



City of Nedlands

# ***Minutes***

## ***Audit & Risk Committee Meeting***

***23 November 2021***

### **ATTENTION**

This is a Committee which has only made recommendations to Council. No action should be taken on any recommendation contained in these Minutes. The Council resolution pertaining to an item will be made at the next Ordinary Meeting of Council following this meeting.

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**City of Nedlands**

**Minutes of a meeting of the Audit & Risk Committee held in the Council Chamber, 71 Stirling Highway, Nedlands on Tuesday 23 November 2021 at 5pm. This meeting was livestreamed.**

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**Declaration of Opening**

The Chief Executive Officer declared the meeting open at 5pm and drew attention to the disclaimer below.

**Present and Apologies and Leave of Absence (Previously Approved)**

<b>Councillors</b>	Councillor R Senathirajah	Melvista Ward
	Councillor L J McManus	Coastal Districts Ward
	Councillor A W Mangano (from 5.12pm)	Dalkeith Ward
	Councillor O Combes	Hollywood Ward

<b>Observers</b>	Councillor H Amiry (from 5.05pm)	Coastal Districts Ward
	Councillor R A Coghlan (from 5.49pm)	Melvista Ward

<b>Staff</b>	Mr W R Parker	Chief Executive Officer
	Mr E K Herne	Director Corporate & Strategy
	Mr T G Free	Director Planning & Development
	Mr A D Melville	Acting Technical Services
	Ms M E Granich	Executive Manager Community
	Mrs N M Ceric	Executive Officer

<b>Staff</b>	Mr W R Parker	Chief Executive Officer
	Mr E K Herne	Director Corporate & Strategy
	Mrs N M Ceric	Executive Officer
	Ms R Jahmeerbacus	Manager Financial Services
	Mr T Benson	Manager ICT
	Mr P Bennington	IT Consultant

<b>Invited Guests</b>	Ms M Shafizadeh	Moore Australia, Director Governance & Risk Advisory
	Mr D Vo	
		Moore Australia Government & Risk Advisory
	Mr J Ward	KPMG (Auditors)
	Ms P Perumal	Office of the Auditor General

**Public**                    There were 0 members of the public present and 0 online.

**Leave of Absence (Previously Approved)**                    Nil.

**Apologies**                    Mayor F E M Argyle

## **Disclaimer**

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position, for example, by reference to the confirmed Minutes of the Council meeting. Members of the public are also advised to wait for written advice from the CEO, on behalf of Council prior to taking action on any matter that they may have before Council.

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## **Appointment of Chair**

Mr Parker, Chief Executive Officer called for nominations for the Chair.

Nominations received:

1. Councillor McManus

**Councillor McManus was the only nomination, and was elected as the Chair of the Audit & Risk Committee, for the term ending immediately prior to the next Local Government Election in October 2023.**

**Councillor McManus assumed the Chair of the Audit & Risk Committee**

## **1. Public Question Time**

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question. Questions tabled at the meeting may be unable to be answered due to the requirement for technical research and will therefore be answered directly afterwards.

Questions must relate to a matter contained within the agenda of this meeting.

Nil.

## **2. Addresses By Members of the Public (only for items listed on the agenda)**

Addresses by members of the public who have completed Public Address Session Forms will be invited to be made at this point.

Nil.

Councillor Amiry joined the meeting at 5.05pm.

**3. Disclosures of Financial and/or Proximity Interest**

The Presiding Member reminded Council Members, Committee Members and Employees of the requirements of Section 5.65 of the Local Government Act to disclose any interest during the meeting when the matter is discussed.

There were no disclosures affecting impartiality.

**4. Disclosures of Interests Affecting Impartiality**

The Presiding Member reminded Council Members, Committee Members and Employees of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

There were no disclosures of financial interest.

**5. Declarations by Council & Committee Members That They Have Not Given Due Consideration to Papers**

Council & Committee Members who have not read the business papers to make declarations at this point.

Nil.

**6. Confirmation of Minutes**

**6.1 Audit & Risk Committee Meeting 21 September 2021**

Moved – Councillor Senathirajah  
Seconded – Councillor Combes

**The minutes of the Audit & Risk Committee held 21 September 2021 be confirmed.**

**CARRIED UNANIMOUSLY 3/-**

**7. Matters for Which the Meeting May Be Closed**

Council, in accordance with Standing Orders and for the convenience of the public, is to identify any matter which is to be discussed behind closed doors at this meeting, and that matter is to be deferred for consideration as the last item of this meeting.

Nil.

**8. Items for Discussion**

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

**8.1 Annual Financial Statement for Year Ended 30 June 2021**

<b>Committee</b>	23 November 2021
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Ed Herne - Director Corporate & Strategy
<b>Attachments</b>	1. 2020-21 Annual Financial Report; 2. 2020-21 Management Letter 3. 2020-21 Draft Audit Opinion; 4. 2020-21 Audit Completion Report from KPMG; and 5. 2020-21 Audit Representation Letter.
<b>Confidential Attachments</b>	Nil.

Councillor Mangano joined the meeting at 5.12pm.

**Regulation 11(da) – Not Applicable – Recommendation Adopted**

Moved – Councillor Combes  
Seconded – Councillor Senathirajah

**That the Recommendation to Committee be adopted.**  
(Printed below for ease of reference)

**CARRIED 3/1**  
**(Against: Cr. Mangano)**

**Committee Recommendation / Recommendation to Committee**

**That Council:**

- 1. accepts the Financial Report for the City of Nedlands for the year ended 30 June 2021 comprising the Financial Report and the Auditor’s Report; and**
- 2. accepts the 2021 Audit Completion Report as presented.**

## **Executive Summary**

The Annual Financial Report for the year ended 30 June 2021, including the Auditor's Report and the Audit Completion Report by The Auditor General, is presented to the Audit & Risk Committee. The Committee is requested to recommend to Council that it be received and be included as part of the City's Annual Report for discussion at the Annual Electors' Meeting.

The Audit Representation Letter is also presented.

## **Voting Requirement**

Simple Majority.

## **Discussion/Overview**

### **Background**

### **Financial Performance**

A brief overview of the City's financial performance for the 2020/21 financial year is provided below.

The City completed the 2020/21 year with a surplus net result of \$5.8m compared to the adopted budget surplus of \$0.9m. The overall favourable variance was mostly due to an underspend in Capital projects and higher revenue for the year.

Operating Revenue for the year totalled \$34.9m, which is higher than the budget target of \$33.6m for the year. This is mostly due to higher rates revenue, together with higher operating grants and general fees and charges.

Operating Expenditure marginally increased to \$31.9m compared to a budget of \$31.6m. This was mostly due to an overspend in Employee costs and Materials and Contracts offset by an underspend in utilities, depreciation and other expenditure.

Capital Works of \$5.9m were completed in 2020/21 compared to a budget of \$8.1m. This was mostly due to delays in projects.

The City's key financial ratios in Note 36 provide an overview of the financial performance of the City in 2020/21 compared with the previous two years. All the ratios are within recommended standard benchmarks set by the Department of Local Government, indicating sound financial health for the City.

	Target	2021 Actual	2020 Actual	2019 Actual
Current ratio	>1.10	1.50	1.18	0.98
Asset consumption ratio	>0.50	0.72	0.59	0.58
Asset renewal funding ratio	0.75 - 0.95	1.02	0.95	0.92
Asset sustainability ratio	0.9 - 1.10	1.36	1.61	2.33
Debt service cover ratio	>2.0	3.79	4.34	5.61
Operating surplus ratio	0.01 - 0.15	0.09	0.12	0.18
Own source revenue coverage ratio	>0.4	1.03	1.06	1.14

### Key Relevant Previous Council Decisions: Nil

### Consultation

Nil.

### Strategic Implications

#### How well does it fit with our strategic direction?

The Financial Report is required to comply with Local Government Act and regulations and supports the City in sound strategy and governance around its financial health.

The following legislation is adhered to:

- *Section 6.4 of the Local Government Act 1995*
- *Regulation 36 of the Local Government (Financial Management)*
- *Regulations 1996*
- *Regulations 9 and 10 of the Local Government (Audit)*
- *Regulations 1996*

#### Who benefits?

The City and the Community.

#### Does it involve a tolerable risk?

There is no risk involved.

#### Do we have the information we need?

Not applicable.

### Budget/Financial Implications

There are no financial implications to this report.

### Conclusion

The financial report showing the financial performance of the City for 2020/21 is recommended for approval.



**CITY OF NEDLANDS**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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**COMMUNITY VISION**

Our City will be an environmentally-sensitive, beautiful and inclusive place.

