing Policy has also been updated to allow no quotations for purchases up to \$1,000.

Following is a summary of the results per category:



The recent history of City of Karratha CAR results is illustrated below:



LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of compliance.

COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place between relevant areas when preparing responses.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Regulations 13-15 of the *Local Government (Audit) Regulations 1996* provide for compliance audits.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2019-2020 provided for this activity:

Programs/Services:	4.e.1.2	Corporate Governance
Projects/Actions:	4.e.1.2.1	Conduct Compliance Audit Return

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	N/A	Nil
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Low	CAR results are utilised as a tool by the DLGSCI and unless a result is extraordinary would not result in any reputational damage.
Compliance	Moderate	Good systems and strong governance are in place to manage risk.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 14 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of the 2019 Compliance Audit Return pending further review, noting that submissions are due to the Department of Local Government, Sport and Cultural Industries by 31 March 2020.

CONCLUSION

Each local government is required to carry out an annual Compliance Audit Return in relation to the period 1 January 2019 to 31 December 2019. Overall, the audit indicates a compliance rate of 96.2% for the City. Internal controls continue to be monitored to identify and address those non-compliance issues which have previously been identified in the Compliance Audit Return reflecting the high level of compliance.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR85**
MOVED : **Cr Long**
SECONDED : **Cr Smith**

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 14 of the *Local Government (Audit) Regulations 1996* RESOLVES to:

- 1. RECEIVE the 2019 Compliance Audit Return; and**
- 2. PRESENT the 2019 Compliance Audit Return to Council for adoption prior to submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2020.**

CARRIED

FOR : **Cr Smeathers, Cr Long, Cr Scott**
AGAINST : **Nil**



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

Karratha - Compliance Audit Return 2019

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2019?	N/A	No new major trading undertakings in 2019.	Neil Harrison
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2019?	N/A	No major land transactions in 2019.	Neil Harrison
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2019?	N/A		Neil Harrison
4	s3.59(4)	Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019?	N/A		Neil Harrison
5	s3.59(5)	Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Neil Harrison



Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	N/A	No delegations to Committees	Neil Harrison
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	N/A		Neil Harrison
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	N/A		Neil Harrison
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Neil Harrison
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	N/A		Neil Harrison
6	s5.42(1), 5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act?	Yes		Neil Harrison
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes		Neil Harrison
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes		Neil Harrison
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Neil Harrison
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes	OCM Resolution 154366 28/06/2019	Neil Harrison
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes		Neil Harrison
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2018/2019 financial year?	Yes	OCM Resolution 154366 28/06/2019	Neil Harrison
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required?	Yes	There are many operational delegated powers exercised on a daily basis, the City is unable to locate any evidence where a written record was not maintained.	Neil Harrison

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68)?	Yes		Neil Harrison



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No	Reference	Question	Response	Comments	Respondent
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings?	Yes		Neil Harrison
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made?	Yes		Neil Harrison
4	s5.73	Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council?	N/A	CEO has not received a gift that would meet requirements under amended legislation.	Neil Harrison
5	s5.73	Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided?	N/A	CEO has not received a gift that would meet requirements under amended legislation.	Neil Harrison
6	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day?	Yes		Neil Harrison
7	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day?	Yes		Neil Harrison
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes		Neil Harrison
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes		Neil Harrison
10	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return?	Yes		Neil Harrison
11	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76?	Yes		Neil Harrison
12	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28?	Yes		Neil Harrison
13	s5.89A Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?	Yes	A register was maintained, although no gifts were received that meet the requirements under amended legislation.	Miranda Geal
14	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76?	Yes		Miranda Geal



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No	Reference	Question	Response	Comments	Respondent
15	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee?	Yes	Financial Returns are retained for seven years after an employee or elected member leaves the organisation.	Miranda Geal
16	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes?	Yes		Neil Harrison
17	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report?	Yes		Neil Harrison
18	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee?	Yes		Neil Harrison
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes		Neil Harrison

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5))?	Yes		Neil Harrison
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes		Neil Harrison



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Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1) (2)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and 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		Henry Eaton
2	Elect Reg 30G(3) & (4)	Did the CEO remove any 'disclosure of gifts' forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years?	N/A		Neil Harrison

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	OCM Resolution 154443 28/10/2019	Miranda Geal
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A		Henry Eaton
3	s7.3(1)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor?	N/A		Henry Eaton
4	s7.3(1), 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council?	N/A		Henry Eaton
5	Audit Reg 10	Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit?	N/A	Audit report was not finalised by the OAG as at 31/12/2019	Miranda Geal
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019?	No	Audit report was not finalised by the OAG as at 31/12/2019	Miranda Geal
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government, ensure that appropriate action was undertaken in respect of those matters?	Yes		Miranda Geal



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No	Reference	Question	Response	Comments	Respondent
8	S7.12A (4)	Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report?	N/A		Miranda Geal
9	S7.12A (5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A		Miranda Geal
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	N/A		Henry Eaton
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	Yes	Audit Planning Summary document discussed at Audit Entry Meeting 30/04/2019. Formal letter received from OAG dated 14/10/2019.	Miranda Geal
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit?	Yes	Letter from OAG dated 14/10/2019	Miranda Geal
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor?	Yes	Letter from OAG dated 11/03/2019	Miranda Geal
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor?	Yes	Letter from OAG dated 14/10/2019	Miranda Geal



Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Adopted 17/10/2016	Neil Harrison
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at?	Yes	Reviewed and minor modification adopted by Council 28/06/2019	Neil Harrison
3	s5.56 Admin Reg 19C	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Adopted 17/10/2016	Neil Harrison
4	s5.56 Admin Reg 19C (4)	Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments. Note: If the current Strategic Community Plan was adopted after 1/1/2016, please respond N/A and provide adoption date in Comments?	N/A	Adopted 17/10/2016 Due to be reviewed in 2020.	Miranda Geal
5	S5.56 Admin Reg 19DA (3)	Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments?	Yes	Adopted 17/12/2012 Plan currently being worked on and anticipated to be reviewed by Council 2020.	Miranda Geal
6	S5.56 Admin Reg 19DA (3)	Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments?	Yes	Original Plan adopted by Council 18/03/2013. Most recent updated financial assumptions to inform Plan 2019/20 - 2028/29 were adopted by Council 15/04/2019. Plan currently being updated following November 2019 budget review. Anticipate adoption in March 2020.	Miranda Geal
7	S5.56 Admin Reg 19DA (3)	Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments?	Yes	Plan last adopted by Council 17/09/2012. Plan currently being worked on and anticipated to be reviewed by Council in 2020.	Miranda Geal



Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A		Neil Harrison
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A?	Yes	Advertised in 2018	Neil Harrison
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4)?	N/A		Neil Harrison
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only)?	N/A		Neil Harrison
5	s5.37(2)	Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee?	Yes	OCM Resolution 154273 21/01/2019	Neil Harrison



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Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer?	N/A	CEO is Complaints Officer	Neil Harrison
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c)?	Yes	Nil complaints received.	Neil Harrison
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made?	Yes		Neil Harrison
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint?	Yes		Neil Harrison
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred?	Yes		Neil Harrison
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c)?	Yes		Neil Harrison



Optional Questions

No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Local Government (Financial Management) Regulation 5 (2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	FM Review report was presented to AORC on 25/07/2017 and Council on 21/08/2017, Resolution 153873.	Miranda Geal
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	Last reported to AORC on 15/03/2019 and Council on 18/03/2019.	Miranda Geal
3	Financial Management Reg 5A.	Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019?	N/A	No electors meeting held in 2019.	Henry Eaton
4	S6.4(3)	Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019?	Yes		Henry Eaton

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))?	Yes	Whilst the City did invite tenders on all occasions, there was one tender that was invited without appropriate authority. The tender was to be invited under CEO delegated authority, however due to a misunderstanding the requesting officer did not follow the correct process. As a result CEO approval was not obtained prior to advertising.	Miranda Geal
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract?	N/A		Miranda Geal
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes		Miranda Geal



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No	Reference	Question	Response	Comments	Respondent
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Miranda Geal
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation?	Yes		Miranda Geal
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16?	Yes		Miranda Geal
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender?	Yes		Miranda Geal
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria?	Yes		Miranda Geal
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection?	Yes		Miranda Geal
10	F&G Reg 19	Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted?	No	<p>Whilst all tenderers were provided a written notice of outcome, there were three tenders where the letters were not signed by the authorised officer in accordance with the City's acting through requirements. There was one other tender where the letters did not contain the particulars of the successful tenderer.</p> <p>Letter templates have been updated with instructional text.</p>	Miranda Geal
11	F&G Reg 21 & 22	Did the local governments advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22?	Yes		Miranda Geal
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice?	N/A		Miranda Geal
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services?	Yes	One EOI was completed in 2019.	Miranda Geal



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No	Reference	Question	Response	Comments	Respondent
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24?	No	Respondents were provided a notice of outcome, however the unsuccessful letters did not contain the list of acceptable tenderers. Letter templates have been updated with instructional text.	Miranda Geal
15	F&G Reg 24AC (1) & (2)	Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations?	Yes		Miranda Geal
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	N/A		Miranda Geal
17	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE?	N/A		Miranda Geal
18	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application?	N/A		Miranda Geal
19	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, given notice of the variation?	N/A		Miranda Geal
20	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications?	N/A		Miranda Geal
21	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria?	N/A		Miranda Geal
22	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG?	N/A		Miranda Geal
23	F&G Reg 24AI	Did the CEO send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted?	N/A		Miranda Geal



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No	Reference	Question	Response	Comments	Respondent
24	F&G Reg 24E	Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy?	N/A		Miranda Geal
25	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy?	Yes		Miranda Geal
26	F&G Reg 11A	Does the local government have a current purchasing policy that comply with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less?	Yes		Miranda Geal
27	F&G Reg 11A	Did the local government comply with it's current purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be \$150,000 or less or worth \$150,000 or less?	No	<p>There were seven known non-compliances with CG-12 Purchasing Policy for contracts expected to be less or worth less than \$150,000.</p> <p>Issues included threshold requirements not being adhered to and officers with insufficient purchasing authority committing expenditure on behalf of the organisation.</p> <p>The City continually reviews and improves its systems in order to reduce the risk of non-compliances reoccurring.</p>	Miranda Geal

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Karratha

Signed CEO, Karratha

6.3 EXTERNAL AUDIT – INTERIM MANAGEMENT REPORT

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance & Organisational Strategy
Date of Report:	6 March 2020
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Interim Audit Report dated 16 October 2019

PURPOSE

For the Audit & Organisational Risk Committee to consider outcomes from the interim audit conducted by the Office of the Auditor General (OAG).

BACKGROUND

AMD Chartered Accountants (AMD) are subcontracted by the OAG to undertake audits of the City's finances. AMD visited the City during the week of 6-8 May 2019 and undertook the interim audit. This was followed up with a site visit during the week 26-28 August 2019 to commence finalising the annual financial report for 2018/19.

The interim management report focuses on the first visit which examined the operations of the City with particular regard to understanding internal control structures and accounting system as they relate to the City's financial reporting. The interim audit visit included testing of critical audit areas in accordance with legislative and accounting standard frameworks.

The interim audit focused on revenue/receipting, purchasing and payments, payroll, reconciliation activities and reconciliations of key accounts.

Attached is a copy of the OAG's Interim Management Report dated 16 October 2019 including interim findings and management comments. The following three minor and three moderate risks were reported:

Audit Finding	Rating	Recommendation	City Response
Expression of Interest	Moderate	The City should notify all parties who submit an expression of interest of the outcome, in accordance with Regulation 24 of the <i>Local Government (Functions and General) Regulations 1996</i> .	An instance of departure from the City's procurement process was discovered internally. This matter pertained to an EOI process for the procurement of goods and services where the required notifications of the outcome to unsuccessful vendors was not able to be evidenced. This non-compliance matter was reported in the City's 2018 Compliance Audit Return.

Audit Finding	Rating	Recommendation	City Response
			<p>The City provides coordinated procurement training to Council Officers to ensure continuing best practice and compliance in procurement of goods and services.</p> <p>Completed March 2019</p>
Safe Access	Moderate	<p>The City should develop a register which lists all employees with access to the safes located at each site. We also recommend that the City develop a policy and procedure to change access codes following the termination of a staff member with access to the safe.</p>	<p>Council Policy <i>CF02 Cash Handling</i> provides guidance to facility managers on their responsibilities and requirements in the management, handling and security of cash. This includes ensuring that physical and password access to cash storage areas, safes, draws and petty cash boxes is managed effectively.</p> <p>In a recent review of Financial Services Policies further clarity has been provided to assist facility managers in understanding their responsibilities. This has been communicated to facility managers and other officers responsible for cash handling sites. Facility managers have been requested to review access to cash storage units with a view to minimising the number of officers with access. The City has implemented the recommendation of the auditors that cash handling facilities be required to maintain a register of employees with access to safes.</p> <p>Cash handling is subject to the City's internal audit function.</p> <p>Completed July 2019</p>
Non-compliance with internal purchasing policy	Moderate	<p>1. For purchases below the tender threshold, quotes should be obtained, in accordance with the City's <i>CG-12 Purchasing Policy</i>.</p>	<p>The City acknowledged the gap that existed in Council Policy <i>CG-12 Purchasing</i> for obtaining written quotes (less than \$5,000) for the procurement of catalogue stock items and direct purchases of consumables such as hardware items and groceries.</p>

Audit Finding	Rating	Recommendation	City Response
		<p>2. If instances arise where it is impractical to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.</p>	<p>It became evident that the policy was impractical for small valued purchases where quotations were not able to be obtained.</p> <p>Council resolved at its meeting on 20 May 2019 to an amendment to Council Policy <i>CG12 Purchasing</i> to provide an additional threshold band of up to \$1,000 where a direct purchase can be made with no quotation required. The revised threshold \$1,001 - \$5,000 maintains the requirement of a minimum of one written quote.</p> <p>Completed May 2019</p>
Review of CEO Credit Card Statements	Minor	<p>As best practice, we suggest that the City consider whether a representative of Council reviews the CEO's credit card statements.</p>	<p>The City is satisfied that current processes appropriately meet the requirements for review of the CEO's credit card as the Director Corporate Services is best placed in terms of delegated authority and understanding of Council Policy to undertake the review. Individual credit card transactions are subsequently reported to Council in the monthly report of payments in accordance with the Act. The City believes this process best addresses the risk of fraud and error.</p> <p>Notwithstanding, the City will implement the auditors interim recommendation.</p> <p>Completed July 2019</p>
Related Party Disclosure Policy	Minor	<p>We recommend the City develops and implements a Related Party Disclosure Policy. This policy should define who qualifies as a Key Management Personnel (KMP) and the process in place to identify related party transactions i.e. the</p>	<p>There is no Council Policy dedicated to related parties however, the City is bound by legislation under Division 6 of the LG Act and Part 7 of the City of Karratha's Code of Conduct. The Executive Management Team and all Councillors are required to complete a Related Party Disclosure form annually which is then disclosed in the Annual Financial Statements.</p>

Audit Finding	Rating	Recommendation	City Response
		completion of KMP declarations and how often they are required to be completed.	Completed: N/A
Monthly Reconciliation of Loans	Minor	We recommend reconciliation of loans and self-supporting loans are performed on a monthly basis and the subsequent review of each reconciliation is evidenced on the "Month End Reconciliation Check List".	Council is provided with a monthly contentious issues item which provides details of all self-supporting loan balances. The City has implemented the auditor's interim recommendation to include the reconciliation as part of the "Month End Reconciliation Check List". Completed: May 2019

All proposed actions in response to recommendations have been implemented.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of low significance in terms of Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

The Finance team together with the Manager Financial Services/CFO, the Director Corporate Services and CEO have been engaged with the auditors and have been kept informed of the findings and undertakings.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Under Part 7 of the *Local Government Act 1995*, provides for conduct of audits and duties of local governments with respect to audits. There is a requirement for reports issued by the auditors to be considered by the City's Audit and Organisational Risk Committee.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2019-2020 provided for this activity:

Our Programs/Services:	4.c.1.1	Management Accounting Services.
Our Projects/Actions:	4.c.1.1.1	Conduct monthly and annual financial reviews and reporting.

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Moderate	Interim and annual audits assist the City in minimising financial risk from fraudulent activity or erroneous reporting. Improving controls and independent oversight greatly assists in providing surety to the quality of reporting.
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Low	Good controls in place to monitor financial risks reduce impacts on reputation.
Compliance	Low	Good controls in place to monitor financial risks reduce any impacts on legislative compliance.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

Interim audits are carried out each year in preparation for the end of year financial audit.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to DEFER consideration of this item pending clarification of matters within the Interim Management Report.

CONCLUSION

The OAG, through AMD Chartered Accountants, has completed an interim audit of the City's financial systems and procedures in the lead up to the final audit for 2018/19. The OAG recommended improvements in six areas - three considered moderate risks and three considered minor risks. All internal controls were examined and corrective action taken as a result of the interim audit.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR86**
MOVED : **Cr Scott**
SECONDED : **Cr Long**

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to RECEIVE the Interim Management Report from the Office of the Auditor General dated 16 October 2019 for the period ending 30 June 2019.

CARRIED

FOR : Cr Smeathers, Cr Long, Cr Scott
AGAINST : Nil



Our Ref: 8322

**CITY OF KARRATHA
RECEIVED**

18 OCT 2019

Action By: *Phillip Trestrail*
File No: *Fm-3*
Document ID: *1CR214911*
CC: *Ray McDermott*
Tishka Hanlon



Office of the Auditor General
Serving the Public Interest

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PERTH WA 6849

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Email: info@audit.wa.gov.au

Mr Peter Long
Mayor
City of Karratha
Lot 1083 Welcome Road
PO Box 219
KARRATHA WA 6714

Dear Mr Long

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDED 30 JUNE 2019**

We have completed the interim audit for the year ended 30 June 2019. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the CEO. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7609 if you would like to discuss these matters further.

Yours faithfully

JORDAN LANGFORD-SMITH
SENIOR DIRECTOR FINANCIAL AUDIT

16 October 2019

Attach

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Expression of Interest		✓	
2. Safe Access		✓	
3. Non-compliance with Internal Purchasing Policy		✓	
4. Review of CEO Credit Card Statements			✓
5. Related Party Disclosure Policy			✓
6. Monthly Reconciliation of Loans			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Expression of Interest

Finding

As disclosed by the City of Karratha within the 2018 Compliance Audit Return respondents for two expressions of interests were not notified of the outcome in writing.

Rating: Moderate**Implication**

By not notifying all respondents of the outcome of the expressions of interest, the City has breached Regulation 24 of the Local Government (Functions and General) Regulations 1996.

Recommendation

The City should notify all parties who submit an expression of interest of the outcome, in accordance with Regulation 24 of the Local Government (Functions and General) Regulations 1996.

Management Comment

An instance of departure from the City's procurement process was discovered internally. This matter pertained to an EOI process for the procurement of goods and services where the required notifications of the outcome to unsuccessful vendors was not able to be evidenced. This non-compliance matter was reported in the City's 2018 Compliance Audit Return.

The City provides coordinated procurement training to Council Officers to ensure continuing best practise and compliance in procurement of goods and services.

Responsible Officer: Manager Governance & Organisational Strategy

Completion Date: March 2019

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Safe Access**Finding**

We noted that the City does not maintain a register of employees who have access to safes located at City managed sites. In addition, the City does not have a policy or procedure in place to ensure that staff change access codes to each relevant safe when an employee with safe access ceases employment with the City.

Rating: Moderate**Implication**

There is a greater risk that assets may be misappropriated if access to the safe is not restricted to appropriate employees.

Recommendation

The City should develop a register which lists all employees with access to the safes located at each site. We also recommend that the City develop a policy and procedure to change access codes following the termination of a staff member with access to the safe.

Management Comment

Council Policy CF02 Cash Handling provides guidance to facility managers on their responsibilities and requirements in the management, handling and security of cash. This includes ensuring that physical and password access to cash storage areas, safes, draws and petty cash boxes is managed effectively.

In a recent review of Financial Services Policies, further clarity has been provided to assist facility managers in understanding their responsibilities. This has been communicated to Facility managers and other officers responsible for cash handling sites. Facility managers have been requested to review access to cash storage units with a view to minimising the number of officers with access. The City has implemented the recommendation of the auditors that cash handling facilities be required to maintain a register of employees with access to safes.

Cash handling is subject to the City's internal audit function.

Responsible Officer:

Manager Financial Services/Chief Finance Officer

Completion Date:

July 2019

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Non-Compliance with Internal Purchasing Policy**Finding**

The City's Internal purchasing policy CG-12 Purchasing Policy requires that purchases within prescribed thresholds meet certain conditions in order to comply with the *Local Government Act 1995* and accompanying regulations.

During our procurement testing, we identified 4 purchases out of a sample of 21 where there was insufficient documentation to indicate that written quotations had been obtained for all purchases up to \$5,000 and in all cases identified no documentation was attached to the payment record.

Rating: Moderate**Implication**

If purchases are made without obtaining sufficient quotes, there is a risk of favouritism of suppliers and not obtaining value for money.

Recommendation

1. For purchases below the tender threshold, quotes should be obtained, in accordance with the City's CG-12 Purchasing Policy.
2. If instances arise where it is impractical to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management Comment

The City acknowledged the gap that existed in Council Policy CG12 Purchasing for obtaining written quotes (less than \$5,000) for the procurement of catalogue stock items and direct purchases of consumables such as hardware items and groceries.

It became evident that the policy was impractical for small valued purchases where quotations were not able to be obtained.

Council resolved at its 20 May 2019 an amendment to Council Policy CG12 Purchasing to provide an additional threshold band of up to \$1,000 where a direct purchase can be made with no quotation required. The revised threshold \$1,001 - \$5,000 maintains the requirement of a minimum of one written quote.

Responsible Officer: Manager Governance & Organisational Strategy
Completion Date: May 2019

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Review of CEO Credit Card Statements

Finding

We noted that the Director of Corporate Services, rather than Council, currently reviews the CEO's credit card statements.

Rating: Minor

Implication

Without evidence of independent review by a more senior member of the City, there is an increased risk of fraud and error.

Recommendation

As best practice, we suggest that the City consider whether a representative of Council reviews the CEO's credit card statements.

Management Comment

The City is satisfied that current processes appropriately meet the requirements for review of the CEO's credit card as the Director Corporate Services is best placed in terms of delegated authority and understanding of Council Policy undertake the review. Individual credit card transactions are subsequently reported to Council in the monthly report of payments in accordance with the Act. The City believes this process best addresses the risk of fraud and error.

Notwithstanding the City will implement the auditor's interim recommendation.

Responsible Officer:	Manager Financial Services/Chief Finance Officer
Completion Date:	July 2019

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Related Party Disclosure Policy**Finding**

We noted that the City does not currently have a Related Party Disclosures Policy in place.

Rating: Minor**Implication**

Without a Related Party Disclosure Policy, there is increased risk that related party relationships are not adequately disclosed in the City's annual report.

These disclosures are required by Australian Accounting Standard AASB124 Related Party Disclosures.

Recommendation

We recommend the City develops and implements a Related Party Disclosure Policy. This policy should define who qualifies as a Key Management Personnel (KMP) and the process in place to identify related party transactions i.e. the completion of KMP declarations and how often they are required to be completed.

Management Comment

There is no Council Policy dedicated to related parties however, we are bound by legislation under Division 6 of the LGA and Part 7 of the City of Karratha Code of Conduct. The Executive Management Team and all Councillors are required to complete a Related Party Disclosure form annually, which is then disclosed in the Annual Financial Statements.

Responsible Officer:

Manager Governance & Organisational Strategy

Completion Date:

N/A

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

6. Monthly Reconciliation of Loans**Finding**

Although self-supporting loan balances are reconciled, on a monthly basis and loan balances are reconciled quarterly, these reconciliations do not form part of the "Month End Reconciliation Check List" and there is no evidence these reconciliations are correctly performed or independently reviewed.

Rating: Minor**Implication**

Without evidence of reconciliation processes in respect to self-supporting loan and other loan balances, there is an increased risk of fraud and error,

Recommendation

We recommend reconciliation of loans, self-supporting loans are performed on a monthly basis, and the subsequent review of each reconciliation is evidenced on the "Month End Reconciliation Check List".

Management Comment

Council is provided with a monthly contentious issues item, which provides details of all self-supporting loan balances. The City has implemented the auditor's interim recommendation to include the reconciliation as part of the "Month End Reconciliation Check List".

Responsible Officer:

Manager Financial Services/Chief Finance Officer

Completion Date:

May 2019

6.4 AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2019

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance & Organisational Strategy
Date of Report:	6 March 2020
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	1. Annual Financial Report with Independent Auditor's Report 2. Management Report / Audit Findings

PURPOSE

To receive the Annual Financial Report of the City's affairs for the 2018/19 financial year and to consider the Independent Auditor's Report and Management Report provided by the Office of the Auditor General (OAG).

BACKGROUND

As part of the annual audit program, the OAG subcontracted AMD Chartered Accountants to undertake a site visit during the week 26-28 August 2019 to finalise the annual financial report for 2018/19.

Following the completion of this year's audit, the OAG has provided the attached Independent Auditor's Report and Management Report dated 17 February 2020, including audit findings and recommendations.

The Audit Opinion is unqualified indicating that the Annual Financial Report is based on proper accounts and records, and the accounts are a true and fair representation of the City's financial performance for 2018/19. The Independent Auditor's Report does include the following Emphasis of Matter paragraphs:

Basis of Accounting

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

Contingent Liabilities

I draw attention to Note 18 "Contingent Liabilities" of the annual financial report, which discloses a contingent liability for the City's rehabilitation of its waste disposal site. The City's site licence was varied in May 2017 to require site rehabilitation. My opinion is not modified in respect of this matter.

Additionally, the Management Report indicates that the City's financial procedures and controls are adequately designed with only one significant finding identified that is summarised as follows:

Finding	Implication	Recommendation	Management Response
Rehabilitation of 7 Mile Waste Facility identified as a contingent liability but costs not quantified.	Risk of material misstatement within the financial report.	We recommend once the Filling Sequence Plan and Closure and Post Closure Management Plan have been approved by the Department of Water and Environmental Regulation, the City complete further analysis of the estimated costs contained within the Filling Sequence Plan, including a net present value calculation, to enable a provision for the future remediation and rehabilitation costs associated with the 7 Mile Waste Facility to be recorded.	<p>The City maintains significant funds within its Waste Management Reserve for the purpose of operating the 7 Mile Waste Facility inclusive of development and rehabilitation of waste cells. Annual surpluses from operations are transferred into the Reserve with the balance of the reserve being \$20,119,654 as at 30 June 2019.</p> <p>When the City receives approval for the Filling Sequence Plan and Closure and Post Closure Management Plan from the Department of Water and Environmental Regulation the City will complete further analysis of the estimated costs within the Filling Sequence Plan, including a net present value calculation to enable a provision for the future remediation and rehabilitation costs for the 7 Mile Waste Facility to be recorded.</p> <p>Completion date: June 2020.</p>

LEVEL OF SIGNIFICANCE

In accordance with Council Policy *CG-8 Significant Decision Making Policy*, this matter is considered to be of high significance in terms of economic issues and Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

Financial Services staff together with the Manager Financial Services/CFO, Director Corporate Services and CEO have been consulted regarding the preparation of this report.

The Audit & Organisational Risk Committee Chairperson, CEO and Director Corporate Services participated in the Audit Exit Meeting with the OAG and AMD.

COMMUNITY CONSULTATION

No community consultation is required. The community will be notified of and invited to attend the Annual Electors Meeting to discuss the contents of the City's Annual Report that will contain the Annual Financial Report and the Independent Auditor's Report.

STATUTORY IMPLICATIONS

Section 7.2 of the *Local Government Act 1995* and Regulation 10 of the *Local Government (Audit) Regulations 1996* provide for the annual audit and the report by auditor.

Section 5.54 of the *Local Government Act 1995* provides for acceptance of annual reports by the local government.

POLICY IMPLICATIONS

The financial affairs have been prepared in accordance with the Australian and International Accounting Standards and in accordance with Council Policy CF01 Local Government Accounting Directions.

FINANCIAL IMPLICATIONS

There are no direct financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2019-2020 provided for this activity:

Our Program/Services: 4.c.1.1 Management Accounting Services
 Our Projects/Actions: 4.c.1.1.1 Conduct monthly and annual financial reviews and reporting

Our Program/Services: 4.e.2.1 Publications and media notices
 Our Projects/Actions: 4.e.2.1.1 Produce Annual Report

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Low	Significant controls and oversight in place throughout the year to monitor financial performance. Audits assist in minimising risks.
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Low	Significant controls and oversight in place throughout the year to protect the City from reputational damage.
Compliance	Low	Significant controls and oversight in place throughout the year to ensure high levels of compliance.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

The external audit is completed annually and reported to the Audit & Organisational Risk Committee and Council prior to the Annual Electors Meeting.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Committee by SIMPLE Majority pursuant to Section 5.54 of the *Local Government Act 1995* RESOLVES to NOT ACCEPT the Independent Auditor's Report from the Office of the Auditor General for the year ended 30 June 2019 and seek further advice and clarification on the report.

CONCLUSION

The Audit Opinion is unqualified indicating that the Annual Financial Report is based on proper accounts and records, and the accounts are a true and fair representation of the City's financial performance for 2018/19. The OAG's Management Report has highlighted one finding in relation to accounting for the rehabilitation of the 7MWF that is to be addressed prior to the end of the 2019/20 financial year.

It is recommended that the Annual Financial Report and the Independent Auditor's Report be presented to Council to enable the Annual Electors Meeting to be convened.

OFFICER'S RECOMMENDATION

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Section 5.54 and 7.2 of the *Local Government Act 1995* and Regulation 10 of the *Local Government (Audit) Regulations 1996* RESOLVES to:

1. ACCEPT the Annual Financial Report for the Year ended 30 June 2019.
2. ACCEPT the Independent Auditor's Report from the Office of the Auditor General for 2018/19;
3. NOTE the Management Report provided by the Office of the Auditor General for the year ended 30 June 2019; and

COMMITTEE AMENDED RESOLUTION**Res No : AOR87****MOVED : Cr Long****SECONDED : Cr Scott**

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Section 5.54 and 7.2 of the *Local Government Act 1995* and Regulation 10 of the *Local Government (Audit) Regulations 1996* RESOLVES to:

- 1. ACCEPT the Annual Financial Report for the Year ended 30 June 2019.**
- 2. ACCEPT the Independent Auditor's Report from the Office of the Auditor General for 2018/19;**
- 3. NOTE the Management Report provided by the Office of the Auditor General for the year ended 30 June 2019; and**
- 4. NOTE the Auditor General's Audit Results Report on the 2018-19 financial audits of 106 local government entities will be tabled in Parliament on 11 March 2020.**

CARRIED**FOR : Cr Smeathers, Cr Long, Cr Scott****AGAINST : Nil**

REASON : The Committee modified the Officer's recommendation to note the Auditor General's Audit Results Report will be tabled in Parliament.

CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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Principal place of business:
Lot 1083 Welcome Road
Karratha, WA 6714

**CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Karratha for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the City of Karratha at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 12th day of February 2020



Chris Adams
Chief Executive Officer

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	23(a)	40,488,172	41,399,792	40,443,321
Operating grants, subsidies and contributions	2(a)	13,840,155	12,246,995	9,022,035
Fees and charges	2(a)	38,548,526	42,894,865	36,931,614
Service charges	23(b)	861	0	(6,937)
Interest earnings	2(a)	2,455,903	2,126,232	3,161,870
Other revenue	2(a)	995,327	914,498	2,744,707
		96,328,944	99,582,382	92,296,610
Expenses				
Employee costs		(35,315,195)	(32,541,395)	(33,781,501)
Materials and contracts		(26,036,342)	(30,222,129)	(35,701,391)
Utility charges		(5,824,123)	(5,573,095)	(5,327,723)
Depreciation on non-current assets	10(b)	(17,692,578)	(20,831,619)	(20,623,163)
Interest expenses	2(b)	(9,919)	(10,106)	(9,703)
Insurance expenses		(1,573,650)	(1,454,133)	(1,610,103)
Other expenditure		(2,726,957)	(2,790,858)	(5,341,372)
		(89,178,764)	(93,423,335)	(102,394,956)
		7,150,180	6,159,047	(10,098,346)
Non-operating grants, subsidies and contributions	2(a)	14,696,422	8,411,700	19,539,454
Profit on asset disposals	10(a)	134,365	2,416	32,812
(Loss) on asset disposals	10(a)	(1,674,523)	(75,529)	(135,543)
Asset Accounting Change - Regulation 17A	8(a)	(290,670)	0	0
Fair value adjustments to financial assets at fair value through profit or loss	7	122,620	0	0
Fair value adjustments to investment property	12	1,745,200	0	0
(Loss) on revaluation of furniture and equipment	8(a)	(20,173)	0	0
(Loss) on revaluation of Artwork & sculptures	8(a)	0	0	(458,379)
		14,713,241	8,338,587	18,978,344
Net result for the period		21,863,421	14,497,634	8,879,998
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	157,537	0	(130,250,998)
Total other comprehensive income for the period		157,537	0	(130,250,998)
Total comprehensive income for the period		22,020,958	14,497,634	(121,371,000)

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

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue	2(a)			
Governance		562,981	43,480	1,957,981
General purpose funding		47,319,049	46,762,104	47,678,326
Law, order, public safety		1,183,740	566,021	316,215
Health		162,457	149,800	168,645
Education and welfare		58,900	58,608	58,900
Housing		693,891	592,840	552,750
Community amenities		10,617,201	13,305,650	10,717,545
Recreation and culture		12,246,895	15,388,049	9,983,013
Transport		21,904,357	22,037,586	19,769,007
Economic services		1,098,240	421,945	314,375
Other property and services		481,233	256,299	779,853
		96,328,944	99,582,382	92,296,610
Expenses	2(b)			
Governance		(2,913,346)	(2,866,749)	(3,508,120)
General purpose funding		(1,159,013)	(1,562,329)	(15,092,234)
Law, order, public safety		(1,543,003)	(1,439,700)	(1,539,300)
Health		(1,314,428)	(1,284,185)	(1,395,095)
Education and welfare		(177,629)	(197,120)	(204,257)
Housing		(731,936)	(387,960)	(886,745)
Community amenities		(14,504,500)	(16,663,444)	(13,224,072)
Recreation and culture		(37,435,458)	(36,866,400)	(32,777,898)
Transport		(27,035,426)	(29,871,839)	(29,347,595)
Economic services		(2,007,829)	(2,170,565)	(1,698,302)
Other property and services		(346,277)	(102,938)	(2,711,635)
		(89,168,845)	(93,413,229)	(102,385,253)
Finance Costs	2(b)			
Governance		0	0	(9,703)
General purpose funding		(9,919)	(10,106)	0
		(9,919)	(10,106)	(9,703)
		7,150,180	6,159,047	(10,098,346)
Non-operating grants, subsidies and contributions	2(a)	14,696,422	8,411,700	19,539,454
Profit on disposal of assets	10(a)	134,365	2,416	32,812
(Loss) on disposal of assets	10(a)	(1,674,523)	(75,529)	(135,543)
Asset Accounting Change - Regulation 17A	8(a)	(290,670)	0	0
Fair value adjustments to financial assets at fair value through profit or loss	7	122,620	0	0
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Total other comprehensive income for the period		157,537	0	(130,250,998)
Total comprehensive income for the period		22,020,958	14,497,634	(121,371,000)

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

CITY OF KARRATHA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	25,756,187	14,261,487
Trade and other receivables	5	13,218,161	13,008,996
Financial Assets - Term Deposits	7(a)	42,291,566	48,705,863
Other financial assets at amortised cost	7(a)	24,777	20,115
Inventories	6	411,358	401,778
TOTAL CURRENT ASSETS		81,702,049	76,398,239
NON-CURRENT ASSETS			
Trade and other receivables	5	656,270	831,611
Other financial assets at fair value through profit and loss	7(b)	122,620	0
Other financial assets at amortised cost	7(b)	237,559	331,200
Inventories	6	488,358	524,251
Property, plant and equipment	8	258,518,365	252,134,205
Infrastructure	9	410,595,902	403,519,220
Investment property	12	21,750,000	20,004,800
TOTAL NON-CURRENT ASSETS		692,369,074	677,345,287
TOTAL ASSETS		774,071,123	753,743,526
CURRENT LIABILITIES			
Trade and other payables	13	10,361,336	11,824,063
Borrowings	14(a)	83,439	81,408
Employee related provisions	15	4,122,988	4,088,932
TOTAL CURRENT LIABILITIES		14,567,763	15,994,403
NON-CURRENT LIABILITIES			
Borrowings	14(a)	263,014	346,453
Employee related provisions	15	578,285	761,567
TOTAL NON-CURRENT LIABILITIES		841,299	1,108,020
TOTAL LIABILITIES		15,409,062	17,102,423
NET ASSETS		758,662,061	736,641,103
EQUITY			
Retained surplus		448,643,288	432,129,810
Reserves - cash backed	4	66,847,807	61,497,864
Revaluation surplus	11	243,170,966	243,013,429
TOTAL EQUITY		758,662,061	736,641,103

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

CITY OF KARRATHA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		399,026,989	85,720,687	373,264,427	858,012,103
Comprehensive income					
Net result for the period		8,879,998	0	0	8,879,998
Other comprehensive income	11	0	0	(130,250,998)	(130,250,998)
Total comprehensive income		8,879,998	0	(130,250,998)	(121,371,000)
Transfers from/(to) reserves		24,222,823	(24,222,823)	0	0
Balance as at 30 June 2018		432,129,810	61,497,864	243,013,429	736,641,103
Comprehensive income					
Net result for the period		21,863,421	0	0	21,863,421
Other comprehensive income	11	0	0	157,537	157,537
Total comprehensive income		21,863,421	0	157,537	22,020,958
Transfers from/(to) reserves		(5,349,943)	5,349,943	0	0
Balance as at 30 June 2019		448,643,288	66,847,807	243,170,966	758,662,061

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

CITY OF KARRATHA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		40,697,982	41,399,792	40,365,712
Operating grants, subsidies and contributions		12,020,549	12,927,400	13,918,392
Fees and charges		38,548,526	42,894,865	36,924,679
Service charges		861		0
Interest received		2,455,903	2,126,232	3,161,870
Goods and services tax received (net)		1,698,593	0	0
Other revenue		995,327	914,498	2,744,707
		96,417,741	100,262,787	97,115,360
Payments				
Employee costs		(35,411,111)	(32,541,395)	(33,190,663)
Materials and contracts		(27,526,250)	(29,604,147)	(34,892,516)
Utility charges		(5,824,123)	(5,573,095)	(5,327,723)
Interest expenses		(9,735)	(10,106)	(9,673)
Insurance paid		(1,573,650)	(1,454,133)	(1,610,103)
Goods and services tax paid (net)		0	0	(1,257,231)
Other expenditure		(2,726,957)	(2,790,858)	(5,341,372)
		(73,071,826)	(71,973,734)	(81,629,281)
Net cash provided by (used in) operating activities	16	23,345,915	28,289,053	15,486,079
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(13,976,935)	(14,782,935)	(39,227,273)
Payments for construction of infrastructure		(19,515,800)	(24,335,934)	(19,268,599)
Payments for financial assets		(122,620)	0	0
Non-operating grants, subsidies and contributions		14,696,422	8,411,700	19,539,454
Proceeds from self supporting loans		88,979	84,032	27,572
Proceeds from sale of property, plant & equipment		645,851	499,550	511,254
Net Movement of term deposits classified as financial assets		6,414,297	0	(48,705,863)
Net cash provided by (used in) investment activities		(11,769,806)	(30,123,587)	(87,123,455)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(81,409)	(81,408)	(64,652)
Proceeds from new borrowings		0	0	80,000
Net cash provided by (used in) financing activities		(81,409)	(81,408)	15,348
Net increase (decrease) in cash held		11,494,700	(1,915,942)	(71,622,028)
Cash at beginning of year		14,261,487	67,536,437	85,883,515
Cash and cash equivalents at the end of the year	16	25,756,187	65,620,495	14,261,487

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

CITY OF KARRATHA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Restricted surplus/(deficit) b/fwd - Pilbarra Underground Power		831,611	2,493,705	4,672,754
Unrestricted surplus/(deficit) b/fwd	24 (b)	2,564,089	1,019,841	2,364,705
Net current assets at start of financial year - surplus/(deficit)		3,395,700	3,513,546	7,037,459
Revenue from operating activities (excluding rates)				
Governance		685,601	43,480	1,980,285
General purpose funding		6,830,877	5,363,496	7,235,005
Law, order, public safety		1,183,740	566,021	319,013
Health		162,457	149,800	168,714
Education and welfare		58,900	58,608	58,900
Housing		826,592	592,840	552,750
Community amenities		10,617,481	13,305,650	10,717,606
Recreation and culture		12,247,335	15,388,049	9,984,127
Transport		21,905,301	22,038,818	19,775,424
Economic services		2,843,440	421,945	314,375
Other property and services		481,233	256,299	779,902
		57,842,957	58,185,006	51,886,101
Expenditure from operating activities				
Governance		(2,941,391)	(2,866,749)	(3,502,305)
General purpose funding		(1,172,857)	(1,573,030)	(15,101,937)
Law, order, public safety		(1,546,082)	(1,443,485)	(1,553,956)
Health		(1,316,019)	(1,284,185)	(1,395,095)
Education and welfare		(177,629)	(197,120)	(204,257)
Housing		(858,914)	(387,960)	(886,745)
Community amenities		(14,594,423)	(16,710,961)	(13,288,869)
Recreation and culture		(37,700,336)	(36,869,056)	(32,824,360)
Transport		(28,475,630)	(29,892,240)	(29,363,038)
Economic services		(2,012,006)	(2,170,565)	(1,698,302)
Other property and services		(368,843)	(103,513)	(3,170,014)
		(91,164,130)	(93,498,864)	(102,988,878)
Non-cash amounts excluded from operating activities	24(a)	17,528,370	20,904,732	21,197,118
Amount attributable to operating activities		(12,397,103)	(10,895,580)	(22,868,200)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		14,696,422	8,411,700	19,539,454
Proceeds from disposal of assets	10(a)	645,851	499,550	511,254
Proceeds from self supporting loans		88,979	84,032	27,572
Purchase of property, plant and equipment	8(a)	(13,976,935)	(14,782,935)	(39,227,273)
Purchase and construction of infrastructure	9(a)	(19,515,800)	(24,335,934)	(19,268,599)
Amount attributable to investing activities		(18,061,483)	(30,123,587)	(38,417,592)
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(81,409)	(81,408)	(64,652)
Proceeds from borrowings	14(c)	0	0	80,000
Transfers to reserves (restricted assets)	4	(27,114,282)	(25,133,750)	(23,562,863)
Transfers from reserves (restricted assets)	4	21,764,339	24,907,415	47,785,686
Amount attributable to financing activities		(5,431,352)	(307,743)	24,238,171
Surplus/(deficit) before imposition of general rates		(35,889,938)	(41,326,910)	(37,047,621)
Total amount raised from general rates	23(a)	40,488,172	41,399,792	40,443,321
Restricted surplus/(deficit) June 30 c/fwd - Pilbara Underground Power		656,270	0	831,611
Surplus/(deficit) after imposition of general rates	24(b)	3,941,964	72,882	2,564,089

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect 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 26 to these financial statements.

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
Governance	18,492	0	717,459
General purpose funding	2,721,573	1,460,248	2,481,678
Law, order, public safety	844,230	430,121	174,569
Health	50,923	13,500	14,798
Community amenities	11,600	0	149,524
Recreation and culture	10,040,939	10,297,626	5,190,523
Transport	75,398	10,000	288,484
Economic services	77,000	24,000	5,000
Other property and services	0	11,500	0
	13,840,155	12,246,995	9,022,035
Non-operating grants, subsidies and contributions			
Governance	469,999	0	0
Law, order, public safety	190,726	0	0
Community amenities	0	47,109	940,407
Recreation and culture	7,627,863	6,540,000	16,731,654
Transport	5,777,341	1,824,591	1,867,393
Economic services	630,493	0	0
	14,696,422	8,411,700	19,539,454
Total grants, subsidies and contributions	28,536,577	20,658,695	28,561,489

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

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

Grants, donations and other contributions (Continued)

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 22. 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.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Other	995,327	907,452	2,744,707
	995,327	907,452	2,744,707
Fees and Charges			
Governance	18,495	37,240	103,443
General purpose funding	1,664,861	1,701,786	1,602,512
Law, order, public safety	79,130	83,600	89,548
Health	111,534	136,300	153,848
Education and welfare	58,900	58,608	58,900
Housing	693,891	592,840	552,750
Community amenities	10,311,610	13,095,450	10,293,738
Recreation and culture	5,216,536	4,907,423	4,401,677
Transport	19,958,395	21,879,248	19,301,941
Economic services	390,747	397,195	309,375
Other property and services	44,427	5,175	63,882
	38,548,526	42,894,865	36,931,614
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Loans receivable - clubs/institutions	7,586	7,046	11,682
Reserve accounts interest	1,522,031	1,460,700	1,900,167
Rates instalment and penalty interest (refer Note 23(d))	544,939	323,850	829,509
Late payment of fees and charges *	52,697	6,000	72,955
Other interest earnings	328,650	328,636	347,557
	2,455,903	2,126,232	3,161,870

* The City has resolved to charge interest under section 6.13 for the late payment of any amount of money at 11%

(b) Expenses	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	33,000	71,200	35,896
- Other services	0	1,800	5,210
	33,000	73,000	41,106
Interest expenses (finance costs)			
Borrowings (refer Note 14(b))	9,919	10,106	9,703
	9,919	10,106	9,703

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash and Cash Equivalents			
Cash at bank and on hand		5,720,928	9,257,689
Term deposits		20,035,259	5,003,798
Total Cash and Cash Equivalents		25,756,187	14,261,487
Financial Assets			
Principal Amount of term deposit	7	42,291,566	48,705,863
Total		68,047,753	62,967,350
Cash and Cash Equivalents Comprises:			
- Unrestricted cash and cash equivalents		1,163,174	1,457,963
- Restricted cash and cash equivalents		24,593,013	12,803,524
		25,756,187	14,261,487
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Aerodrome Reserve	4	2,809,608	4,294,420
Carry Forward Budget Reserve	4	552,476	1,765,785
Community Development Reserve	4	894,049	1,307,489
Dampier Drainage Reserve	4	10,763	10,488
Economic Development Reserve	4	1,297,351	1,264,157
Employee Entitlement Reserve	4	5,005,136	4,853,471
Infrastructure Reserve	4	22,636,685	15,177,939
Medical Services Assistance Package Reserve	4	396,497	386,352
Mosquito Control Reserve	4	9,285	8,491
Partnership Reserve	4	9,945,793	8,651,358
Plant Replacement Reserve	4	859,177	837,194
Restricted Funds Reserve	4	1,893,835	417,024
Walkington Theatre Reserve	4	32,652	31,817
Waste Management Reserve	4	20,119,654	21,955,873
Workers Compensation Reserve	4	384,846	536,006
		66,847,807	61,497,864
Other restricted cash and cash equivalents			
Unspent grants/contributions	22	36,772	11,523
Total restricted cash and cash equivalents		66,884,579	61,509,387

SIGNIFICANT ACCOUNTING POLICIES

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 with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

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.