Principal place of business:  
71, Stirling Highway  
Nedlands WA 6009

**CITY OF NEDLANDS  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of Nedlands for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the City of Nedlands at 30 June 2021 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 [redacted] day of [redacted] 2021

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Chief Executive Officer

William Parker  

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Name of Chief Executive Officer

**CITY OF NEDLANDS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
Rates	29(a)	24,724,235	24,247,233	24,367,185
Operating grants, subsidies and contributions	2(a)	2,162,126	1,720,700	2,293,237
Fees and charges	2(a)	7,699,409	6,648,238	7,099,852
Service charges	29(c)	(19,966)	0	(204,464)
Interest earnings	2(a)	268,905	449,000	500,063
Other revenue	2(a)	132,711	513,831	490,161
		<b>34,967,420</b>	<b>33,579,002</b>	<b>34,546,034</b>
<b>Expenses</b>				
Employee costs		(14,396,659)	(13,828,798)	(13,890,564)
Materials and contracts		(11,089,161)	(11,012,036)	(10,139,596)
Utility charges		(882,938)	(889,500)	(881,896)
Depreciation on non-current assets	11(d)	(4,288,831)	(4,446,300)	(4,128,897)
Interest expenses	2(b)	(169,430)	(173,480)	(241,893)
Insurance expenses		(375,901)	(354,067)	(412,313)
Other expenditure		(706,287)	(882,852)	(937,514)
		<b>(31,909,207)</b>	<b>(31,587,033)</b>	<b>(30,632,673)</b>
		<b>3,058,213</b>	<b>1,991,969</b>	<b>3,913,361</b>
Non-operating grants, subsidies and contributions	2(a)	2,256,281	2,180,879	2,174,522
Profit on asset disposals	11(a)	35,067	182	77,691
(Loss) on asset disposals	11(a)	0	(30,316)	(24,217)
Fair value adjustments to financial assets at fair value through profit or loss		5,172	0	2,305
		<b>2,296,520</b>	<b>2,150,745</b>	<b>2,230,301</b>
<b>Net result for the period</b>		<b>5,354,733</b>	<b>4,142,714</b>	<b>6,143,662</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	0	0	0
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>5,354,733</b>	<b>4,142,714</b>	<b>6,143,662</b>

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

**CITY OF NEDLANDS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		104,963	255,881	253,900
General purpose funding		25,830,794	25,171,233	25,787,306
Law, order, public safety		377,391	282,500	400,106
Health		59,545	88,000	159,281
Education and welfare		2,083,015	1,798,300	1,943,721
Community amenities		3,993,694	4,002,954	3,618,105
Recreation and culture		935,369	735,350	1,400,353
Transport		165,454	159,818	153,415
Economic services		1,347,474	1,027,184	889,132
Other property and services		69,721	57,782	(59,285)
		<b>34,967,420</b>	<b>33,579,002</b>	<b>34,546,034</b>
<b>Expenses</b>				
	2(b)			
Governance		(3,318,649)	(3,289,234)	(2,597,806)
General purpose funding		(458,156)	(397,983)	(667,253)
Law, order, public safety		(916,601)	(983,399)	(1,000,422)
Health		(671,243)	(756,523)	(661,509)
Education and welfare		(2,465,249)	(2,389,187)	(2,441,082)
Community amenities		(5,804,452)	(5,667,480)	(4,766,093)
Recreation and culture		(7,840,095)	(8,218,286)	(8,881,821)
Transport		(4,362,998)	(4,608,684)	(4,478,937)
Economic services		(4,686,349)	(4,794,439)	(4,727,977)
Other property and services		(1,215,985)	(308,338)	(177,842)
		<b>(31,739,777)</b>	<b>(31,413,553)</b>	<b>(30,400,742)</b>
<b>Finance Costs</b>				
	2(b)			
Community amenities		(59,286)	(64,136)	(80,107)
Recreation and culture		(81,583)	(80,144)	(115,745)
Transport		(28,561)	(29,200)	(36,079)
		<b>(169,430)</b>	<b>(173,480)</b>	<b>(231,931)</b>
		<b>3,058,213</b>	<b>1,991,969</b>	<b>3,913,361</b>
Non-operating grants, subsidies and contributions	2(a)	2,256,281	2,180,879	2,174,522
Profit on disposal of assets	11(a)	35,067	182	77,691
(Loss) on disposal of assets	11(a)	0	(30,316)	(24,217)
Fair value adjustments to financial assets at fair value through profit or loss		5,172	0	2,305
		<b>2,296,520</b>	<b>2,150,745</b>	<b>2,230,301</b>
<b>Net result for the period</b>		<b>5,354,733</b>	<b>4,142,714</b>	<b>6,143,662</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	0	0	0
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>5,354,733</b>	<b>4,142,714</b>	<b>6,143,662</b>

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

	NOTE	2021	2020
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	15,827,346	10,219,350
Trade and other receivables	6	1,954,644	2,183,318
Other financial assets	5(a)	4,298,665	6,277,329
Inventories	7	34,191	22,816
Contract assets	2(a)	13,500	33,686
Other assets	8	48,312	290,591
<b>TOTAL CURRENT ASSETS</b>		<b>22,176,658</b>	<b>19,027,090</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	1,443,370	1,604,435
Other financial assets	5(b)	205,015	221,257
Property, plant and equipment	9	146,705,559	147,286,247
Infrastructure	10	92,642,616	90,302,381
Right-of-use assets	12(a)	4,998,461	5,039,912
<b>TOTAL NON-CURRENT ASSETS</b>		<b>245,995,021</b>	<b>244,454,232</b>
<b>TOTAL ASSETS</b>		<b>268,171,679</b>	<b>263,481,322</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	7,573,268	6,186,122
Other liabilities	15	671,023	1,022,659
Lease liabilities	16(a)	64,310	52,999
Borrowings	17(a)	1,405,492	1,750,166
Employee related provisions	18	2,678,769	2,652,371
<b>TOTAL CURRENT LIABILITIES</b>		<b>12,392,862</b>	<b>11,664,317</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	16(a)	207,605	137,163
Borrowings	17(a)	2,708,993	4,114,485
Employee related provisions	18	161,190	264,987
Other provisions		93,181	47,251
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,170,969</b>	<b>4,563,886</b>
<b>TOTAL LIABILITIES</b>		<b>15,563,831</b>	<b>16,228,203</b>
<b>NET ASSETS</b>		<b>252,607,848</b>	<b>247,253,119</b>
<b>EQUITY</b>			
Retained surplus		87,333,105	81,399,623
Reserves - cash/financial asset backed	4	5,317,090	5,895,843
Revaluation surplus	13	159,957,653	159,957,653
<b>TOTAL EQUITY</b>		<b>252,607,848</b>	<b>247,253,119</b>

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

CITY OF NEDLANDS  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2021

		RESERVES CASH/FINANCIAL			
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 2019</b>		<b>75,056,435</b>	<b>6,095,369</b>	<b>159,957,653</b>	<b>241,109,457</b>
Comprehensive income					
Net result for the period		6,143,662	0	0	6,143,662
Total comprehensive income		6,143,662	0	0	6,143,662
Transfers from reserves	4	2,561,212	(2,561,212)	0	0
Transfers to reserves	4	(2,361,686)	2,361,686	0	0
<b>Balance as at 30 June 2020</b>		<b>81,399,623</b>	<b>5,895,843</b>	<b>159,957,653</b>	<b>247,253,119</b>
Comprehensive income					
Net result for the period		5,354,733	0	0	5,354,733
Total comprehensive income		5,354,733	0	0	5,354,733
Transfers from reserves	4	906,703	(906,703)	0	0
Transfers to reserves	4	(327,947)	327,947	0	0
<b>Balance as at 30 June 2021</b>		<b>87,333,105</b>	<b>5,317,090</b>	<b>159,957,653</b>	<b>252,607,848</b>

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		25,232,316	24,497,464	23,395,781
Operating grants, subsidies and contributions		1,818,375	1,306,059	2,866,485
Fees and charges		7,736,502	6,648,238	7,099,852
Service charges		(19,966)	0	(204,464)
Interest received		268,905	449,000	500,063
Goods and services tax received		1,667,021	2,270,000	2,082,634
Other revenue		132,711	513,831	490,161
		<b>36,835,864</b>	<b>35,684,592</b>	<b>36,230,512</b>
<b>Payments</b>				
Employee costs		(14,467,132)	(13,628,799)	(13,652,282)
Materials and contracts		(9,433,355)	(10,970,948)	(8,664,330)
Utility charges		(882,938)	(889,500)	(881,896)
Interest expenses		(169,430)	(175,980)	(241,893)
Insurance paid		(375,901)	(354,067)	(412,313)
Goods and services tax paid		(1,808,907)	(2,300,000)	(1,764,049)
Other expenditure		(706,287)	(882,852)	(937,514)
		<b>(27,843,950)</b>	<b>(29,202,146)</b>	<b>(26,554,277)</b>
<b>Net cash provided by operating activities</b>	19	<b>8,991,914</b>	<b>6,482,446</b>	<b>9,676,235</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	9(a)	(582,018)	(2,443,660)	(1,721,433)
Payments for construction of infrastructure	10(a)	(5,334,657)	(5,610,994)	(5,430,933)
Payments for right of use assets		(157,176)		(25,672)
Non-operating grants, subsidies and contributions	2(a)	2,256,281	2,180,879	2,174,522
Proceeds from financial assets at amortised cost		1,991,900	17,500	(1,415,692)
Proceeds from financial assets at amortised cost - self supporting loans		8,178		10,183
Proceeds from sale of property, plant & equipment	11(a)	101,989	3,411,163	519,905
Proceeds from lease receivable		0		33,352
<b>Net cash provided by (used in) investment activities</b>		<b>(1,715,503)</b>	<b>(2,445,112)</b>	<b>(5,855,769)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(1,750,165)	(1,750,166)	(1,691,065)
Payments for principal portion of lease liabilities	16(b)	(75,171)	(38,987)	(80,474)
Recognition of new lease liabilities	16(b)	156,922		0
<b>Net cash provided by (used in) financing activities</b>		<b>(1,668,414)</b>	<b>(1,789,153)</b>	<b>(1,771,539)</b>
<b>Net increase (decrease) in cash held</b>		<b>5,607,997</b>	<b>2,248,181</b>	<b>2,048,927</b>
Cash at beginning of year		10,219,350	9,167,287	8,170,423
<b>Cash and cash equivalents at the end of the year</b>	19	<b>15,827,346</b>	<b>11,415,468</b>	<b>10,219,350</b>