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Aerodrome Reserve	4,294,420	100,447	(1,585,259)	2,809,608	3,553,935	48,832	(1,515,906)	2,086,861	6,586,617	160,266	(2,452,463)	4,294,420
(b) Carry Forward Budget Reserve	1,765,785	186,726	(1,400,035)	552,476	1,490,881	0	(1,157,645)	333,236	1,821,785	1,275,156	(1,331,156)	1,765,785
(c) Community Development Reserve	1,307,489	33,457	(446,897)	894,049	1,239,603	32,617	0	1,272,220	1,209,141	98,348	0	1,307,489
(d) Dampier Drainage Reserve	10,488	275	0	10,763	10,510	276	0	10,786	10,231	257	0	10,488
(e) Economic Development Reserve	1,264,157	33,194	0	1,297,351	1,264,265	33,265	(400,000)	897,530	1,233,206	30,951	0	1,264,157
(f) Employee Entitlement Reserve	4,853,471	151,665	0	5,005,136	4,368,904	114,958	0	4,483,862	4,261,568	591,903	0	4,853,471
(g) Infrastructure Reserve	15,177,939	17,515,056	(10,056,310)	22,636,685	16,810,750	16,908,688	(14,585,419)	19,134,019	22,253,785	12,538,929	(19,614,775)	15,177,939
Medical Services Assistance Package Reserve	386,352	10,145	0	396,497	386,386	10,167	(54,396)	342,157	376,893	9,459	0	386,352
(i) Mosquito Control Reserve	8,491	794	0	9,285	8,491	795	0	9,286	7,726	765	0	8,491
(j) Partnership Reserve	8,651,358	6,980,532	(5,686,097)	9,945,793	9,656,412	6,554,516	(7,194,049)	9,016,879	12,726,119	5,909,384	(9,984,145)	8,651,358
(k) Pilbara Underground Power Reserve	0	0	0	0	1,010,675	0	0	1,010,675	10,605,852	2,343,122	(12,948,974)	0
(l) Plant Replacement Reserve	837,194	21,983	0	859,177	400,335	10,533	0	410,868	816,697	20,497	0	837,194
(m) Restricted Funds Reserve	417,024	1,500,000	(23,189)	1,893,835	531,127	0	0	531,127	431,127	0	(14,103)	417,024
(n) Walkington Theatre Reserve	31,817	835	0	32,652	31,821	836	0	32,657	31,038	779	0	31,817
(o) Waste Management Reserve	21,955,873	565,422	(2,401,641)	20,119,654	23,088,628	1,404,162	0	24,492,790	22,826,019	569,924	(1,440,070)	21,955,873
(p) Workers Compensation Reserve	536,006	13,751	(164,911)	384,846	536,052	14,105	0	550,157	522,883	13,123	0	536,006
	61,497,864	27,114,282	(21,764,339)	66,847,807	64,388,775	25,133,750	(24,907,415)	64,615,110	85,720,687	23,562,863	(47,785,686)	61,497,864

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 financial report.

4. RESERVES - CASH BACKED (Continued)

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

	Name of Reserve	Anticipated date of use	Purpose of the reserve
(a)	Aerodrome Reserve	Ongoing	The purpose of this reserve is to fund the development, operation and maintenance of the Karratha Airport, inclusive of any repayments of borrowings and the funding of employee entitlements.
(b)	Carry Forward Budget Reserve	Ongoing	This reserve is for the purpose of preserving projects funds carried over.
(c)	Community Development Reserve	Ongoing	The purpose of this reserve is to hold Annual Community Association Grant Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Grant Scheme.
(d)	Dampier Drainage Reserve	Ongoing	This reserve is maintained as part of an agreement between the Council and Hamersley Iron. The purpose of the reserve is to ensure funds are available for the maintenance of drainage in Dampier. Hamersley Iron pay to the Council each year a \$10,000 contribution towards this maintenance with any additional works required being drawn from this reserve and similarly, any funds remaining unspent being transferred to this reserve.
(e)	Economic Development Reserve	Ongoing	To fund economic development activities within the City, including Destination Marketing, Business Attraction, Property Development and Tourism.
(f)	Employee Entitlement Reserve	Ongoing	To fund employee leave entitlements when on extended leave, including long service leave as well as periods of Annual Leave for periods greater than 4 weeks duration thereby retaining salary and wages budgets for the funding of replacement staffing during extended periods of leave.
(g)	Infrastructure Reserve	Ongoing	The purpose of this reserve is to allow for the use of these reserve funds for the enhancement, replacement, refurbishment and purchase of infrastructure assets or project works of the City of Karratha inclusive of the associated repayment of borrowings on infrastructure. Project works funded from this Reserve may not necessarily belong to the City of Karratha but must be carried out for the benefit of the City of Karratha.
(h)	Medical Services Assistance Package Reserve	Ongoing	The purpose of this reserve is to fund future assistance to Medical Services in accordance with Council's participation in the Medical Services Incentive Scheme. This is inclusive of retention payments to General Practitioner's in accordance with the Medical Services Incentive Scheme.
(i)	Mosquito Control Reserve	Ongoing	The purpose of this reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
(j)	Partnership Reserve	Ongoing	This reserve is maintained as part of the Community Infrastructure and Services Partnership (the Partnership) and the related funding agreements between the Council and Rio Tinto Iron Ore. The purpose of the reserve is to preserve funds received under each funding agreement under the Partnership and restrict the funds for the purpose of each funding agreements.
(k)	Pilbara Underground Power Reserve	2025	The purpose of this reserve is to secure the unspent portions pertaining to the City of Karratha's share of costs in relation to the Pilbara Underground Power Project.
(l)	Plant Replacement Reserve	Ongoing	The purposes of this reserve is to fund the capital purchase of plant and equipment.
(m)	Restricted Funds Reserve	Ongoing	This reserve is for the purpose of holding Unexpended or Prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.
(n)	Walkington Theatre Reserve	Ongoing	The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.
(o)	Waste Management Reserve	Ongoing	The purpose of this reserve is to fund development, operation and maintenance of the Council's Waste Management facilities inclusive of repayments of borrowings and the funding of employee entitlements.
(p)	Workers Compensation Reserve	Ongoing	The purpose of this reserve is to provide Council with sufficient funds to cover its potential liability in regard to the performance based workers compensation scheme of Local Government Insurance Services of which the City of Karratha is a member. Funds within the Reserve that become surplus to requirements will be transferred to Council's Employee Entitlements Reserve via way of Council's Annual Budget.

5. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	2,383,258	2,593,068
Sundry receivables	8,011,246	7,994,204
Allowance for impairment of receivables	(1,347,908)	(1,355,831)
Accrued Income	3,289,671	1,334,793
Prepayments	192,978	55,253
GST receivable	688,916	2,387,509
	13,218,161	13,008,996

Non-current

Service Charge	656,270	831,611
	656,270	831,611

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of period
Restated balance at start of period
Doubtful debts expense
Expected credit losses expense
Amounts written off during the period

Balance at end of period

2019	2018
\$	\$
1,355,831	303,182
1,355,831	303,182
-	1,052,649
19,315	-
(27,238)	-
1,347,908	1,355,831

SIGNIFICANT ACCOUNTING POLICIES

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.

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

Classification and subsequent measurement

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

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

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

Current

Non-current

Carrying amount at 1 July

SIGNIFICANT ACCOUNTING POLICIES

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 resale

Land held for development and resale 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.

Land held for resale (Continued)

Borrowing 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 onto the buyer at this point.

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

7. OTHER FINANCIAL ASSETS

(a) Current assets

Other financial assets at amortised cost
Other loans and receivables

Other financial assets at amortised cost

- Financial assets at amortised cost - term deposits

Other financial assets at amortised cost

- Loans receivable - clubs/institutions

(b) Non-current assets

Financial assets at fair value through profit and loss
Other loans and receivables

Financial assets at fair value through profit and loss

- *Unlisted equity investments*

Financial assets at fair value through profit and loss - LG House Units

Other financial assets at amortised cost

- Loans receivable - clubs/institutions

2019	2018
\$	\$
42,291,566	48,705,863
24,777	20,115
42,316,343	48,725,978
42,291,566	48,705,863
42,291,566	48,705,863
24,777	20,115
24,777	20,115
122,620	0
237,559	331,200
360,179	331,200
122,620	0
122,620	0
237,559	331,200
237,559	331,200

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 14(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Local Government House Units are held with a fair value as at 30 June 2018.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 25.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

Refer to Note 27 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings	Total land and buildings	Furniture and equipment	Plant	Equipment	Artwork & sculptures	Works In Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	10,048,067	564,454	10,612,521	173,596,104	184,208,625	1,437,430	6,290,738	529,209	1,031,789	27,651,444	221,149,235
Additions	582,825	0	582,825	49,894,489	50,477,314	1,781,653	2,170,501	159,851	1,483,942	(16,845,800)	39,227,461
(Disposals)	0	0	0	0	0	(12,822)	(574,868)	(2,340)	(565)	0	(590,595)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	(1,143,506)	(1,143,506)	0	0	0	0	0	(1,143,506)
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	0	0	0	(458,379)	0	(458,379)
Depreciation (expense)	0	0	0	(4,193,158)	(4,193,158)	(397,814)	(793,204)	(181,038)	(29,122)	0	(5,594,336)
Transfers	0	0	0	(455,675)	(455,675)	0	0	0	0	0	(455,675)
Carrying amount at 30 June 2018	10,630,892	564,454	11,195,346	217,698,254	228,893,600	2,808,447	7,093,167	505,682	2,027,665	10,805,644	252,134,205
Comprises:											
Gross carrying amount at 30 June 2018	34,436,975	564,454	35,001,429	255,359,420	290,360,849	3,819,980	8,402,954	815,926	2,027,665	10,805,644	316,233,018
Accumulated depreciation at 30 June 2018	0	0	0	(29,743,088)	(29,743,088)	(1,011,533)	(1,309,787)	(310,244)	0	0	(32,374,652)
Accumulated impairment loss at 30 June 2018	(23,806,083)	0	(23,806,083)	(7,918,078)	(31,724,161)	0	0	0	0	0	(31,724,161)
Carrying amount at 30 June 2018	10,630,892	564,454	11,195,346	217,698,254	228,893,600	2,808,447	7,093,167	505,682	2,027,665	10,805,644	252,134,205
Additions	470,000		470,000	20,259,302	20,729,302	725,060	2,352,649	118,031	41,605	(9,989,712)	13,976,935
(Disposals)	(215,030)	0	(215,030)	(205,787)	(420,817)	(2,706)	(343,839)	(612)	0	0	(767,974)
Asset Accounting Change - Regulation 17A	0	0	0	0	0	(102,302)	(3,085)	(17,434)	(167,849)	0	(290,670)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	(8,509)	149,221	16,825	0	0	157,537
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	(20,173)	0	0	0	0	(20,173)
Depreciation (expense)	0	0	0	(5,001,857)	(5,001,857)	(672,913)	(771,761)	(184,122)	(40,842)	0	(6,671,495)
Carrying amount at 30 June 2019	10,885,862	564,454	11,450,316	232,749,912	244,200,228	2,726,904	8,476,352	438,370	1,860,579	815,932	258,518,365
Comprises:											
Gross carrying amount at 30 June 2019	34,691,945	564,454	35,256,399	275,352,744	310,609,143	2,726,904	8,476,352	438,370	1,898,024	815,932	324,964,725
Accumulated depreciation at 30 June 2019	0	0	0	(34,684,754)	(34,684,754)	0	0	0	(37,445)	0	(34,722,199)
Accumulated impairment loss at 30 June 2019	(23,806,083)	0	(23,806,083)	(7,918,078)	(31,724,161)	0	0	0	0	0	(31,724,161)
Carrying amount at 30 June 2019	10,885,862	564,454	11,450,316	232,749,912	244,200,228	2,726,904	8,476,352	438,370	1,860,579	815,932	258,518,365

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2017	Comparable market values
Land - vested in and under the control of Council	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2017	Comparable market values
Buildings	3	Cost Approach using depreciated replacement cost	Independent Valuation	June 2017	Replacement cost and remaining estimated useful life
Furniture and equipment	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2019	Measurements based on quoted prices in active markets for identical assets. Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Plant	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2019	Measurements based on quoted prices in active markets for identical assets. Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Equipment	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2019	Measurements based on quoted prices in active markets for identical assets. Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Artwork & sculptures	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Current condition and comparable market values achieved at auction houses and contact with artists

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.

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9. INFRASTRUCTURE

(a) 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.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks, Recreation and Open Space	Infrastructure - Aerodromes	Infrastructure - Miscellaneous Structures	Works In Progress	Infrastructure - Hardcourt Facilities	Infrastructure - Bridges & Culverts	Infrastructure - Boat Ramps & Jetties	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	347,170,678	29,885,889	1,694,412	4,536,899	61,455,125	21,033,605	24,525,809	7,314,453	25,853,459	4,484,324	527,954,653
Additions	10,654,926	2,678,751	299,302	17,965,651	13,292	826,764	(13,170,087)	0			19,268,599
(Disposals)	(4,072)	0	0	(14,736)	0	(4,582)	0	0	0	0	(23,390)
Revaluation increments / (decrements) transferred to revaluation surplus	(125,804,851)	3,915,264	(5,616,098)	(292,502)	(79,766)	(1,390,579)	161,042	0	0	0	(129,107,490)
Depreciation (expense)	(9,337,468)	(1,004,825)	(394,637)	(1,793,526)	(2,165,652)	(332,719)	0	0	0	0	(15,028,827)
Transfers	2,280,199	2,006,463	21,662,474	28,206,035	500	(16,047,760)		(7,314,453)	(25,853,459)	(4,484,324)	455,675
Carrying amount at 30 June 2018	224,959,412	37,481,542	17,645,453	48,607,821	59,223,499	4,084,729	11,516,764	0	0	0	403,519,220
Comprises:											
Gross carrying amount at 30 June 2018	262,773,692	50,119,622	21,682,750	64,306,488	78,297,306	9,029,897	11,516,764	0	0	0	497,726,519
Accumulated depreciation at 30 June 2018	(37,814,280)	(12,638,080)	(4,037,297)	(15,698,667)	(19,073,807)	(4,945,168)	0	0	0	0	(94,207,299)
Carrying amount at 30 June 2018	224,959,412	37,481,542	17,645,453	48,607,821	59,223,499	4,084,729	11,516,764	0	0	0	403,519,220
Additions	5,771,915	2,549,955	1,130,335	4,376,650	4,136,575	4,550,639	(3,000,269)	0	0	0	19,515,800
(Disposals)	(1,301,054)	(57,561)	0	(59,420)	0	0	0	0	0	0	(1,418,035)
Depreciation (expense)	(4,568,500)	(716,082)	(577,206)	(2,725,984)	(2,016,160)	(417,151)	0	0	0	0	(11,021,083)
Carrying amount at 30 June 2019	224,861,773	39,257,854	18,198,582	50,199,067	61,343,914	8,218,217	8,516,495	0	0	0	410,595,902
Comprises:											
Gross carrying amount at 30 June 2019	265,265,198	52,612,016	22,813,085	68,623,718	82,433,881	13,580,536	8,516,495	0	0	0	513,844,929
Accumulated depreciation at 30 June 2019	(40,403,425)	(13,354,162)	(4,614,503)	(18,424,651)	(21,089,967)	(5,362,319)	0	0	0	0	(103,249,027)
Carrying amount at 30 June 2019	224,861,773	39,257,854	18,198,582	50,199,067	61,343,914	8,218,217	8,516,495	0	0	0	410,595,902

9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks, Recreation and Open Space	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Aerodromes	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Miscellaneous Structures	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	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.

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, 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.

Land under roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *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.

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10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	215,030	137,323	38,395	(116,102)	0	0	0	0	0	0	0	0
Buildings	205,787	242,861	94,306	(57,232)	0	0	0	0	0	0	0	0
Furniture and equipment	2,706	0	0	(2,706)	0	0	0	0	12,822	0	0	(12,822)
Plant	343,839	264,272	269	(79,836)	555,462	497,750	2,416	(60,128)	574,868	511,254	32,812	(96,426)
Equipment	612	1,395	1,395	(612)	17,201	1,800	0	(15,401)	2,340	0	0	(2,340)
Artwork & sculptures	0	0	0	0	0	0	0	0	565	0	0	(565)
Infrastructure - Roads	1,301,054	0	0	(1,301,054)	0	0	0	0	4,072	0	0	(4,072)
Infrastructure - Footpaths	57,561	0	0	(57,561)	0	0	0	0	0	0	0	0
Infrastructure - Parks, Recreation and Open	59,420	0	0	(59,420)	0	0	0	0	14,736	0	0	(14,736)
Infrastructure - Miscellaneous Structures	0	0	0	0	0	0	0	0	4,582	0	0	(4,582)
	2,186,009	645,851	134,365	(1,674,523)	572,663	499,550	2,416	(75,529)	613,985	511,254	32,812	(135,543)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Land				
Housing				
LAND000061 - 54 Sholl Street	155,000	38,898	0	(116,102)
LAND000059 - 9 Sing Place	60,030	98,425	38,395	0
	215,030	137,323	38,395	(116,102)
Buildings				
Housing				
SH000041 - 9 Sing Place	148,555	242,861	94,306	0
Community amenities				
BC000015 - Hearson Cove Toilet Block	37,653	0	0	(37,653)
BC000120 - Dodd Court Toilet Block	19,579	0	0	(19,579)
	205,787	242,861	94,306	(57,232)
Furniture and Equipment				
Recreation and culture				
30000871 - Chin/Dip Machine	578	0	0	(578)
30001507 - 7 x Spin Bikes	2,128	0	0	(2,128)
	2,706	0	0	(2,706)
Plant				
Community amenities				
40000486 - P8012 Komatsu Loader	85,877	61,818	0	(24,059)
Recreation and culture				
40000478 - P1055 Subaru Forester	12,166	12,000	0	(166)
Transport				
40000522 - P2044 Holden Colorado	14,731	15,000	269	0
40000369 - P8804 Fuso Fighter	59,565	27,272	0	(32,293)
40000417 - P8808 Komatsu Grader	86,268	84,545	0	(1,723)
40000420 - P8813 Prime Mover	85,232	63,637	0	(21,595)
	343,839	264,272	269	(79,836)
Equipment				
Community amenities				
20000613 - P3008 Air Compressor	0	280	280	0
Recreation and culture				
P5118 - Stihl Chainsaw	0	300	300	0
P5088 - Stihl Brushcutter	0	90	90	0
P4079 - Stihl Blower	0	50	50	0
20000641 - P3020 Bowling Green Mow Master	612	0	0	(612)
Transport				
20000268 - Instant Shade	0	0		
P5067 - Stihl Chainsaw	0	175	175	0
P4068 - Honda Generator	0	200	200	0
P553 - Honda Mower	0	110	110	0
P3007 - Cement Mixer	0	190	190	0
	612	1,395	1,395	(612)
Infrastructure				
Recreation and culture				
PF001138 - Hearson Picnic Table	2,600	0	0	(2,600)
PF001141 - Hearson Picnic Table	3,000	0	0	(3,000)
OST00025 - Pegs Creek Oval Cricket Nets	24,941	0	0	(24,941)
BC000072 - RAC Pool Shed	28,879	0	0	(28,879)
Transport				
FP001763 - Footpath Welcome Park	20,682	0	0	(20,682)
FP001764 - Footpath Welcome Park	10,547	0	0	(10,547)
FP001653 - Footpath Point Samson	9,033	0	0	(9,033)
FP001775B - Footpath Welcome Road	17,299	0	0	(17,299)
IRIS Roads Disposal	1,301,054	0	0	(1,301,054)
	1,418,035	0	0	(1,418,035)
	2,186,009	645,851	134,365	(1,674,523)

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings	5,001,857	4,782,761	4,193,158
Furniture and equipment	672,913	352,048	397,814
Plant	771,761	703,399	793,204
Equipment	184,122	231,765	181,038
Artwork & sculptures	40,842	21,606	29,122
Infrastructure - Roads	4,568,500	9,660,077	9,337,468
Infrastructure - Footpaths	716,082	0	1,004,825
Infrastructure - Drainage	577,206	0	394,637
Infrastructure - Parks, Recreation and Open Space	2,725,984	0	1,793,526
Infrastructure - Aerodromes	2,016,160	2,169,145	2,165,652
Infrastructure - Miscellaneous Structures	417,151	2,910,818	332,719
	17,692,578	20,831,619	20,623,163

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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.

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

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

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.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Artworks	50 years
Buildings	10 to 100 years
Furniture and equipment	3 to 10 years
Plant and equipment	2 to 15 years
Infrastructure	
- Roads	12 to 80 years
- Pathways and cycleways	10-80 years
- Aerodrome Assets	10 to 80 years
- Parks Developments	15 to 30 years
- Bridges	60 years
- Drains and Stormwater Network	40 to 80 years
- Miscellaneous Structures	15 to 100 years
- Boat ramps/jetties	25 years
- Street Lighting	15 to 20 years

Depreciation (Continued)

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

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11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Transfer between Asset Class	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	6,426,847	0	0	0	6,426,847	6,426,847	0	0	0	0	6,426,847
Revaluation surplus - Buildings	17,484,855	0	0	0	17,484,855	18,593,487	0	(1,143,508)	(1,143,508)	34,876	17,484,855
Revaluation surplus - Furniture and equipment	8,509	0	(8,509)	(8,509)	0	8,509	0	0	0	0	8,509
Revaluation surplus - Plant	47,001	149,221	0	149,221	196,222	47,001	0	0	0	0	47,001
Revaluation surplus - Equipment	0	16,825	0	16,825	16,825	0	0	0	0		0
Revaluation surplus - Infrastructure - Roads	148,060,533	0	0	0	148,060,533	272,056,356	0	(125,804,851)	(125,804,851)	1,809,028	148,060,533
Revaluation surplus - Infrastructure - Footpaths	30,637,280	0	0	0	30,637,280	24,543,432	3,915,264	0	3,915,264	2,178,584	30,637,280
Revaluation surplus - Infrastructure - Drainage	16,047,658	0	0	0	16,047,658	113,738	0	(5,616,098)	(5,616,098)	21,550,018	16,047,658
Revaluation surplus - Infrastructure - Parks, Recreation and Open Space	5,886,099	0	0	0	5,886,099	0	0	(292,502)	(292,502)	6,178,601	5,886,099
Revaluation surplus - Infrastructure - Aerodromes	17,008,351	0	0	0	17,008,351	15,030,675	(79,766)	0	(79,766)	2,057,442	17,008,351
Revaluation surplus - Infrastructure - Miscellaneous Structures	1,406,296	0	0	0	1,406,296	4,509,694	161,042	(1,390,579)	(1,229,537)	(1,873,861)	1,406,296
Revaluation surplus - Works In Progress	0	0	0	0	0	616,856	0	0	0	(616,856)	0
Revaluation surplus - Infrastructure - Hardcourt Facilities	0	0	0	0	0	27,654,868	0	0	0	(27,654,868)	0
Revaluation surplus - Infrastructure - Bridges & Culverts	0	0	0	0	0	3,662,964	0	0	0	(3,662,964)	0
	243,013,429	166,046	(8,509)	157,537	243,170,966	373,264,427	3,996,540	(134,247,538)	(130,250,998)	0	243,013,429

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

12. INVESTMENT PROPERTIES

Non-current assets - at fair value

Carrying balance at 1 July

Net gain/(loss) from fair value adjustment

Closing balance at 30 June

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Carrying balance at 1 July	20,004,800	20,004,800	20,004,800
Net gain/(loss) from fair value adjustment	1,745,200	0	0
Closing balance at 30 June	21,750,000	20,004,800	20,004,800
Amounts recognised in profit or loss for investment properties			
Rental income	2,453,688	1,900,002	1,882,722
Direct operating expenses from property that generated rental income	(1,301,861)	(1,117,275)	(1,281,950)
Fair value gain recognised in other income	1,745,200	0	0

Leasing arrangements

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

Within one year

Later than one year but not later than 5 years

Later than 5 years

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Within one year	1,823,278	1,553,128	1,553,128
Later than one year but not later than 5 years	6,326,030	5,893,177	6,088,578
Later than 5 years	7,927,907	7,927,907	9,285,633
	16,077,215	15,374,212	16,927,339

SIGNIFICANT ACCOUNTING POLICIES

Investment properties

Investment properties are principally freehold buildings, held for long-term rental yields and not occupied by the City. They are carried at fair value. Changes in the fair values are presented in profit or loss as a part of other revenue.

Fair value of investment properties

An independent valuation was performed to determine the fair value of investment properties. The main Level 3 inputs used in the valuation were discount rates, rental yields, expected vacancy rates and rental growth rates estimated based on comparable transactions and industry data.

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Income Received In Advance
Accrued salaries and wages
Other Liabilities
Rentention Monies
Accrued Expenses

2019	2018
\$	\$
6,253,308	8,954,994
833,675	760,243
225,916	172,420
363,426	9,342
707,762	1,527,894
1,977,249	399,170
10,361,336	11,824,063

SIGNIFICANT ACCOUNTING POLICIES

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

Trade and other payables (Continued)

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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14. INFORMATION ON BORROWINGS

(a) Borrowings	2019	2018
	\$	\$
Current	83,439	81,408
Non-current	263,014	346,453
	346,453	427,861

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual Principal	30 June 2019	30 June 2019	30 June 2019	Budget Principal	30 June 2019	30 June 2019	30 June 2019	Actual Principal	30 June 2018	30 June 2018	30 June 2018	30 June 2018
				1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	1 July 2018	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	1 July 2017	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Self Supporting Loans																
General purpose funding																
Karratha Country Club	1	WATC	2.44%	347,861	66,240	8,079	281,622	347,861	66,239	8,086	281,622	412,513	0	64,652	9,525	347,861
Karratha RSL	100	WATC	2.65%	80,000	15,169	1,840	64,831	80,000	15,169	2,020	64,831	0	80,000	0	178	80,000
				427,861	81,409	9,919	346,453	427,861	81,408	10,106	346,453	412,513	80,000	64,652	9,703	427,861
				427,861	81,409	9,919	346,453	427,861	81,408	10,106	346,453	412,513	80,000	64,652	9,703	427,861

Self supporting loans are financed by payments from third parties. These are shown in Note 7 as other financial assets at amortised cost.
 All other loan repayments were financed by general purpose revenue.

14. INFORMATION ON BORROWINGS (Continued)

	2019	2018
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	0	0
Credit card limit	130,500	115,500
Credit card balance at balance date	(26,610)	(1,020)
Total amount of credit unused	1,103,890	1,114,480
Loan facilities		
Loan facilities - current	83,439	81,408
Loan facilities - non-current	263,014	346,453
Total facilities in use at balance date	346,453	427,861

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.

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

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.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 25.

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	2,522,884	1,566,048	4,088,932
Non-current provisions	0	761,567	761,567
	2,522,884	2,327,615	4,850,499
Additional provision	2,881,058	374,665	3,255,723
Amounts used	(3,024,917)	(380,032)	(3,404,949)
Balance at 30 June 2019	2,379,025	2,322,248	4,701,273
Comprises			
Current	2,379,025	1,743,963	4,122,988
Non-current		578,285	578,285
	2,379,025	2,322,248	4,701,273
Amounts are expected to be settled on the following basis:	2019	2018	
	\$	\$	
Less than 12 months after the reporting date	4,122,988	4,088,932	
More than 12 months from reporting date	578,285	761,567	
	4,701,273	4,850,499	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

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.

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

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.

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash 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:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	25,756,187	65,620,495	14,261,487
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	21,863,421	14,497,634	8,879,998
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	290,670	0	0
Adjustments to fair value of investment property	(1,745,200)	0	0
Depreciation	17,692,578	20,831,619	20,623,163
(Profit)/loss on sale of asset	1,540,158	73,113	102,731
Loss on revaluation of fixed assets	20,173	0	458,379
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(33,823)	680,405	3,561,505
(Increase)/decrease in inventories	26,313	0	(69,825)
Increase/(decrease) in payables	(1,462,727)	617,982	880,651
Increase/(decrease) in provisions	(149,226)	0	588,931
Non -operating grants and contributions for the development of assets	(14,696,422)	(8,411,700)	(19,539,454)
Net cash from operating activities	23,345,915	28,289,053	15,486,079

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	32,549,571	30,698,491
Law, order, public safety	2,619,914	2,703,589
Health	863,837	886,014
Education and welfare	3,112,677	3,227,131
Housing	20,092,884	20,425,563
Community amenities	23,634,832	19,354,535
Recreation and culture	199,398,181	188,073,358
Transport	396,906,985	386,385,615
Economic services	1,141,848	376,386
Other property and services	1,211,624	1,205,153
Unallocated	92,538,770	100,407,691
	774,071,123	753,743,526

The method to determine assets by function and activity was updated in 2019, 2018 values have also been reassessed and adjusted based on the new method. There has been no change to the total assets for 2018.

18. CONTINGENT LIABILITIES

Contaminated Sites

In compliance with the Contaminated Sites Act 2003 Section 11, the City has listed sites to be possible sources of contamination. Details of these site are:

- Roebourne Airport
- Karratha Airport
- Karratha Depot

Until the City conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the Department of Water and Environmental Regulation on the need and criteria for remediation of a risk based approach, the City is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Water and Environmental Regulation Guidelines.

Landfill Site

The City currently operates the Seven Mile Waste Disposal site. According to the City's current information this site has a life expectancy in excess of 20 years. The City is responsible to fully rehabilitate this site at the end of it's operation.

A post closure plan has been prepared with rehabilitation estimates for the Capping and Restoration of the cells currently in use being approximately \$13.7M. The City of Karratha has been in discussions with Department of Water and Environmental Regulation (DWER) and will be submitting the post closure plan for approval. The finalisation of the cost estimate will be dependent on DWER approval.

The site rehabilitation cost estimates will be accounted in the City's accounts in accordance with the relevant Australian Accounting Standards when DWER approve the rehabilitation submission. The DWER approval is expected within FY2020.

19. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

	2019 \$	2018 \$
Red Earth Arts Precinct	0	188,420
Wickham Community Hub	0	8,045,196
Wickham Community Hub - Skatescape	0	414,534
Waste Facility - Class III Cell Construction	0	3,141,245
Karratha Airport - LA31 Hangar Project	0	2,085,617
Dampier Palms	11,350,672	0
Dampier Pavilion	929	0
Balla Balla Road Renewal	829,721	0
	12,181,322	13,875,012

Payable:

- not later than one year	12,181,322	13,875,012
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20. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the Mayor.