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	30 (b)	3,238,997	997,619	1,604,417
		3,238,997	997,619	1,604,417
<b>Revenue from operating activities (excluding rates)</b>				
Governance		110,135	255,881	256,205
General purpose funding		1,106,559	924,000	1,420,121
Law, order, public safety		377,391	282,500	400,106
Health		59,545	88,000	159,281
Education and welfare		2,083,015	1,798,300	1,943,721
Community amenities		3,993,694	4,002,954	3,618,105
Recreation and culture		935,369	735,350	1,400,353
Transport		165,454	159,818	153,415
Economic services		1,347,474	1,027,184	889,132
Other property and services		104,788	57,964	18,406
		10,283,424	9,331,951	10,258,845
<b>Expenditure from operating activities</b>				
Governance		(3,318,649)	(3,289,234)	(2,597,806)
General purpose funding		(458,156)	(397,983)	(667,253)
Law, order, public safety		(916,601)	(983,399)	(1,000,422)
Health		(671,243)	(756,523)	(661,509)
Education and welfare		(2,465,249)	(2,389,187)	(2,441,082)
Housing		0	0	0
Community amenities		(5,863,738)	(5,731,616)	(4,846,200)
Recreation and culture		(7,921,678)	(8,298,430)	(8,997,566)
Transport		(4,391,559)	(4,637,884)	(4,515,016)
Economic services		(4,686,349)	(4,794,439)	(4,727,977)
Other property and services		(1,215,985)	(338,654)	(202,059)
		(31,909,207)	(31,617,349)	(30,656,890)
Non-cash amounts excluded from operating activities	30(a)	4,422,232	4,476,434	3,710,881
<b>Amount attributable to operating activities</b>		(13,964,554)	(16,811,345)	(15,082,747)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	2,256,281	2,180,879	2,174,522
Proceeds from disposal of assets	11(a)	101,989	3,411,163	519,905
Proceeds from financial assets at amortised cost - self supporting loans		8,178	0	10,183
Proceeds on disposal of financial assets at amortised cost		0	17,500	0
Purchase of property, plant and equipment	9(a)	(582,018)	(2,443,660)	(1,721,433)
Purchase and construction of infrastructure	10(a)	(5,334,657)	(5,610,994)	(5,430,933)
Right of use of asset	12(a)	(157,176)	0	(25,672)
		(3,707,403)	(2,445,112)	(4,473,429)
<b>Amount attributable to investing activities</b>		(3,707,403)	(2,445,112)	(4,473,429)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(1,750,165)	(1,750,166)	(1,691,065)
Payments for principal portion of lease liabilities	16(b)	(75,171)	(38,987)	(80,474)
Transfers to reserves (restricted assets)	4	(327,947)	(4,524,113)	(2,361,686)
Transfers from reserves (restricted assets)	4	906,703	2,299,388	2,561,212
<b>Amount attributable to financing activities</b>		(1,246,580)	(4,013,878)	(1,572,013)
<b>Surplus/(deficit) before imposition of general rates</b>		(18,918,537)	(23,270,335)	(21,128,189)
<b>Total amount raised from general rates</b>	29(a)	24,724,235	24,247,233	24,367,185
<b>Surplus after imposition of general rates</b>	30(b)	<b>5,805,698</b>	<b>976,898</b>	<b>3,238,996</b>

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



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## 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 Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

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 financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the at fair value of selected non-current assets, financial assets and liabilities.

### 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. There are no Trust Funds held by the City.

### NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates

It is not expected these standards will have an impact on the financial report.

### CRITICAL ACCOUNTING ESTIMATES

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

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

## 2. REVENUE AND EXPENSES

### REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source

Revenue Category	Nature of goods and services	Timing of revenue recognition until 30 June 2019	Timing of revenue recognition 1 July 2019
Rates	General Rates	When rates notice is issued	When rates notice is issued
Service charges	Underground Power, charge for specific service	When rates notice is issued	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	On receipt of funds.	Income based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	On receipt of funds.	Capital grants are recognised as income based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants without specific performance obligations	General appropriations and contributions with no reciprocal commitment	On receipt of funds.	When assets are controlled
Fees and charges	<ul style="list-style-type: none"> <li>· Building, planning, development, and animal management, having the same nature as a license regardless of naming.</li> <li>· Compliance safety check</li> <li>· Regulatory Food, Health and safety</li> <li>· Kerbside collection service</li> <li>· Halls and facilities</li> <li>· Library fees, reinstatements and private works</li> <li>· Art course fees</li> <li>· Fines issued for breaches of local laws</li> </ul>	When fee or charge is raised in relation as event or service occurring, or upon receipt of funds.	At a point in time(or over a relatively short period of time) when the services have been provided and payments are received
Other Revenue	Insurance claims, Commissions on Licensing and ticket sales	When significant risks and rewards of ownership transfer to the purchaser and can be measured reliably, or upon receipt of funds. Fee or charge is raised in relation as event or service occurring, or upon receipt of funds.	At a point in time when the goods have been transferred and payments are received, or upon receipt of funds.

## 2. REVENUE AND EXPENSES

### (a) Grant revenue

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	3,049	20,000	4,106
General purpose funding	764,727	363,000	786,478
Law, order, public safety	31,844	0	31,116
Education and welfare	1,063,419	1,037,800	1,099,315
Recreation and culture	52,548	27,300	112,627
Transport	111,230	80,000	96,068
Economic services	80,753	140,000	153,641
Other property and services	54,556	52,600	9,886
	2,162,126	1,720,700	2,293,237
<b>Non-operating grants, subsidies and contributions</b>			
Recreation and culture	0	48,867	58,670
Transport	2,256,281	2,132,012	2,115,852
	2,256,281	2,180,879	2,174,522
<b>Total grants, subsidies and contributions</b>	<b>4,418,407</b>	<b>3,901,579</b>	<b>4,467,759</b>
<b>Fees and charges</b>			
Governance	91,162	75,000	263,817
General purpose funding	86,825	95,000	119,420
Law, order, public safety	345,547	70,000	356,103
Health	58,044	45,000	70,231
Education and welfare	1,019,596	758,500	715,356
Community amenities	3,962,499	4,001,454	3,618,102
Recreation and culture	844,635	678,400	1,088,545
Transport	88,793	80,000	57,166
Economic services	1,202,243	839,884	753,861
Other property and services	65	5,000	57,251
	7,699,409	6,648,238	7,099,852

### SIGNIFICANT ACCOUNTING POLICIES

#### Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

#### Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Contracts with customers and transfers for recognisable non-financial assets</b>			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the City was recognised during the year for the following nature or types of goods or services:			
Fees and charges	7,219,017	6,200,935	6,149,110
Other revenue	121,959	503,078	330,983
Non-operating grants, subsidies and contributions	2,256,281	2,180,879	2,174,522
	<u>9,597,257</u>	<u>8,884,892</u>	<u>8,654,615</u>
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the City is comprised of:			
Revenue from contracts with customers included as a contract liability at the start of the period	671,023	0	1,022,659
Revenue from contracts with customers recognised during the year	6,669,953	6,704,013	5,457,434
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	2,256,281	2,180,879	2,174,522
	<u>9,597,257</u>	<u>8,884,892</u>	<u>8,654,615</u>
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	855,456		811,770
Contract assets	13,500		33,686
Contract liabilities from contracts with customers	15 (671,023)		(1,022,659)

Contract assets primarily relate to the City's right to consideration for work completed but not billed at 30 June 2021.

Assets associated with contracts with customers were not subject to an impairment charge.

Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'.

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

Consideration from contracts with customers is included in the transaction price.