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	345,292	345,000	344,058
Mayor's allowance	85,000	85,000	85,000
Deputy Mayor's allowance	21,250	21,250	21,134
Travelling expenses	40,581	30,000	48,260
Telecommunications allowance	38,209	38,496	38,391
Training expenses	35,719	55,000	55,987
Professional Development	0	33,000	1,319
Mayor's Discretionary Fund (Council Related Expenses)	573	2,000	1,045
	566,624	609,746	595,194

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the City during the year are as follows:

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	1,314,364	1,412,916
Post-employment benefits	137,847	135,552
Other long-term benefits	178,461	52,112
Termination benefits	14,403	0
	1,645,075	1,600,580

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above. Short term employee benefits do not include elected member remuneration.

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

20. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

Transactions between related parties and the City are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

	2019 Actual	2018 Actual
The following transactions occurred with related parties:	\$	\$
Sale of goods and services	10,146	33,370
Purchase of goods and services	37,793	218,751
Amounts outstanding from related parties:		
Trade and other receivables	490	0
Amounts payable to related parties:		
Trade and other payables	3,266	104,030

Related Parties

Sale of goods and services relate predominantly to regulatory functions such as building permits.

Purchase of goods and services relate predominantly to grant funding and photography services.

The City's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

The associate person of KMP was employed by the City under normal employment terms and conditions.

iii. Entities subject to significant influence by the City

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

21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

KARRATHA AIRPORT OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2019	2019 Budget	2018
	\$	\$	\$
Revenue			
Fees and Charges	15,978,167	17,617,989	14,471,612
Terminal Leases	358,370	318,000	1,171,596
Grants and Contributions	681,927	835,000	3,658,051
Other Revenue	2,955,203	3,176,797	99,051
	<u>19,973,667</u>	<u>21,947,786</u>	<u>19,400,310</u>
Expenditure			
Employee Costs	2,336,137	2,004,354	1,765,624
Materials & Contracts	4,994,526	5,068,651	3,852,441
Utilities	1,606,833	1,383,248	1,636,933
Insurance	403,962	380,177	490,877
Depreciation	2,935,576	3,066,866	3,072,620
Other Expenditure	50,937	48,391	766,158
	<u>12,327,971</u>	<u>11,951,687</u>	<u>11,584,653</u>
Net Operating Result	<u>7,645,696</u>	<u>9,996,099</u>	<u>7,815,657</u>
Capital Expenditure	2,273,581	4,798,806	4,187,502
Total Net Trading Undertaking	<u>5,372,115</u>	<u>5,197,293</u>	<u>3,628,155</u>
		2019	2018
		\$	\$
CURRENT ASSETS			
Trade and other receivables		4,217,237	3,342,270
Reserves - Cash Backed		2,809,608	4,294,420
		<u>7,026,845</u>	<u>7,636,690</u>
NON CURRENT ASSETS			
Buildings		43,552,464	41,025,962
Less Accumulated Depreciation		(5,710,881)	(4,789,316)
Infrastructure		83,936,720	78,297,305
Less Accumulated Depreciation		(20,259,457)	(19,073,807)
Plant		268,599	288,839
Less Accumulated Depreciation		0	(43,162)
Equipment		44,647	72,225
Less Accumulated Depreciation		0	(29,596)
Furniture & Equipment		245,387	361,992
Less Accumulated Depreciation		0	(90,540)
Artwork		185,200	184,000
Less Accumulated Depreciation		(3,704)	0
		<u>102,258,975</u>	<u>96,203,902</u>
CURRENT LIABILITIES			
Trade and other payables		1,185,444	1,331,288
		<u>1,185,444</u>	<u>1,331,288</u>
NET ASSETS		<u>108,100,376</u>	<u>102,509,304</u>
EQUITY			
Reserves - cash backed		2,809,608	4,294,420
Retained surplus		105,290,768	98,214,884
TOTAL EQUITY		<u>108,100,376</u>	<u>102,509,304</u>

The City operates the only public airport within the district and operates the aerodrome with the purpose of producing a profit.

21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS (Continued)

THE QUARTER OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2019	2019 Budget	2018
	\$	\$	\$
Revenue			
Leases	1,533,232	1,521,394	1,414,287
Other Revenue	920,457	781,885	468,435
	<u>2,453,689</u>	<u>2,303,279</u>	<u>1,882,722</u>
Expenditure			
Employee Costs	0	0	0
Materials & Contracts	680,519	818,872	810,634
Utilities	328,677	274,060	267,252
Insurance	53,022	53,022	71,182
Other Expenditure	239,643	230,454	132,882
	<u>1,301,861</u>	<u>1,376,408</u>	<u>1,281,950</u>
Net Operating Result	<u>1,151,828</u>	<u>926,871</u>	<u>600,772</u>
Fair value adjustments to investment property	1,745,200	0	0
Total Net Trading Undertaking	<u>(593,372)</u>	<u>926,871</u>	<u>600,772</u>
		2019	2018
		\$	\$
CURRENT ASSETS			
Trade and other receivables		233,783	290,273
		<u>233,783</u>	<u>227,288</u>
NON CURRENT ASSETS			
Land		885,000	900,000
Buildings		20,865,000	19,104,800
		<u>21,750,000</u>	<u>20,004,800</u>
CURRENT LIABILITIES			
Trade and other payables		15,465	0
		<u>15,465</u>	<u>0</u>
NET ASSETS		<u><u>21,968,318</u></u>	<u><u>20,232,088</u></u>
EQUITY			
Retained surplus		21,968,318	20,232,088
TOTAL EQUITY		<u><u>21,968,318</u></u>	<u><u>20,232,088</u></u>

As part of Council's investment strategy, a commercial property 'The Quarter', was purchased in June 2017.

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance ⁽¹⁾ 30/06/18	Received ⁽²⁾ 2018/19	Expended ⁽³⁾ 2018/19	Closing Balance 30/06/19	
	\$	\$	\$	\$	\$	\$	\$	
Law, order, public safety								
DFES Contribution - Wick/Roeb SES	10,063	0	0	10,063	0	(10,063)	0	
Rio Tinto - Wickham/Roebourne SES Facility	37,872	0	0	37,872	0	(37,872)	0	
Department of Industries - Safer Communities Fund	0	0	0	0	186,726	0	186,726	(2) ^
Community amenities								
Dept. of Planning - Coastal Management Strategy	3,050	0	0	3,050	1,600	(4,650)	0	#
PRC - Contribution to Sullage Point	2,380	0	0	2,380	0	0	2,380	(1) #
PDC Hydrology Grant	40,000	0	0	40,000	0	0	40,000	(1) *
Recreation and culture								
Rio Tinto - Eastern Corridor Youth Services	170,000	0	(120,000)	50,000	0	0	50,000	(1) *
DLGC Grant - Community Development Initiative	20,000	0	(20,000)	0	0	0	0	
Pilbara Development Commission - Youth Services & Community Safety Initiative	250,000	0	0	250,000	0	(250,000)	0	
Dept Planning, Lands & Heritage - Roebourne Gaol Funding	0	0	0	0	1,500,000	0	1,500,000	(2) ^
Roebourne Community Recreation Assoc Inc	23,024	0	0	23,024	0	0	23,024	(1) ^
State Library of Western Australia	6,705	16,915	(17,527)	6,093	14,946	(11,607)	9,432	(3) #
Rio Tinto -Wickham Recreation Facility Operations	123,755	2,403,967	(2,310,378)	217,344	2,466,536	(2,476,662)	207,218	(3) *^
Rio Tinto - Wickham Facility Compliance Works	0	0	0	0	2,400,000	(1,016,046)	1,383,954	(2) ^
Rio Tinto - Wickham Community Hub	5,327,570	2,109,890	(6,786,141)	651,319	0	(651,319)	0	
Rio Tinto - Wickham Recreation and Community Facilities Project	185,155	0	0	185,155	0	(185,155)	0	
Rio Tinto -Wickham Community Hub Operations	0	0	0	0	500,000	0	500,000	(2) ^
Rio Tinto - Dampier Community Hub	894,372	0	0	894,372	0		894,372	(1) *
Rio Tinto - Damiper Community Hub Operations	2,382,352	1,000,000	(665,305)	2,717,047	1,000,000	(478,923)	3,238,124	(3) *^
Rio Tinto - Partnership Management Team	442,830	0	(62,616)	380,214	0	0	380,214	(1) *
Rio Tinto - Community Development Services	204,300	0	0	204,300	0	0	204,300	(1) *
Pilbara Industry Road Safety Alliance	63,236	0	0	63,236	0	(17,006)	46,230	(1) *
Cossack Art Program - Sponsorships	94,000	0	(94,000)	0	0	0	0	
Dept. Sport and Recreation - Kidsport Program	2,749	0	(2,749)	0	0	0	0	
Rio Tinto - Karratha Leisureplex Program Support	3,274	50,000	0	53,274	0	0	53,274	(1) *
Water Corporation - Tank Art	0	27,273	0	27,273	0	0	27,273	(1) *
Transport								
Dept. of State Development - Murujuga Tourism Activation Agreement	177,393	0	0	177,393	0	(18,215)	159,178	(1) *
Contributions-Beaches & Foreshore Works	5,960	0	(5,960)	0	0	0	0	
Contribution To Entry Statement Main Roads WA - Mooligunn Road Reconstruction	175,000	0	(14,103)	160,897	0	(13,126)	147,771	(1) *
Education Department - Bus Shelter Construction	0	200,526	(85,672)	114,854	0	(114,854)	0	
	0	0	0	0	35,000	(10,040)	24,960	(2) #
Total	10,645,040	5,808,571	(10,184,451)	6,269,160	8,104,808	(5,295,538)	9,078,430	

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.

(*) - Grants/contributions have been received in Municipal cash in previous period and have been transferred to Reserve in previous period

(^*) - Grants/contributions have been received in Municipal cash and have been transferred to Reserve in 2018/19

(#) - Grants/contributions have been received in Municipal cash and are contained in Note 3 Restricted Cash.

23. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
Residential	0.115175	6,982	143,121,628	16,484,033	13,658	(6,591)	16,491,098	16,502,049	35,000	3,000	16,540,049	16,371,031
Commercial/Tourism/Town Centre/Other	0.097836	255	29,301,486	2,866,740	3,567	0	2,870,307	2,868,185	12,500	1,000	2,881,685	2,764,949
Industry/Mixed Business	0.099413	459	43,141,751	4,288,851	(64,342)	(25,327)	4,199,182	4,221,053	12,500	1,000	4,234,553	4,119,344
Airport/Strategic Industry	0.153391	17	8,490,470	1,302,362	0	0	1,302,362	1,302,362	150,000	0	1,452,362	1,283,023
Transient Workforce Accommodation/Work	0.379455	22	13,747,200	5,216,444	0	67,240	5,283,684	5,297,799	120,000	0	5,417,799	5,226,560
Unimproved valuations												
Pastoral	0.101606	10	2,713,590	275,717			275,717	275,717	0	0	275,717	270,172
Mining/Other	0.136414	187	5,680,044	774,838	47,738	(5,315)	817,261	771,002	0	0	771,002	749,228
Strategic Industry	0.176005	33	39,302,788	6,917,487	(287,185)	(321,474)	6,308,828	6,917,487	0	0	6,917,487	7,144,833
Sub-Total		7,965	285,498,957	38,126,472	(286,564)	(291,467)	37,548,439	38,155,654	330,000	5,000	38,490,654	37,929,140
Minimum payment												
Gross rental valuations												
Residential	1,519	1,524	13,072,539	2,314,956			2,314,956	2,286,095	0	0	2,286,095	2,240,960
Commercial/Tourism/Town Centre/Other	1,519	221	2,078,320	335,699			335,699	335,699	0	0	335,699	320,350
Industry/Mixed Business	1,519	137	517,491	208,103			208,103	208,103	0	0	208,103	205,620
Airport/Strategic Industry	1,519	1	2,600	1,519			1,519	1,519	0	0	1,519	1,490
Unimproved valuations												
Mining/Other	319	173	169,165	55,187			55,187	54,868	0	0	54,868	46,324
Strategic Industry	319	10	10	3,190			3,190	3,190	0	0	3,190	3,756
Sub-Total		2,066	15,840,125	2,918,654	0	0	2,918,654	2,889,474	0	0	2,889,474	2,818,500
		10,031	301,339,082	41,045,126	(286,564)	(291,467)	40,467,093	41,045,128	330,000	5,000	41,380,128	40,747,640
Discounts/concessions (refer Note 23(c))							(29,380)				(29,380)	(355,216)
Total amount raised from general rate							40,437,713				41,350,748	40,392,424
Ex-gratia rates							50,459				49,044	50,897
Totals							40,488,172				41,399,792	40,443,321

SIGNIFICANT ACCOUNTING POLICIES

Rates
Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

23. RATING INFORMATION (Continued)

(b) Service Charges

Service Charges	Amount of Charge	2018/19 Actual Revenue Raised	2018/19 Actual Charges Applied to Costs	2018/19 Actual Charges Set Aside to Reserve	2018/19 Actual Reserve Applied to Costs	2018/19 Budget Revenue	2018/19 Budget Charges Applied to Costs	2018/19 Budget Charges Set Aside to Reserve	2018/19 Budget Reserve Applied to Costs	2017/18 Total Actual Revenue
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PUPP HV Allocation	\$48.26 per kVa	(121)	0	0	0	0	0	0	0	(965)
PUPP LV Allocation	\$196.38 per kVa	982	0	0	0	0	0	0	0	(3,928)
PUPP Connection Charge	\$1,022.17 per Connection	0	0	0	0	0	0	0	0	(2,044)
		861	0	0	0	0	0	0	0	(6,937)

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
PUPP HV Allocation	To assist with the costs associated with the HV component of PUPP Works	Fund the HV component of PUPP Works	All areas within scope of PUPP works
PUPP LV Allocation	To assist with the costs associated with the LV component of PUPP Works	Fund the LV component of PUPP Works	All areas with existing overhead infrastructure
PUPP Connection Charge	To assist with the costs associated with the Connection component of PUPP works	Fund the Connection component of PUPP works	All properties with an existing overhead connection

(c) Discounts, Incentives, Concessions, & Write-offs

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$
Cossack (GRV)	Concession		1,469	29,380	29,380	27,360
Transient Workforce Accommodation / Workforce Accommodation (GRV)	Concession					
Fees and Charges	Waiver	Various		0	0	327,856
		As determined on application		128,410	58,107	111,740
Rates	Waiver	100.00%		39,287	39,287	41,295
Rates and Penalty interest	Write Off	As determined on application		18,859	0	0
Fees and Charges	Write Off	As determined on application		27,238	0	0
				243,174	126,774	508,251

23. RATING INFORMATION (Continued)

(c) Discounts, Incentives, Concessions, & Write-offs (Continued)

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Cossack (GRV)	All 20 rateable properties within the Cossack Township	To provide rating relief to property owners in the Cossack Township.	To recognise the heritage nature of the Cossack Township, development restrictions and lack of town utilities.
Transient Workforce Accommodation / Workforce Accommodation (GRV)	For TWAWA (GRV) that but for the Concession offered by Council for the 2016/17 financial year would have experienced a greater than 20% increase in rates due to disparate valuation changes within the category.	To phase out the 2016/17 concession for properties that remain eligible.	To phase in the impact of valuation changes in 2016/17.
Fees and Charges	Waiver of Fees and Charges for local Sporting Groups where no commercial return is derived from the property	To assist local Not for Profit Community Organisations to remain viable.	To recognise the community benefit provided by local Not for Profit Community Organisations.
	Fee Waivers for Economic Development purposes considered on an individual basis by Council or administratively by delegated authority	To encourage economic diversity and growth within the City of Karratha.	To ensure a diverse economy for the future prosperity of the City of Karratha.
	General Fee Waivers considered on an individual basis administratively by delegated authority	To ensure business continuity, administrative efficiency and marketing opportunities.	To minimise the administrative costs of the City and it's partners in doing business.
Rates	Fee Waivers for local Not for Profit and Community Organisations considered upon application for the use of the City's waste and recreational facilities.	To assist local sporting organisations to remain operational.	To recognise the community benefit provided by local sporting organisations.
Rates and Penalty interest	Considered on an individual basis by Council or administratively by delegated authority.	To ensure efficiency and cost effectiveness in pursuing rates debts.	To manage the City's rates register in an economically viable manner.
Fees and Charges	Considered on an individual basis by Council or administratively by delegated authority.	To ensure efficiency and cost effectiveness in pursuing sundry debts.	To manage the City's debt portfolio in an economically viable manner.

23. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One	03 Sep 2018	0	0.00%	11.00%
Option Two	03 Sep 2018	0	4.50%	11.00%
	05 Nov 2018	10.00	4.50%	11.00%
Option Three	03 Sep 2018	0	4.50%	11.00%
	05 Nov 2018	10.00	4.50%	11.00%
	07 Jan 2019	10.00	4.50%	11.00%
	11 Mar 2019	10.00	4.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	364,116	280,000	360,888
Interest on instalment plan	97,003	119,500	136,331
Deferred Pensioner Interest	641	350	352
Charges on instalment plan	72,150	82,000	72,840
Administration Fee - Adhoc Arrangement	270	1,000	100
Administration Fee - Direct Debit	670	500	760
	534,850	483,350	571,271

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
PUPP Penalty Interest	52,698	43,500	26,342
PUPP Instalment Interest	30,481	28,444	305,596
PUPP Instalment Charges	4,624	4,140	56,680
	87,803	76,084	388,618

24. RATE SETTING STATEMENT INFORMATION

		2018/19 2018/19 (30 June 2019 Carried Forward)	Budget (30 June 2019 Carried Forward)	2018/19 (1 July 2018 Brought Forward)
Note		\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	10(a)	(134,365)	(2,416)	(32,812)
Less: Non-cash grants and contributions for assets		(122,620)	0	0
Less: Fair value adjustments to investment property	12	(1,745,200)	0	0
Movement in inventory (non-current)		35,893	0	0
Movement in employee benefit provisions (non-current)		(183,282)	0	12,845
Add: Loss on disposal of assets	10(a)	1,674,523	75,529	135,543
Add: Loss on revaluation of fixed assets	8(a)	20,173	0	458,379
Add: Change in accounting policies		290,670	0	0
Add: Depreciation on assets	10(b)	17,692,578	20,831,619	20,623,163
Non cash amounts excluded from operating activities		17,528,370	20,904,732	21,197,118
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - restricted cash	3	(66,847,807)	(64,615,110)	(61,497,864)
Less: - Financial assets at amortised cost - self supporting loans	7(a)	(24,777)	(86,141)	(20,115)
Less: Movement in Accruals		784,971	0	851,993
Less: Provision for Doubtful Debts		(1,347,908)	0	(1,355,831)
Less: Movement in Restricted Surplus		(175,341)	0	(3,841,143)
Add: Current liabilities not expected to be cleared at end of year		0	4,277,227	0
Add: Borrowings	14(a)	83,439	83,439	81,408
Add: Cash - Restricted Unspent Grants		36,772	0	11,523
Add: Cash Backed Employee Provisions		4,122,988	0	4,088,932
Add: Restricted Surplus/(Deficit) June 30 b/fwd		831,611	0	4,672,754
Less: Restricted Surplus/(Deficit) June 30 c/fwd		(656,270)	0	(831,611)
Total adjustments to net current assets		(63,192,322)	(60,340,585)	(57,839,954)
Net current assets used in the Rate Setting Statement				
Total current assets		81,702,049	74,494,748	76,398,241
Less: Total current liabilities		(14,567,763)	(14,081,281)	(15,994,198)
Less: Total adjustments to net current assets		(63,192,322)	(60,340,585)	(57,839,954)
Net current assets used in the Rate Setting Statement		3,941,964	72,882	2,564,089

25. FINANCIAL RISK MANAGEMENT

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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 finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents and financial assets

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Interest rate exposure		
	%	\$	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
			\$	\$	\$
2019					
Cash and cash equivalents	2.09%	25,756,187	20,097,623	5,658,564	0
Financial assets - term deposits	2.67%	42,291,566	42,291,566	0	0
Financial assets at amortised cost - Self Supporting Loan	2.62%	262,336	262,336	0	0
2018					
Cash and cash equivalents	2.25%	14,261,487	5,116,087	9,145,400	0
Financial assets - term deposits	2.37%	48,705,863	48,705,863	0	0
Financial assets at amortised cost - Self Supporting Loan	2.62%	351,315	351,315	0	0

25. FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	56,586	91,454

* Holding all other variables constant

Borrowings

Borrowings are 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 City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 14(b).

(b) Credit risk

Trade Receivables

The City's major receivables comprise rates annual charges and user fees and charges. 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. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of 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.

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates, fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates and sundry receivables.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.49%	0.72%	0.89%	9.87%	
Gross carrying amount	1,112,076	567,303	375,845	328,034	2,383,258
Loss allowance	5,413	4,080	3,359	32,364	45,216
01 July 2018					
Rates receivable					
Expected credit loss	0.12%	0.13%	5.34%	6.02%	
Gross carrying amount	1,489,549	642,081	328,368	133,068	2,593,066
Loss allowance	1,793	850	17,537	8,015	28,195

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

25. FINANCIAL RISK MANAGEMENT (Continued)

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	64.30%	
Gross carrying amount	4,989,960	693,201	302,071	2,026,013	8,011,245
Loss allowance	0	0	0	1,302,692	1,302,692
01 July 2018					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	68.54%	
Gross carrying amount	3,463,338	2,565,637	28,261	1,936,968	7,994,204
Loss allowance	0	0	0	1,327,636	1,327,636

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables, borrowings and financial assets

Payables, borrowings and financial assets are 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 and disclosed in Note 14(c).

The contractual undiscounted cash flows of the City's payables, borrowings and financial assets are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Maturity Dates			Nominal amount	Carrying amount
	Due within 1 year	Due between 1 & 5 years	Due after 5 years		
	\$	\$	\$	\$	\$
2019					
Payables	10,361,336	0	0	10,361,336	10,361,336
Borrowings	83,439	263,014	0	346,453	346,453
	10,444,775	263,014	0	10,707,789	10,707,789
Financial Assets - term deposits	42,291,566	0	0	42,291,566	42,291,566
Financial Assets at amortised cost - Self Supporting Loan	92,272	170,064	0	262,336	262,336
	42,383,838	170,064	0	42,553,902	42,553,902
2018					
Payables	11,464,018	0	0	11,464,018	11,464,018
Borrowings	81,408	346,453	0	427,861	427,861
	11,545,426	346,453	0	11,891,879	11,891,879
Financial Assets - term deposits	48,705,863	0	0	48,705,863	48,705,863
Financial Assets at amortised cost - Self Supporting Loan	90,176	261,139	0	351,315	351,315
	48,796,039	261,139	0	49,057,178	49,057,178

26. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2018	Amounts Received	Amounts Transferred to Municipal Fund	Amounts Paid	30 June 2019
	\$	\$		\$	\$
Public Open Space Contributions	853,833	0	0	0	853,833
Karratha Agistment Centre Compensation Funds	659,511	0	0	(436,729)	222,782
Planning Bonds	304,622	0	(304,622)	0	0
Unclaimed Monies	26,906	276		(24,236)	2,946
Airport ASIC Cards	15,150	1,250	(7,350)	(9,050)	0
Verge Bonds	12,000	0	0	(12,000)	0
Staff Travel Allowances	9,760	4,160	0	(1,360)	12,560
Airport Parking Cards	10,200	3,850	(11,900)	(2,150)	0
VAST	6,582	273	0	0	6,855
Facility Hire Bonds	3,700	44,750	(7,800)	(40,650)	0
Other Bonds & Guarantees	23,005	11,277	(300)	(11,634)	22,348
	1,925,269	65,836	(331,972)	(537,809)	1,121,324

In the previous years, all bonds and deposits were held as trust monies. From this year, all bonds and deposits not required by legislation or agreement to be held in trust are included in restricted cash at Note 3 and shown as a current liability at Note 13.

27. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

On the 8th February 2020, Cyclone Damien caused significant damage to City of Karratha assets. The City is undertaking preliminary assessments to assess the impact of the damage however at the date of this report, there are no reasonable estimates of the damage and resulting contribution by the City of Karratha.

28. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the City has not restated the comparative information which continues to be reported under AASB 139.

The effect of adopting AASB 9 as at 1 July 2018 was assessed as not material, therefore no adjustment was required to be recognised directly in retained surplus.

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the City's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the City's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the City. The following are the changes in the classification of the City's financial assets:

- Rates and Sundry receivables classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The City did not designate any financial assets as at fair value through profit and loss.

28. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

In summary, upon the adoption of AASB 9, the City had the following reclassifications as at 1 July 2018:

	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
AASB 139 category	\$	\$	\$
Loans and receivables			
Rates Receivables	2,593,068	0	0
Sundry Receivables	7,994,204	0	0
Carrying amount at end of period	10,587,272	0	0

(b) Impairment

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

The effect of adopting AASB 9 as at 1 July 2018 was assessed as not material therefore no adjustments have been made to the amount recognised financial statements.

29. CHANGE IN ACCOUNTING POLICY

On 1 July 2018 Paragraph 17A (5) was inserted into Local Government (Financial Management) Regulations 1996.

The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000. The adoption of the regulation constitutes a change in accounting policy. Due to the effect on the financial statements not being material, the City did not retrospectively apply the changes in accounting policy arising from the new regulation and has not restated comparative figures.

During the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 1 July 2018 have been excluded from the assets of the City and written off in the Statement of Comprehensive Income.

The effect of the adjustment at 1 July 2018 is detailed below:

Statement of Financial Position (extract)	01 July 2018 \$
NON-CURRENT ASSETS	
Property, plant and equipment	290,670
NET ASSETS	290,670
EQUITY	
Retained surplus	290,670
TOTAL EQUITY	290,670
Statement of Comprehensive Income (extract)	01 July 2018 \$
By Nature or Type	
Loss on assets disposed	290,670
By Program	
Loss on assets disposed	290,670
Total Comprehensive income for the period	290,670

30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the City, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

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

A portion of the City's revenue from grants, contributions & reimbursements is likely to be deferred although the amount is not expected to be material.

(b) Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. On adoption of AASB 16, the impact is Nil as the City has no operating leases.

(c) Income For Not-For-Profit Entities

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

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the taxable event occurs the financial liability will be extinguished and the City will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the City to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

Volunteer Services in relation to Volunteer Fire Services will be recognised in budgeted revenue and expenditure as the fair value of the services can be reliably estimated and the services would have been purchased if they had not been donated.

The financial impact of these are not expected to be material.

31. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) 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.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operating 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 or non-current based on the City's intentions to release for sale.

c) Rounding off figures

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

d) Comparative figures

Where required, comparative figures have been adjusted to conform with 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 statements that has a material effect on the statement of financial position, 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.

e) 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.

f) 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.

g) Fair value of assets and liabilities

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).

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.

h) 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 the service capacity of an asset.

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.

i) Impairment of assets

In accordance with Australian Accounting Standards the City's cash generating non-specialised 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 specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

32. ACTIVITIES/PROGRAMS

City operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Functions relating to the Councillors and the running of Council. Expenditure includes the running of elections, payments of expenses to Councillors and non statutory donations.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rating (including ex-gratia contributions), interest revenues, investment property revenues and general purpose Government grant functions. Includes the Financial Assistance Grant received from the Local Government Grants Commission and all other rate income.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision of various by-laws, fire and emergency services, and animal control. Includes expenditure for the Ranger Services, State Emergency Service and disaster preparation and recovery expenses.
HEALTH To provide an operational framework for environmental and community health.	Food control, immunisation services, mosquito control and maintenance of child health centres. Expenditure includes the maintenance of the child health clinic buildings, various health promotions and pest control expenses mainly relating to mosquito control.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Maintain preschool facilities and day care centres. This includes expenditure in maintaining the day care centre buildings and also donations to schools for awards etc.
HOUSING To provide and maintain staff housing.	Maintenance and operational expenses associated with the provision of staff housing.
COMMUNITY AMENITIES To provide services required by the community.	Rubbish collection services, operation of tip, administration of town planning schemes and operation of cemeteries. Also included are the costs associated with the maintaining and cleaning of public toilets.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social well being of the community.	Maintenance of halls, swimming pool, recreation centres, various reserves and operation of libraries. Expenditure includes the cost of the Karratha Leisureplex, Red Earth Arts Precinct and other pavilions, ovals and parks maintenance, Roebourne Swimming Pool, coastal rehabilitation, and four libraries. Expenses relating to the historical town of Cossack and JJJ radio re-broadcasting are also included in this function.
TRANSPORT To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, drainage, footpaths, parking facilities, traffic signs and the aerodrome. It includes expenditure for the construction and maintenance of the roads, footpaths and also the expenditure relating to parking control and the operation of the Karratha & Roebourne Airport.
ECONOMIC SERVICES To help promote the local government and its economic wellbeing.	Tourism and administration of building controls. Expenditure includes operation of visitor services and the costs associated with camping grounds.
OTHER PROPERTY AND SERVICES To monitor and control operating accounts.	Private works and other unclassified works. It also includes expenditure relating to plant operations and the Technical Services division however these costs are then reallocated to the other functions. The costs associated with financing and administration are allocated direct to the relevant functions.

33. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	11.87	5.21	1.53
Asset consumption ratio	0.81	0.84	0.92
Asset renewal funding ratio	1.13	1.00	1.00
Asset sustainability ratio	0.91	0.88	0.72
Debt service cover ratio	272.31	134.13	384.34
Operating surplus ratio	0.09	(0.13)	0.11
Own source revenue coverage ratio	0.90	0.79	0.95

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Karratha

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the City of Karratha which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Karratha:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

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

Emphasis of Matter – Contingent Liabilities

I draw attention to Note 18 "Contingent Liabilities" of the annual financial report, which discloses a contingent liability for the City's rehabilitation of its waste disposal site. The City's site licence was varied in May 2017 to require site rehabilitation. My opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the City for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 33 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the City of Karratha for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
17 February 2020

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Rehabilitation of 7 Mile Waste Facility	✓		

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Rehabilitation of 7 Mile Waste Facility

Finding:

We note that a contingent liability has been disclosed in relation to the 7 Mile Waste Facility due to Management being unable to reliably quantify the costs associated with the rehabilitation at the date of this report. As a result, a provision for rehabilitation was not recorded at 30 June 2019.

Rating: Significant**Implication:**

Risk of material misstatement within the financial report.

Recommendation:

We recommend once the Filling Sequence Plan and Closure and Post Closure Management Plan have been approved by the Department of Water and Environmental Regulation, the City complete further analysis of the estimated costs contained within the Filling Sequence Plan, including a net present value calculation, to enable a provision for the future remediation and rehabilitation costs associated with the 7 Mile Waste Facility to be recorded.

Management Comment:

The City maintains significant funds within its Waste Management Reserve for the purpose of operating the waste 7 Mile Waste Facility inclusive of development and rehabilitation of waste cells. Annual surpluses from operations are transferred into the Reserve with the balance of the reserve being \$20,119,654 as at 30 June 2019.