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

General rates	24,724,235	24,247,233	24,367,185
Statutory permits and licences	137,883	81,653	492,661
Fines	342,509	365,650	458,081
	<u>25,204,627</u>	<u>24,694,536</u>	<u>25,317,927</u>

Other revenue

Reimbursements and recoveries	10,752	10,753	159,178
Other	121,959	503,078	330,983
	<u>132,711</u>	<u>513,831</u>	<u>490,161</u>

Interest earnings

Financial assets at amortised cost - self supporting loans	2,203	2,259	2,680
Interest on reserve funds	28,249	110,000	104,817
Rates instalment and penalty interest (refer Note 29(e))	166,540	174,000	215,994
Other interest earnings	71,913	162,741	176,572
	<u>268,905</u>	<u>449,000</u>	<u>500,063</u>

**SIGNIFICANT ACCOUNTING POLICIES**

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Auditors remuneration</b>				
- Audit of the Annual Financial Report		45,000	45,000	80,000
- Other services		10,000	9,600	4,500
		55,000	54,600	84,500
<b>Interest expenses (finance costs)</b>				
Borrowings	17(b)	164,187	172,115	235,313
Lease liabilities	16(b)	5,243	1,365	6,581
		169,430	173,480	241,894
<b>Other expenditure</b>				
Impairment loss on trade and other receivables		10,432	29,500	152,517
Sundry expenses		695,855	853,352	784,997
		706,287	882,852	937,514

### 3. CASH AND CASH EQUIVALENTS

NOTE	2021	2020
	\$	\$
Cash at bank and on hand	11,217,687	6,682,574
Term deposits	4,609,659	3,536,776
<b>Total cash and cash equivalents</b>	<b>15,827,346</b>	<b>10,219,350</b>
<b>Restrictions</b>		
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	4,506,328	2,893,379
- Financial assets at amortised cost	4,281,982	6,273,882
- Bonds & Retention Funds	2,800,200	2,248,759
	<b>8,788,310</b>	<b>9,167,261</b>

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash/financial asset backed	4	5,317,087	5,895,843
Contract liabilities from contracts with customers	15	671,023	1,022,659
Bonds & Retention Funds	33	2,800,200	2,248,759
<b>Total restricted assets</b>		<b>8,788,310</b>	<b>9,167,261</b>

#### 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 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.

##### Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.



4. RESERVES - CASH/FINANCIAL ASSET BACKED

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Reserves cash backed - Plant Replacement Reserve	34,483	198	0	34,681	34,851	349	(35,200)	0	34,000	483	0	34,483
(b) Reserves cash backed - City Development Reserve	273,662	1,471	(200,000)	75,133	276,258	2,763	(200,000)	79,021	367,068	6,594	(100,000)	273,662
(c) Reserves cash backed - North Street Reserve	373,517	1,975	(239,172)	136,320	379,639	3,796	(200,000)	183,435	760,605	12,912	(400,000)	373,517
(d) Reserves cash backed - Welfare Reserve	693,688	2,529	0	696,217	697,194	6,972	0	704,166	484,909	208,779	0	693,688
(e) Reserves cash backed - Service Reserve	211,237	989	0	212,226	212,757	2,128	0	214,885	207,568	3,669	0	211,237
(f) Reserves cash backed - Insurance Reserve	65,123	264	0	65,387	65,702	657	0	66,359	64,099	1,024	0	65,123
(g) Reserves cash backed - Waste Management Reserve	1,081,804	105,879	0	1,187,683	1,086,802	110,868	0	1,197,670	962,682	119,122	0	1,081,804
(h) Reserves cash backed - Building Replacement Reserve	745,214	92,058	(364,000)	473,272	750,106	95,651	(364,000)	481,757	718,057	101,157	(74,000)	745,214
(i) Reserves cash backed - Swanbourne Development Reserve	134,467	469	0	134,936	135,315	1,353	0	136,668	132,008	2,459	0	134,467
(j) Reserves cash backed - Public Art Reserve	97,377	494	0	97,871	94,386	944	(50,000)	45,330	210,866	44,511	(158,000)	97,377
(k) Reserves cash backed - Business System Reserve	550,620	2,954	0	553,574	552,809	5,528	(500,000)	58,337	295,424	255,196	0	550,620
(l) Reserves cash backed - All Abilities Play Space	280,467	99,859	(66,000)	314,326	277,496	101,175	(66,000)	312,671	193,262	101,205	(14,000)	280,467
(m) Reserves cash backed - Underground Power Projects	769,990	3,879	(25,848)	748,021	777,068	1,683,566	(872,505)	1,588,129	370,166	1,480,664	(1,080,840)	769,990
(n) Reserves cash backed - Major Projects	584,194	3,242	0	587,436	580,884	2,496,680	0	3,077,564	1,294,655	23,911	(734,372)	584,194
(o) Reserves cash backed - Lawler Park	0	11,687	(11,683)	4	0	11,683	(11,683)	0	0	0	0	0
	5,895,843	327,947	(906,703)	5,317,087	5,921,267	4,524,113	(2,299,388)	8,145,992	6,095,369	2,361,686	(2,561,212)	5,895,843

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

In accordance with Council resolutions or adopted budget 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) Reserves cash backed - Plant Replacement Reserve	On-going	To fund replacement of plant and equipment so that the cost is spread over to a number of years.
(b) Reserves cash backed - City Development Reserve	On-going	To fund improvement and purchase of property, plant and equipment.
(c) Reserves cash backed - North Street Reserve	On-going	To fund operational and capital costs of community and recreational facilities at Mt Claremont and Swanbourne, and infrastructure generally.
(d) Reserves cash backed - Welfare Reserve	On-going	To fund the operational and capital costs to welfare services.
(e) Reserves cash backed - Service Reserve	On-going	To fund purchase of property, purchase of land and for parking areas, expense of streets depots, town planning schemes, valuation and legal cost, items of works of an urgent nature such as drainage.
(f) Reserves cash backed - Insurance Reserve	On-going	To fund any excess that may arise from having a performance based workers compensation premium.
(g) Reserves cash backed - Waste Management Reserve	On-going	To fund replacement of rubbish bin stock so that the cost is spread over a number of years.
(h) Reserves cash backed - Building Replacement Reserve	On-going	To fund the upgrade and/or replacement of council buildings.
(i) Reserves cash backed - Swanbourne Development Reserve	On-going	To fund capital works in the Swanbourne area associated with the Swanbourne Masterplan. Set-up with proceeds of the insurance claim arising from the fire of council property in Swanbourne.
(j) Reserves cash backed - Public Art Reserve	On-going	To fund works of art in the City of Nedlands.
(k) Reserves cash backed - Business System Reserve	On-going	To fund council's business system.
(l) Reserves cash backed - All Abilities Play Space	On-going	To fund the annual operating and maintenance cost of the All Abilities Play Space
(m) Reserves cash backed - Underground Power Projects	On-going	To fund Underground Power Projects
(n) Reserves cash backed - Major Projects	On-going	To fund capital works from proceeds from sale of major assets
(o) Reserves cash backed - Lawler Park	30-Jun-21	To receive a donation from the Hackett Civic Association to fund the specific requests of the Association within Lawler Park, the specific request are for covered seating, an item of exercise equipment and a plaque acknowledging the donation

## 5. OTHER FINANCIAL ASSETS

### (a) Current assets

Financial assets at amortised cost

#### Other financial assets at amortised cost

Term deposits

Self supporting loans

### (b) Non-current assets

Financial assets at amortised cost

Financial assets at fair value through profit and loss

#### Financial assets at amortised cost

Self supporting loans

#### Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2021	2020
	\$	\$
	4,298,665	6,277,329
	4,298,665	6,277,329
	4,281,982	6,273,882
	16,683	3,447
	4,298,665	6,277,329
	57,401	78,815
	147,614	142,442
	205,015	221,257
	57,401	78,815
	57,401	78,815
	147,614	142,442
	147,614	142,442

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 17(b) as self supporting loans.

Units in LG House Trust represents the equity the City of Nedlands has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House. The total contribution by all Councils towards the cost of the WALGA building was \$582,000 of which the City of Nedlands contributed \$8,000. There are 620 units in the Local Government House Trust, 8 of which are held by the City of Nedlands.

## 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.

### Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 31.

## 6. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable	
Trade and other receivables	
GST receivable	
Allowance for impairment of receivables	
Service charges receivable	
Lease Receivable	

### Non-current

Pensioner's rates and ESL deferred	
Service charges receivable	
Lease Receivable	

2021	2020
\$	\$
606,717	1,004,284
855,456	811,770
362,757	220,871
(10,432)	(9,282)
88,346	105,253
51,800	50,422
1,954,644	2,183,318
458,741	470,734
542,853	640,126
441,776	493,575
1,443,370	1,604,435

### 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.

When the City acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. When the City is an intermediate lessor, it accounts for its interests in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from

The lease receivable relates to a property that the City has sub-leased to a third party. The City has classified the sub lease as a finance lease, because the sub-lease is for the whole of the remaining term of the head lease.

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 31.

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

## 7. INVENTORIES

### Current

Fuel and materials

The following movements in inventories occurred during the year:

### Balance at beginning of year

Inventories expensed during the year

Reversal of write down of inventories to net realisable value

Additions to inventory

### Balance at end of year

	2021	2020
	\$	\$
	34,191	22,816
	34,191	22,816
	22,816	15,727
	(115,523)	(149,824)
	5,172	2,305
	121,726	154,608
	34,191	22,816

### 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.

## 8. OTHER ASSETS

### Other assets - current

Prepayments

2021	2020
\$	\$
48,312	290,591
48,312	290,591

### SIGNIFICANT ACCOUNTING POLICIES

#### Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Balances

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

	Land	Buildings - non- specialised	Buildings - specialised	Total land and buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	111,635,000	1,256,080	31,100,722	143,991,802	143,991,802	695,809	2,501,419	147,189,030
Additions	0	21,445	817,468	838,913	838,913	130,058	752,463	1,721,433
(Disposals)	0	0	(6,327)	(6,327)	(6,327)	(653)	(459,451)	(466,431)
Depreciation (expense)	0	(48,007)	(670,566)	(718,573)	(718,573)	(119,874)	(319,339)	(1,157,786)
<b>Balance at 30 June 2020</b>	111,635,000	1,229,518	31,241,297	144,105,815	144,105,815	705,340	2,475,092	147,286,247
<b>Comprises:</b>								
Gross balance amount at 30 June 2020	111,635,000	1,372,656	46,030,803	159,038,459	159,038,459	2,779,757	6,549,765	168,367,981
Accumulated depreciation at 30 June 2020	0	(143,138)	(14,789,506)	(14,932,644)	(14,932,644)	(2,074,417)	(4,074,673)	(21,081,734)
<b>Balance at 30 June 2020</b>	111,635,000	1,229,518	31,241,297	144,105,815	144,105,815	705,340	2,475,092	147,286,247
<b>Restated balance at 1 July 2020</b>	111,635,000	1,229,518	31,241,297	144,105,815	144,105,815	705,340	2,475,092	147,286,247
Additions	0	0	350,178	350,178	350,178	121,792	110,048	582,018
(Disposals)	0	0	0	0	0	0	(66,923)	(66,923)
Depreciation (expense)	0	(54,292)	(703,157)	(757,449)	(757,449)	(98,990)	(239,344)	(1,095,783)
<b>Balance at 30 June 2021</b>	111,635,000	1,175,226	30,888,318	143,698,544	143,698,544	728,142	2,278,873	146,705,559
<b>Comprises:</b>								
Gross balance amount at 30 June 2021	111,635,000	1,372,656	46,380,981	159,388,637	159,388,637	2,901,549	6,487,160	168,777,346
Accumulated depreciation at 30 June 2021	0	(197,430)	(15,492,663)	(15,690,093)	(15,690,093)	(2,173,407)	(4,208,287)	(22,071,787)
<b>Balance at 30 June 2021</b>	111,635,000	1,175,226	30,888,318	143,698,544	143,698,544	728,142	2,278,873	146,705,559

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>(i) Fair Value</b>					
<b>Land and buildings</b>					
Land	Level 2	Market Approach	Independent Registered valuer	June 2017	Sales evidence of similar assets
Buildings - non-specialised	Level 2	Market Approach	Independent Registered valuer	June 2017	Sales evidence of similar assets
Buildings - specialised	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	June 2017	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
<b>(ii) Cost</b>					
<b>Furniture and equipment</b>	Level 3	Market Approach (until 30 June 2019)	Management valuation	June 2016	Make, size, year of manufacture and condition
<b>Plant and equipment</b>	Level 3	Market Approach (until 30 June 2019)	Management valuation	June 2016	Make, size, year of manufacture and condition

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.

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

## 10. INFRASTRUCTURE

### (a) Movements in Balances

Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - Roads	Other infrastructure - Drainage	Other infrastructure - Footpath	Other infrastructure - Parks, Garden and Reserves	Other infrastructure - Street Furniture	Total Infrastructure
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	46,497,558	13,417,494	11,791,517	13,702,808	2,228,670	87,638,048
Additions	3,278,754	32,189	409,723	1,652,838	57,429	5,430,933
Depreciation (expense)	(1,140,109)	(383,123)	(400,119)	(693,462)	(149,787)	(2,766,601)
<b>Balance at 30 June 2020</b>	48,636,204	13,066,560	11,801,121	14,662,184	2,136,312	90,302,381
<b>Comprises:</b>						
Gross balance at 30 June 2020	81,959,468	27,779,231	20,809,205	22,398,408	3,622,433	156,568,745
Accumulated depreciation at 30 June 2020	(33,323,264)	(14,712,671)	(9,008,084)	(7,736,224)	(1,486,121)	(66,266,364)
<b>Balance at 30 June 2020</b>	48,636,204	13,066,560	11,801,121	14,662,184	2,136,312	90,302,381
<b>Restated balance at 1 July 2020</b>	48,636,204	13,066,560	11,801,121	14,662,184	2,136,312	90,302,381
Additions	2,223,244	1,469,714	532,461	819,990	289,248	5,334,657
Depreciation (expense)	(1,250,038)	(383,896)	(414,511)	(793,284)	(152,693)	(2,994,422)
<b>Balance at 30 June 2021</b>	49,609,410	14,152,378	11,919,071	14,688,890	2,272,867	92,642,616
<b>Comprises:</b>						
Gross balance at 30 June 2021	84,182,712	29,248,945	21,341,666	23,218,398	3,911,681	161,903,402
Accumulated depreciation at 30 June 2021	(34,573,302)	(15,096,567)	(9,422,595)	(8,529,508)	(1,638,814)	(69,260,786)
<b>Balance at 30 June 2021</b>	49,609,410	14,152,378	11,919,071	14,688,890	2,272,867	92,642,616



10. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>(i) Fair Value</b>					
<b>Infrastructure - Roads</b>	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
<b>Other infrastructure - Drainage</b>	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
<b>Other infrastructure - Footpath</b>	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
<b>Other infrastructure - Parks, Garden an</b>	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
<b>Other infrastructure - Street Furniture</b>	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.

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.

## 11. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

#### Initial recognition and measurement between mandatory revaluation dates

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

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

#### Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the City.

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Revaluation (Continued)

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

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

#### Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, is treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

#### Vested improvements from 1 July 2019

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

Refer to Note 12 that details the significant accounting policies applying to leases (including right-of-use assets).

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**11. FIXED ASSETS**

**(a) Disposals of Assets**

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	0	0	0	0	3,036,000	3,036,000	0	0	0	0	0	0
Buildings - specialised	0	0	0	0	285,162	285,162	0	0	6,327	6,327	0	0
Furniture and equipment	0	0	0	0	0	0	0	0	653	0	0	(653)
Plant and equipment	66,923	101,989	35,066	0	120,135	90,001	182	(30,316)	459,451	513,577	77,691	(23,565)
	66,923	101,989	35,066	0	3,441,297	3,411,163	182	(30,316)	466,431	519,905	77,691	(24,217)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
	\$	\$	\$	\$
<b>Plant and Equipment</b>				
Bandit Model 150 XP 12" Wood Chipper	6,377	8,182	1,805	0
Hyundai iLoad Van (1EGP649)	11,636	13,138	1,501	0
Hyundai i30 Go Hatchback (1GMD004)	6,364	15,583	9,219	0
Ford FX Ranger XL Super Cab Utility with Alloy Tray (1GMQ625)	17,091	26,322	9,231	0
Ford Ranger Super Cab Pickup XLT Utility (1GOV565)	25,456	38,765	13,309	0
	66,924	101,989	35,066	0
	66,924	101,989	35,066	0

**(b) Fully Depreciated Assets in Use**

The gross carrying value of assets held by the City which are currently in use yet fully depreciated are shown in the table below.

	2021	2020
	\$	\$
Furniture and equipment	0	765,145
Plant and equipment	0	298,144
	0	1,063,289

**(c) Temporarily Idle Assets**

The carrying value of assets held by the City which are temporarily idle or retired from active use and not classified as held for sale are shown in the table below.

	2021	2020
	\$	\$
Buildings - specialised	0	1,262,790
	0	1,262,790

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**11. FIXED ASSETS**

**(d) Depreciation**

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Buildings - non-specialised	54,292	48,000	48,007
Buildings - specialised	703,157	696,100	670,566
Furniture and equipment	98,990	226,100	119,874
Plant and equipment	239,344	342,200	319,339
Infrastructure - Roads	1,250,038	1,266,100	1,140,109
Other infrastructure - Drainage	383,896	385,200	383,123
Other infrastructure - Footpath	414,511	412,100	400,119
Other infrastructure - Parks, Garden and Reserve	793,284	741,700	693,462
Other infrastructure - Street Furniture	152,693	151,000	149,787
Right-of-use assets - buildings	137,317	137,400	137,675
Right-of-use assets - plant and equipment	61,309	40,400	66,835
	4,288,831	4,446,300	4,128,897

**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
Buildings	
- Structure	100 to 140 yrs
- Fit-outs	30 to 50 yrs
- Mechanical	50 to 100 yrs
- Roof Cladding	50 to 120 yrs
Furniture and equipment	4 to 10 yrs
Plant and equipment	5 to 15 yrs
Roads	
- Pavement	20 to 210 yrs
- Sub Grade	Not depreciated
- Top Surface	35 to 50 yrs
Footpaths	25 to 50 yrs
Stormwater	
- Pipes	60 to 80 yrs
- Pits	60 to 80 yrs
- Plant	30 to 80 yrs
Right of use (plant and equipment)	Based on the remaining lease

**Depreciation rates (continued)**

Asset Class	Useful life
Transport	
- Bus Shelters	30 yrs
- Roundabouts	20 to 80 yrs
- Street Lights	10 to 50 yrs
Parks	10 to 100 yrs
Parks Reticulation	25 to 50 yrs

**Depreciation on revaluation**

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.