When the City receives approval for the Filling Sequence Plan and Closure and Post Closure Management Plan from the Department of Water and Environmental Regulation the City will complete further analysis of the estimated costs contained within the Filling Sequence Plan, including a net present value calculation, to enable a provision for the future remediation and rehabilitation costs associated with the 7 Mile Waste Facility to be recorded.

Responsible Person:

Manager Financial Services/CFO

Completion Date:

June 2020

6.5 RISK REGISTER UPDATE

File No:	RM.8
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Governance Officer - Compliance
Date of Report:	24 February 2020
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Confidential Risk Register Extract

PURPOSE

To provide an update on relevant indicators relating to the organisation's management of risks.

BACKGROUND

Managers have reviewed and updated the Risk Register (Register) where appropriate. In Airport Services, changes have been made to risk descriptions to consolidate where possible. Changes to the Register are summarised below:

- Five new Airport risks were identified and a number of existing repetitive risks were consolidated (i.e. damage to landside, terminal and airside infrastructure is one risk rather than three and same for death or serious injury).
- One new risk was identified for Building Maintenance (contract management).
- One new risk was identified for Community Programs (loss of physical resources).
- Two Community Facilities risks were incorporated into Infrastructure Projects to reflect realignment of project responsibilities.

After reviews, the total number of risks has increased from 179 to 180. The table below provides the *inherent* and *residual* risk totals and percentage representation.

Number of Risks	180	
Number with Inherent Consequences rated Major or Catastrophic	33	18%
Number of Inherent Risks rated High or Extreme	48	27%
Number of Residual Risks rated High or Extreme	4	2.2%

The attached extract from the Risk Register provides details of the 48 *inherent* risks rated high or extreme, however with current controls in place only four of these risks have a high *residual*. Currently, only 4.4% of risks require some further improvement to existing controls (down from 5%).

The heat map below displays the current assessed *residual* rating for all 180 identified risks.

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	0	1	0	0	0
Likely	4	2	6	1	0	0
Possible	3	16	26	12	1	0
Unlikely	2	12	40	24	10	1
Rare	1	2	14	7	3	1

Since the last Audit and Organisational Risk Committee (AORC) meeting some minor settling has occurred in the low to moderate range of risks as tests are undertaken to ensure controls are adequate.

Risk Acceptance	Aug 2018	Oct 2018	Feb 2019	Mar 2020	Change
Low	100	100	99	97	-2
Moderate	75	76	76	79	+3
High	4	4	4	4	0
Extreme	0	0	0	0	0

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place with the Executive Management Group.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to ensure that there are appropriate risk management systems and procedures in place for the City.

POLICY IMPLICATIONS

This is consistent with Council Policy - CG01 Risk Management Policy and how risk is managed across the organisation.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2019-2020 provided for this activity:

Program/Services:	4.e.1.3	Risk Management
Projects/Actions:	4.e.1.3.2	Review Risk Management Framework

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	N/A	Nil
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	N/A	Nil
Compliance	High	Local Government Audit Regulations require appropriate risk management systems and procedures to be in place. A Risk Register and supporting policy documents ensure that the City is constantly reviewing identified risks and managing them appropriately.

IMPACT ON CAPACITY

There is minimal impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

The Risk Register is reviewed on an ongoing basis.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of the risk register pending further review.

CONCLUSION

Following the most recent review of the Risk Register, several new risks have been identified and duplications removed bringing the total of identified risks to 180. Overall the City is managing risk effectively with no *residual* risks rated extreme and only 2.2% of *residual* risks rated high. These risks are considered acceptable with some minor work required to enhance some controls to ensure effective management and monitoring of our risks.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR88
 MOVED : Cr Scott
 SECONDED : Cr Long

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to NOTE the current status of risk management.

CARRIED

FOR : Cr Smeathers, Cr Long, Cr Scott
 AGAINST : Nil

6.6 AUDIT AND ORGANISATIONAL RISK COMMITTEE DATES 2020

File No:	FM.3
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance and Organisational Strategy
Date of Report:	24 February 2020
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s)	Nil

PURPOSE

To consider dates for Audit & Organisational Risk Committee meetings in 2020.

BACKGROUND

The Audit & Organisational Risk Committee's terms of reference provides for meetings 'To be held at least three times per year, or as required more frequently in order to expedite matters of governance and risk'. This is to ensure that the City has effective internal controls in place.

The following dates are proposed for the remainder of 2020:

Date of Meeting	Matters for Discussion
26 May 2020 at 3pm	<ul style="list-style-type: none"> • Receive Interim Audit Report 2019/20 • Receive update on internal audit activities and recommendations • Receive risk management report • Receive business improvement progress report
27 October 2020 at 3pm	<ul style="list-style-type: none"> • Consider External Audit Report 2019/20 • Receive Annual Financial Report 2019/20 • Endorse 2021 AORC Meeting dates • Receive update on internal audit activities and recommendations • Receive risk management report • Receive business improvement progress report

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of low significance in terms of Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Division 1A of Part 7 of the *Local Government Act 1995* provides for local government Audit Committees.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2019-2020 provided for this activity:

Programs/Services: 4.a.2.6 Agenda and Minutes Preparation

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	N/A	Nil
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	N/A	Nil
Compliance	Moderate	Failure to convene Audit Committee meetings will breach Statutory requirements.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

The Committee meets regularly however there was only one meeting in 2019 as a result of delays receiving audit reports from the OAG.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to SCHEDULE the 2020 Audit and Organisational Risk Committee meeting dates as follows:

_____ ;
 _____ .

CONCLUSION

It is proposed to continue the schedule of Audit and Organisational Risk Committee meetings to meet three times a year in 2020. In the event that an urgent matter needs to be considered, a further meeting of the Committee can be convened.

OFFICER'S RECOMMENDATION

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to SCHEDULE Audit and Organisational Risk Committee meetings for the remainder of 2020 as follows:

- Tuesday 26 May 2020 at 3pm; and
- Tuesday 27 October 2020 at 3pm.

COMMITTEE AMENDED RESOLUTION

Res No : AOR89

MOVED : Cr Scott

SECONDED : Cr Long

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to SCHEDULE Audit and Organisational Risk Committee meetings for the remainder of 2020 as follows:

- Tuesday 2 June 2020 at 3pm; and
- Tuesday 27 October 2020 at 3pm.

CARRIED

FOR : Cr Smeathers, Cr Long, Cr Scott

AGAINST : Nil

REASON : The Committee modified the Officer's recommendation to change the proposed meeting date of 26 May to 2 June 2020 due to Member availability.

7 ITEMS FOR INFORMATION ONLY

Responsible Officer: Director Corporate Services

Reporting Author: Minute Secretary

Disclosure of Interest: Nil

PURPOSE

To advise the Audit and Organisational Risk Committee of the information items for period ending February 2020.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR90

MOVED : Cr Long

SECONDED : Cr Scott

That the Audit and Organisational Risk Committee note the following information item:

- **7.1 Business Improvement – Progress Report**

CARRIED

FOR : Cr Smeathers, Cr Long, Cr Scott
AGAINST : Nil

7.1 BUSINESS IMPROVEMENT – PROGRESS REPORT**File No:** FM.3**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** Manager Governance & Organisational Strategy**Date of Report:** 6 March 2020**Disclosure of Interest:** Nil**Attachment(s):** Nil**PURPOSE**

To provide the Audit & Organisational Risk Committee with a progress update on Business Improvement activities and initiatives:

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
1. Strategic Community Plan 2016-2026	Outlines the outcomes expressed by our communities and our response as an organisation in achieving those agreed outcomes in the next 10 years.	<ul style="list-style-type: none"> • Vision • Strategies • Community Engagement • Resources and Commitments 	<ul style="list-style-type: none"> • Review undertaken by Councillors community and staff during 2105/16 • Adopted by Council in September 2016 • Major review in progress. 	<ul style="list-style-type: none"> • June 2020
2. Corporate Business Plan 2016-2020	Outlines what the organisation needs to deliver in the next five years. Has been extensively reworked internally over the past 4-6 weeks with a focus on consistency and measurability of KPI's.	<ul style="list-style-type: none"> • Activates Strategic Community Plan • Progress Measures to achieve delivery of outcomes • Budget information for five years 	<ul style="list-style-type: none"> • Approved by Council in October 2016 • Desktop review undertaken and endorsed by Council in June 2019. • Major review in progress. 	<ul style="list-style-type: none"> • June 2020
3. Operational Plan 2019-2020	Annual slice and dice of Corporate Business Plan. Has been extensively reworked internally to ensure consistency and compliance.	<ul style="list-style-type: none"> • Annual Budget. • Annual Projects and Services 	<ul style="list-style-type: none"> • Approved by Council in June 2019 • Annual review currently underway. 	<ul style="list-style-type: none"> • June 2020
4. Asset Management Plan	What Assets are required at what service level to deliver the services expressed by our communities?	<ul style="list-style-type: none"> • Asset Conditions & Ratings • Levels of Service, operational, technical and community 	<ul style="list-style-type: none"> • Approved by Council in June 2013. • Asset Management Policy reviewed and submitted 	<ul style="list-style-type: none"> • February 2020

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
		<ul style="list-style-type: none"> Financial information for maintenance of assets at an agreed level of service Asset Disposal Strategy and Lifecycle Costing Action Plans 	<ul style="list-style-type: none"> to Council in Nov 2016. Infrastructure inventory and condition data collated Sept 2018 to inform AMP Strategic Asset Management Plan drafted and presented to Council in Feb 2020. 	
5. Long Term Financial Plan	<p>Informs the Strategic Community Plan and Corporate Business Plan.</p> <p>CEO has reviewed with EMT. Staff believe that assumptions that inform the financial modelling need review prior to Council adoption.</p>	<ul style="list-style-type: none"> Sensitivity Analysis Long Term Financial Sustainability Capital Works Program for next 10 years Financial Modelling Assumptions and Scenarios 	<ul style="list-style-type: none"> Submitted to the DLGC in June 2013. Review of key assumptions and 10 year Capital Works Plan completed in June 2015, March 2017, March 2018 and April 2019. Major review underway. 	<ul style="list-style-type: none"> April 2020.
6. Workforce Plan 2013-2018	<p>Development of an all-encompassing strategy which addresses staff turnover rates and an appreciation of the full number of staff required to deliver City business now and into the future.</p>	<ul style="list-style-type: none"> Structural Review Performance Measurement Systems Performance Appraisal System Retention Recruitment Succession Planning Development and training Staff housing & accommodation 	<ul style="list-style-type: none"> Approved by Council in June 2019. Annual review has been completed and incorporated in the LTFP assumptions. 	<ul style="list-style-type: none"> June 2020
7. Housing Strategy	<p>Development of a strategy to address the housing and accommodation needs of the City from retention and recruitment perspective.</p>	<ul style="list-style-type: none"> Short term review and modifications undertaken. Options for staff housing to be developed (ownership vs leasing vs paying allowances). 	<ul style="list-style-type: none"> Review completed and endorsed by Council in July 2018. 	<ul style="list-style-type: none"> Review due 2021.
8. Corporate Performance Management System	<p>A tool to integrate all operations including projects and services delivered by the organisation and report on the</p>	<ul style="list-style-type: none"> Ability for all reporting teams to update their quarterly performances. 	<ul style="list-style-type: none"> In house reporting every quarter. Q2 2019-20 KPIs presented 	<ul style="list-style-type: none"> Q3 2019-20 KPIs to be presented in May 2020.

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
9. Procurement and Tendering	individual status and financials. Given the large volume of projects that the City is accountable for, a more centralised approach with procurement is applied for regulatory compliance.	<ul style="list-style-type: none"> Centralise and streamline the approach to procurement and tendering. Create knowledge management and succession planning of procurement and tendering through the organisation. 	<p>to Council in February 2020</p> <ul style="list-style-type: none"> Induction and awareness training provided quarterly to staff. eQuotes for local suppliers introduced in November 2015. Tender evaluation modified Oct 2018. OAG audit completed and improvements implemented. 	<ul style="list-style-type: none"> Ongoing Procurement guidelines now in effect.
10. Functional Processes	A review of the key processes that link how things are done within the organisation and examine the need to streamline and avoid duplication of activity that further create efficiencies in time and cost on how activities are undertaken.	<ul style="list-style-type: none"> Define what a process is and how these will be recorded. Conduct a review of current functional processes across the organisation. Define what functional processes are needed, how they will be recorded, understood and applied consistently throughout the organisation. 	<ul style="list-style-type: none"> Policies adopted. Current practices are being process mapped as an internal resource and guide to all staff. 584 processes have been developed with 96% published for organisation to use. Currently investigating opportunities for automation in workflows. 	<ul style="list-style-type: none"> Ongoing and annual reviews of processes undertaken
11. Service Reviews	Review of all service areas to ensure efficacy and alignment with strategic direction and community	<ul style="list-style-type: none"> Thorough review of individual service area with recommendations targeting business improvement and efficiency 	<ul style="list-style-type: none"> Service reviews have been undertaken across all service areas with 337 recommended actions put forward to EMT. 79% of recommended actions are complete and 21% in progress. 	<ul style="list-style-type: none"> Phase II Service Reviews completed and under consideration by EMT.

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
12. Risk Management Review	Review of existing policies, procedures and supporting documentation. Development of Risk Management Framework.	<ul style="list-style-type: none"> Common, contemporary, compliant framework was developed and utilised for the four (4) Pilbara LGA's. 	<ul style="list-style-type: none"> Risk plan and policies approved by Council in March 2019. Major review of Risk Register undertaken. 	<ul style="list-style-type: none"> Highlight risks to be provided to AORC each meeting.
13. Business Continuity Management Project	A project funded by the PRC to assist Pilbara councils to establish a business continuity framework for their local authorities.	<ul style="list-style-type: none"> BCM Policy and Plan. BCM Governance Framework. Exercise Maintenance and Awareness Plan. 	<ul style="list-style-type: none"> BCM Plan prepared and training to be undertaken by consultant. 	<ul style="list-style-type: none"> BCM Plan under review and will be submitted to AORC in 2020.
14. Internal Audit Program	A program to examine and test internal controls established within the organisation to ensure sound governance systems are effective.	<ul style="list-style-type: none"> IA Schedule developed of internal audit program. Identify any weaknesses and reduce risks by examining existing control measures and providing recommendations for improvement. 	<ul style="list-style-type: none"> Completed IA: Delegations and Authorisations; and Credit Card. Recommended actions from audit on IT security network being implemented. 	<ul style="list-style-type: none"> Stock management to be presented in 2020.
15. Staff Engagement Survey	All staff are invited to participate in a survey to provide feedback on a wide range of work related topics that will help to shape our people policies and ensure a positive workplace for all employees.	<ul style="list-style-type: none"> Online and hard copy survey sent to all employees every 2 years. Each department to develop an action plan in consultation with staff to respond to survey results. 	<ul style="list-style-type: none"> Last survey conducted in May 2019. Action plan prepared to respond to feedback. 	<ul style="list-style-type: none"> Next survey to be undertaken in 2021

8 MATTERS BEHIND CLOSED DOORS

ATTACHMENT TO ITEM 6.5 RISK REGISTER UPDATE

These matters if disclosed would reveal information about the business, professional, commercial or financial affairs of a person.

9 CLOSURE & DATE OF NEXT MEETING

The meeting closed at 3.55 pm.

The date of the next meeting is to be held on Tuesday, 2 June 2020 at 3:00 pm in Council Chambers - Welcome Road, Karratha.

I, Cr Evette Smeathers, Chairperson for the Audit & Organisational Risk Committee of the City of Karratha, hereby declare on behalf of the Committee that the enclosed Minutes are a true and accurate record of the Audit & Organisational Risk Committee Meeting held 10 March 2020.

..... Date ____/____/____