**Amortisation**

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

## 12. LEASES

### (a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Right-of-use assets - buildings \$	Right-of-use assets - plant and equipment \$	Right-of-use assets Total
<b>Balance at 1 July 2019</b>	5,112,928	105,822	5,218,750
Additions	25,672	0	25,672
Depreciation (expense)	(137,675)	(66,835)	(204,510)
<b>Balance at 30 June 2020</b>	5,000,925	38,987	5,039,912
Additions	0	157,176	157,176
Depreciation (expense)	(137,317)	(61,309)	(198,626)
<b>Balance at 30 June 2021</b>	4,863,609	134,853	4,998,461

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

	2021 Actual \$	2020 Actual \$
Depreciation expense on lease liabilities	(61,309)	(66,835)
Interest expense on lease liabilities	(1,374)	(2,339)
<b>Total amount recognised in the statement of comprehensive income</b>	(62,683)	(69,174)
Total cash outflow from leases	(80,414)	(87,055)

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

At inception of a contract, the City assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the City uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

#### Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 11 for details on the significant accounting policies applying to vested improvements.

#### Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the City anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

12. LEASES (CONTINUED)

(b) Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Less than 1 year	51,800	0	50,422
1 to 2 years	53,216	0	0
2 to 3 years	54,671	0	0
3 to 4 years	56,165	0	0
4 to 5 years	57,701	0	0
> 5 years	220,022	0	493,575
	<b>493,575</b>	<b>0</b>	<b>543,997</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**The City as Lessor**

Upon entering into each contract as a lessor, the City assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the Entity applies AASB 15 to allocate the consideration under the contract to each component.

**CITY OF NEDLANDS**  
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**Item 8.1 - Attachment 1**

**13. REVALUATION SURPLUS**

	2021 Opening Balance	2021 Change in Accounting Policy	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	94,742,418	0	0	0	0	94,742,418	94,742,418	0	0	0	94,742,418
Revaluation surplus - Land and buildings leased	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Buildings - non-specialised	140,384	0	0	0	0	140,384	140,384	0	0	0	140,384
Revaluation surplus - Buildings - specialised	23,004,320	0	0	0	0	23,004,320	23,004,320	0	0	0	23,004,320
Revaluation surplus - Furniture and equipment	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Plant and equipment	732,800	0	0	0	0	732,800	732,800	0	0	0	732,800
Revaluation surplus - Infrastructure - Roads	28,141,668	0	0	0	0	28,141,668	28,141,668	0	0	0	28,141,668
Revaluation surplus - Other infrastructure - Drainage	8,401,646	0	0	0	0	8,401,646	8,401,646	0	0	0	8,401,646
Revaluation surplus - Other infrastructure - Footpath	3,998,893	0	0	0	0	3,998,893	3,998,893	0	0	0	3,998,893
Revaluation surplus - Other infrastructure - Parks, Garden and Reserves	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Other infrastructure - Street Furniture	795,524	0	0	0	0	795,524	795,524	0	0	0	795,524
	159,957,653	0	0	0	0	159,957,653	159,957,653	0	0	0	159,957,653

**14. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors  
 Prepaid rates  
 Accrued salaries and wages  
 Bonds and deposits held  
 Service charge refund  
 Accrued interest on Borrowings

	2021	2020
	\$	\$
	4,026,954	3,141,264
	262,540	318,321
	418,650	411,724
	2,800,200	2,248,759
	33,195	22,096
	31,729	43,958
	<u>7,573,268</u>	<u>6,186,122</u>
<b>Non-current</b>		
Service charge refund	93,181	47,251
	<u>93,181</u>	<u>47,251</u>

**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 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

**Prepaid rates**

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.



## 15. OTHER LIABILITIES

### Current

Contract liabilities

2021	2020
\$	\$
671,023	1,022,659
671,023	1,022,659

Performance obligations for each type of liability are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

Contract liabilities	Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity
\$	\$
671,023	1,022,659
671,023	1,022,659

### SIGNIFICANT ACCOUNTING POLICIES

#### Contract liabilities

Contract liabilities represent the the City's obligation to transfer goods or services to a customer for which the City has received consideration from the customer.

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

#### Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

Grant liabilities represent the the City's performance obligations to construct recognisable non-financial assets to identified specifications which are yet to be satisfied.

Grant liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**16. LEASE LIABILITIES**

(a) Lease Liabilities	2021	2020
	\$	\$
Current	64,310	52,999
Non-current	207,605	137,163
	271,915	190,162

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Budget	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020
					Lease Principal 1 July 2020	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments	Lease Principal 1 July 2020	Budget New Leases	Budget Lease Principal Repayments	Budget Lease Principal Outstanding	Budget Lease Interest Repayments	Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments
<b>Other property and services</b>																			
Photocopier	X636629	Fuji Xerox Australia Pty Limited	3.50%	24 months	38,987	5,570	(44,556)	1	(846)	38,987	0	(38,987)	0	(1,365)	105,822	0	(66,835)	38,987	(2,339)
Land Photocopier	N/A	Department of Planning, Lands and Heritage CUAPCS2018 Kyocera	2.50%	20 years plus 364 days	151,175	0	(14,012)	137,163	(3,869)	0	0	0	0	0	164,814	0	(13,639)	151,175	(4,242)
			1.10%	36 Month	190,162	157,176	(75,171)	272,167	(5,243)	0	0	0	0	0	0	0	0	0	0
					190,162	157,176	(75,171)	272,167	(5,243)	38,987	0	(38,987)	0	(1,365)	270,636	0	(80,474)	190,162	(6,581)

**CITY OF NEDLANDS**  
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**FOR THE YEAR ENDED 30 JUNE 2021**

**17. INFORMATION ON BORROWINGS**

(a) Borrowings	2021	2020
	\$	\$
Current	1,405,492	1,750,166
Non-current	2,708,993	4,114,485
	4,114,485	5,864,651

**(b) Repayments - Borrowings**

Particulars	Loan Number	Institution	Interest Rate	30 June 2021					30 June 2021					30 June 2020				
				Actual Principal 1 July 2020	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2020	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Government</b>																		
<b>Community amenities</b>																		
Waste Bins	178	WATC	6.01%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Underground Power Project	187	WATC	2.64%	1,831,084	0	(650,570)	(39,171)	1,180,514	1,831,084	0	(650,570)	(41,935)	1,180,514	2,464,759	0	(633,675)	(57,467)	1,831,084
Underground Power Project	188	WATC	3.07%	578,626	0	(64,909)	(16,093)	513,717	578,626	0	(64,909)	(17,764)	513,717	645,499	0	(66,873)	(18,115)	578,626
Underground Power Project	189	WATC	3.07%	84,512	0	(9,480)	(2,358)	75,032	84,512	0	(9,480)	(2,595)	75,032	94,279	0	(9,767)	(2,646)	84,512
Underground Power Project	190	WATC	3.07%	60,019	0	(6,733)	(1,664)	53,286	60,019	0	(6,733)	(1,842)	53,286	66,956	0	(6,937)	(1,879)	60,019
<b>Recreation and culture</b>																		
Buildings & Infrastructures	181	WATC	5.91%	256,766	0	(256,766)	(7,061)	0	256,766	0	(256,766)	(7,320)	0	498,901	0	(242,135)	(22,396)	256,766
Buildings & Infrastructures	182	WATC	4.67%	398,478	0	(262,557)	(13,013)	135,921	398,479	0	(262,557)	(14,055)	135,922	649,124	0	(250,646)	(25,458)	398,478
Buildings & Infrastructures	183	WATC	2.80%	871,357	0	(164,751)	(21,463)	706,606	871,357	0	(164,751)	(22,134)	706,606	1,031,607	0	(160,250)	(26,316)	871,357
Buildings & Infrastructures	184	WATC	3.12%	791,285	0	(133,995)	(22,155)	657,290	791,286	0	(133,996)	(22,434)	657,290	921,180	0	(129,895)	(26,418)	791,285
Buildings & Infrastructures	185	WATC	3.12%	374,498	0	(63,417)	(10,445)	311,081	374,498	0	(63,417)	(10,577)	311,081	435,974	0	(61,476)	(12,503)	374,498
Buildings & Infrastructures	186	WATC	3.07%	78,815	0	(14,053)	(2,203)	64,762	78,815	0	(14,053)	(2,259)	64,762	92,445	0	(13,630)	(2,655)	78,815
<b>Transport</b>																		
Road Infrastructures	179	WATC	6.04%	539,211	0	(122,934)	(28,561)	416,277	539,211	0	(122,934)	(29,200)	416,277	654,992	0	(115,781)	(36,079)	539,211
				5,785,836	0	(1,736,112)	(161,984)	4,049,724	5,785,838	0	(1,736,113)	(169,856)	4,049,725	7,463,271	0	(1,677,435)	(229,277)	5,785,836
<b>Self Supporting Loans</b>																		
<b>Recreation and culture</b>																		
Buildings & Infrastructures	186	WATC	3.07%	78,815	0	(14,053)	(2,203)	64,762	78,815	0	(14,053)	(2,259)	64,762	92,445	0	(13,630)	(2,655)	78,815
				78,815	0	(14,053)	(2,203)	64,762	78,815	0	(14,053)	(2,259)	64,762	92,445	0	(13,630)	(2,655)	78,815
				5,864,651	0	(1,750,166)	(164,187)	4,114,486	5,864,653	0	(1,750,166)	(172,115)	4,114,487	7,555,716	0	(1,691,065)	(231,932)	5,864,651

\* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

**CITY OF NEDLANDS**  
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**FOR THE YEAR ENDED 30 JUNE 2021**

**17. INFORMATION ON BORROWINGS (Continued)**

**(c) New Borrowings - 2020/21**

The City has no new borrowings during the financial year

**(c) Unspent Borrowings**

The City has no unspent borrowings during the financial year

**(c) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

	2021	2020
	\$	\$
Credit card limit	130,000	130,000
Credit card balance at balance date	(2,859)	(4,319)
<b>Total amount of credit unused</b>	<b>127,141</b>	<b>125,681</b>

**Loan facilities**

Loan facilities - current	1,405,492	1,750,166
Loan facilities - non-current	2,708,993	4,114,485
Lease liabilities - current	64,310	52,999
Lease liabilities - non-current	207,605	137,163
<b>Total facilities in use at balance date</b>	<b>4,386,400</b>	<b>6,054,813</b>

**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 31.

## 18. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

#### Opening balance at 1 July 2020

Current provisions  
 Non-current provisions

Additional provision  
 Amounts used

#### Balance at 30 June 2021

#### Comprises

Current  
 Non-current

#### Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date  
 More than 12 months from reporting date

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	1,353,707	1,298,664	2,652,371
Non-current provisions	0	264,987	264,987
	1,353,707	1,563,651	2,917,358
Additional provision	907,232	(5,443)	901,789
Amounts used	(916,525)	(62,663)	(979,188)
Balance at 30 June 2021	1,344,414	1,495,545	2,839,959
Comprises			
Current	1,344,414	1,334,355	2,678,769
Non-current	0	161,190	161,190
	1,344,414	1,495,545	2,839,959
	2021	2020	
	\$	\$	
Less than 12 months after the reporting date	1,875,138	1,856,660	
More than 12 months from reporting date	964,821	1,060,698	
	2,839,959	2,917,358	

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

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

#### 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

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.

## 19. 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:

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	15,827,346	11,415,468	10,219,350
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	5,354,733	4,142,714	6,143,662
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(5,172)	0	(2,305)
Depreciation on non-current assets	4,288,831	4,446,300	4,128,897
(Profit)/loss on sale of asset	(35,066)	30,134	(53,474)
Write of minor assets	0	0	93,759
Changes in assets and liabilities:			
(Increase)/decrease in receivables	389,739	544,224	411,987
(Increase)/decrease in other assets	242,279	-	(119,761)
(Increase)/decrease in inventories	(11,375)	2,500	(4,784)
(Increase)/decrease in contract assets	20,186	-	(33,686)
Increase/(decrease) in payables	1,387,146	16,087	1,188,212
Increase/(decrease) in employee provisions	(77,399)	250,000	161,653
Increase/(decrease) in other provisions	45,930	-	-
Increase/(decrease) in other liabilities	(351,636)	(768,634)	(63,403)
Non-operating grants, subsidies and contributions	(2,256,281)	(2,180,879)	(2,174,522)
Net cash from operating activities	8,991,914	6,482,446	9,676,235

CITY OF NEDLANDS  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2021

**20. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	2021	2020
	\$	\$
Governance	116,096,613	303,457,372
Education and welfare	7,758,468	7,895,542
Community amenities	2,043,498	2,082,448
Recreation and culture	35,724,147	36,136,618
Transport	77,953,725	75,640,196
Other property and services	28,603,940	25,378,103
Unallocated	(8,712)	(187,108,957)
	<u>268,171,679</u>	<u>263,481,322</u>

**21. CONTINGENT LIABILITIES**

The City of Nedlands is not aware of any legal claims against the City which would require disclosure as contingent liabilities.

**22. CAPITAL COMMITMENTS**

**(a) Capital Expenditure Commitments**

	2021	2020
	\$	\$
Contracted for:		
- capital expenditure projects	1,656,527	2,227,483
- plant & equipment purchases	96,035	211,671
	<u>1,752,562</u>	<u>2,439,154</u>
Payable:		
- not later than one year	1,752,562	2,439,154

23. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
<b>MAYOR Fiona Argyle</b>			
Mayor's annual allowance	1,760	1,760	0
Meeting attendance fees	865	865	0
Annual allowance for ICT expenses	97	97	0
	2,722	2,722	0
<b>DEPUTY MAYOR L McManus</b>			0
Deputy Mayor's annual allowance	15,839	15,838	616
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
	42,569	42,568	27,346
<b>COUNCILLOR Wetherall</b>			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
	26,730	26,730	26,730
<b>COUNCILLOR Mangano</b>			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
	26,730	26,730	26,730
<b>COUNCILLOR Hodsdon</b>			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
	26,730	26,730	26,730
<b>COUNCILLOR K Smyth</b>			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
	26,730	26,730	26,730
<b>COUNCILLOR Horley</b>			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
	26,730	26,730	26,730
<b>COUNCILLOR Senathirajah</b>			
Meeting attendance fees	23,230	23,230	16,236
Annual allowance for ICT expenses	3,500	3,500	2,446
	26,730	26,730	18,682
<b>COUNCILLOR Coghlan</b>			
Meeting attendance fees	23,230	23,230	16,236
Annual allowance for ICT expenses	3,500	3,500	2,446
	26,730	26,730	18,682
<b>COUNCILLOR Bennett</b>			
Meeting attendance fees	23,230	23,230	16,236
Annual allowance for ICT expenses	3,500	3,500	2,446
	26,730	26,730	18,682
<b>COUNCILLOR Poliwka</b>			
Meeting attendance fees	21,294	21,294	6,744
Meeting attendance fees (vacant)	0	1,936	0
Annual allowance for ICT expenses	3,208	3,208	1,016
Annual allowance for ICT expenses (vacant)	0	292	
	24,503	26,730	7,760



23. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
<b>COUNCILLOR Youngman</b>			
Meeting attendance fees	19,358	19,358	0
Meeting attendance fees (vacant)	0	3,872	0
Annual allowance for ICT expenses	2,917	2,917	0
Annual allowance for ICT expenses (vacant)	0	583	0
	22,275	26,730	0
<b>COUNCILLOR Tyson</b>			
Meeting attendance fees	7,681	7,681	0
Annual allowance for ICT expenses	1,158	1,158	0
	8,839	8,839	0
<b>EX COUNCILLOR MR Hay</b>			
Meeting attendance fee	8,776	9,679	0
Meeting attendance fees (vacant)	0	5,871	23,230
Annual allowance for ICT expenses	1,322	1,322	3,500
Annual allowance for ICT expenses (vacant)	0	1,020	0
	10,098	17,892	26,730
<b>EX Mayor CM De Lacy</b>			
Mayor's annual allowance	41,482	42,236	44,280
Mayor's annual allowance (vacant)	0	19,358	0
Meeting attendance fees	20,395	20,396	28,765
Meeting attendance fees (vacant)	0	9,888	0
Annual allowance for ICT expenses	2,292	3,403	3,500
	64,169	95,281	76,544
<b>Ex Mayor Mr Hipkins</b>			
Mayor's annual allowance	0	0	19,074
Meeting attendance fees	0	0	9,535
ICT expenses	0	0	1,054
Annual allowance for travel and accommodation expenses	0	0	0
	0	0	29,663
<b>EX DEPUTY MAYOR Mr Hassell</b>			
Deputy Mayor's annual allowance	0	0	14,651
Meeting attendance fees	0	0	21,488
Annual allowance for ICT expenses	0	0	3,238
	0	0	39,376
<b>EX COUNCILLOR I Argyle</b>			
Meeting attendance fees	0	0	6,994
Annual allowance for ICT expenses	0	0	1,054
	0	0	8,048
<b>EX COUNCILLOR N Shaw</b>			
Meeting attendance fees	0	0	6,994
Annual allowance for ICT expenses	0	0	1,054
	0	0	8,048
<b>EX COUNCILLOR T James</b>			
Meeting attendance fees	0	0	6,994
Annual allowance for ICT expenses	0	0	1,054
	0	0	8,048
	389,014	434,601	421,260

## 23. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
Mayor's allowance	43,242	63,354	63,354
Deputy Mayor's allowance	15,839	15,838	15,267
Meeting attendance fees	287,439	309,909	298,831
Annual allowance for ICT expenses	42,494	45,500	43,808
	389,014	434,601	421,260

## 24. RELATED PARTY TRANSACTIONS

### Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
	\$	\$
The total of remuneration paid to KMP of the City during the year are as follows:		
Short-term employee benefits	2,392,592	2,447,556
Post-employment benefits	248,499	256,151
Other long-term benefits	41,308	59,199
Termination benefits	187,243	6,568
	2,869,642	2,769,474

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

#### *Termination benefits*

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

### 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.

There were no transactions with related parties.

### 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.

## 25. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

The City has no interest in any Joint Ventures.

## 26. INVESTMENT IN ASSOCIATES

The City has no interest in Associated Entities

## 27. MAJOR LAND TRANSACTIONS

The City did not participate in any major land transactions during the 2020/21 financial year.

## 28. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertaking or major trading undertakings during the 2020/21 financial year.

29. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21 Actual Rateable Value \$	2020/21 Actual Rate Revenue \$	2020/21 Actual Interim Rates \$	2020/21 Actual Back Rates \$	2020/21 Actual Total Revenue \$	2020/21 Budget Rate Revenue \$	2020/21 Budget Interim Rate \$	2020/21 Budget Back Rate \$	2020/21 Budget Total Revenue \$	2019/20 Actual Total Revenue \$
<b>Differential general rate / general rate</b>												
<b>Gross rental valuations</b>												
Residential	0.06558	6,789	268,038,989	17,577,681	126,901	131,505	17,836,087	17,575,695	100,000	0	17,675,695	18,032,371
Residential Vacant	0.08220	123	6,862,500	564,108	54,444	(165,085)	453,467	566,983	0	0	566,983	543,685
Non Residential	0.07314	386	45,988,233	3,458,595	247,057	23,020	3,728,671	3,327,552	0	0	3,327,552	3,257,477
<b>Sub-Total</b>		7,298	320,889,722	21,600,383	428,402	(10,561)	22,018,225	21,470,230	100,000	0	21,570,230	21,833,533
<b>Minimum payment</b>												
<b>Gross rental valuations</b>												
Residential	1,484	1,537	28,895,100	2,280,908	(30,973)	(4,805)	2,245,130	2,280,908	0	0	2,280,908	2,145,061
Residential Vacant	1,968	71	1,335,150	139,728	60,550	0	200,278	139,728	0	0	139,728	140,052
Non Residential	1,957	131	2,320,511	256,367	3,914	321	260,602	256,367	0	0	256,367	248,539
<b>Sub-Total</b>		1,739	32,550,761	2,677,003	33,491	(4,484)	2,706,010	2,677,003	0	0	2,677,003	2,533,652
Discounts/concessions (Note 29(d))		9,037	353,440,483	24,277,386	461,893	(15,044)	24,724,235	24,147,233	100,000	0	24,247,233	24,367,185
<b>Total amount raised from general rate</b>							0				0	0
Specified Area Rate (Note 29(b))							24,724,235				24,247,233	24,367,185
<b>Totals</b>							0				0	0
							24,724,235				24,247,233	24,367,185

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates**

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**29. RATING INFORMATION (Continued)**

**(b) Specified Area Rate**

No specified area rates were imposed by the City of Nedlands during the year ended 2021.

**(c) Service Charges**

No specified area rates were imposed by the City of Nedlands during the year ended 2021.

**(d) Discounts, Incentives, Concessions, & Write-offs**

**Rates Discounts**

The City of Nedlands offered no discounts or incentives for the early payment of rates or any other debts of ratepayers unless specifically approved by the Council.

**Waivers or Concessions**

The City of Nedlands offers those residents who hold a current valid seniors or pensioners concession card, a concession in respect of the following services:

- (i) Rates & Charges
- (ii) ESL
- (iii) Dogs and Cats Registration

**(e) Interest Charges & Instalments**

Instalment Options	Date Due	Instalment Plan		Instalment Inpaid Rates Interest	
		Admin Charge	Interest Rate	Rate	Rate
		\$	%		%
<b>Option One</b>					
Single full payment	1/09/2020	\$ -	-	-	8.00%
<b>Option Two</b>					
First instalment					
Second instalment					
<b>Option Three</b>					
First instalment	1/09/2020	\$ -	5.50%		8.00%
Second instalment	2/11/2020	16.00	5.50%		8.00%
Third instalment	21/01/2021	16.00	5.50%		8.00%
Fourth instalment	29/03/2021	16.00	5.50%		8.00%

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Interest on unpaid rates	60,973	50,000	88,563
interest on instalment plan	98,865	116,000	118,162
ESL Interest income	6,702	8,000	9,269
Charges on instalment plan	89,424	95,000	95,664
	255,964	269,000	311,658

30. RATE SETTING STATEMENT INFORMATION

		2020/21 Budget	2020/21	2019/20		
	2020/21 (30 June 2021 Carried Forward)	(30 June 2021 Carried Forward)	(1 July 2020 Brought Forward)	(30 June 2020 Carried Forward)		
Note	\$	\$	\$	\$		
<b>(a) Non-cash amounts excluded from operating activities</b>						
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> .						
<b>Adjustments to operating activities</b>						
	Less: Profit on asset disposals	11(a)	(35,067)	(182)	(77,691)	(77,691)
	Less: Fair value adjustments to financial assets at fair value through profit and loss		(5,172)	0	(2,305)	(2,305)
	Movement in payables		0	0	(6,750)	(6,750)
	Movement in pensioner deferred rates (non-current)		11,993	0	20,702	20,702
	Movement in employee benefit provisions (non-current)		(103,797)	0	(209,209)	(209,209)
	Movement in other provisions (non-current)		45,930	0	0	0
	Movement in service charge receivable		97,273	0	95,674	95,674
	Movement in Lease receivable (non-current)		51,799	0	(493,575)	(493,575)
	Movement in lease payables (non-current)		70,442	0	137,163	137,163
	Add: Loss on disposal of assets	11(a)	0	30,316	24,217	24,217
	Add: Write of minor assets		0	0	93,758	93,758
	Add: Depreciation on non-current assets	11(d)	4,288,831	4,446,300	4,128,897	4,128,897
	<b>Non cash amounts excluded from operating activities</b>		<b>4,422,232</b>	<b>4,476,434</b>	<b>3,710,881</b>	<b>3,710,881</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>						
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.						
<b>Adjustments to net current assets</b>						
	Less: Reserves - cash/financial asset backed	4	(5,317,090)	(8,145,992)	(5,895,843)	(5,895,843)
	Less: Financial assets at amortised cost - self supporting loans	5(a)	(16,683)	(15,000)	(3,447)	(3,447)
	Add: Current liabilities not expected to be cleared at end of year					
	- Current portion of borrowings	17(a)	1,405,492	1,408,065	1,750,166	1,750,166
	- Current portion of lease liabilities		64,310		52,999	52,999
	- Employee benefit provisions		(49,817)	(70,590)	25,348	25,348
	<b>Total adjustments to net current assets</b>		<b>(3,978,098)</b>	<b>(6,823,517)</b>	<b>(4,123,776)</b>	<b>(4,123,776)</b>
<b>Net current assets used in the Rate Setting Statement</b>						
	Total current assets		22,176,658	17,370,932	19,027,090	19,027,090
	Less: Total current liabilities		(12,392,862)	(9,570,517)	(11,664,317)	(11,664,317)
	Less: Total adjustments to net current assets		(3,978,098)	(6,823,517)	(4,123,776)	(4,123,776)
	<b>Net current assets used in the Rate Setting Statement</b>		<b>5,805,698</b>	<b>976,898</b>	<b>3,238,997</b>	<b>3,238,997</b>

CITY OF NEDLANDS  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2021  
 31. 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
<b>Market risk - interest rate</b>	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
<b>Credit risk</b>	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
<b>Liquidity risk</b>	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**

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	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2021</b>					
Cash and cash equivalents	0.12%	15,827,346	4,609,659	11,217,687	0
Financial assets at amortised cost - term deposits	0.25%	4,281,982	4,281,982	0	0
<b>2020</b>					
Cash and cash equivalents	0.51%	10,219,350	3,536,776	6,682,574	0
Financial assets at amortised cost	0.89%	6,273,882	6,273,882	0	0

**Sensitivity**

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

Impact of a 1% movement in interest rates on profit and loss and equity\*

	2021	2020
	\$	\$
	158,273	102,194

\* 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 17(b).

## 31. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### **Trade and Other 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. Whilst the City was historically able to charge interest on overdue rates and annual charges at higher than market rates, which further encourage 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 and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 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. The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2021</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.04%	
Gross carrying amount	164,162	26,106	40,990	238,464	469,722
Loss allowance	0	0	0	10,432	10,432
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.04%	
Gross carrying amount	241,667	159,240	9,241	254,259	664,407
Loss allowance	0	0	0	9,282	9,282

#### **Contract Assets**

The City's contract assets represent work completed, which have not been invoiced at year end. This is due to the City not having met all the performance obligations in the contract which give an unconditional right to receive consideration. The City applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The City has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.



### 31. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk

##### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. 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 17(c).

The contractual undiscounted cash flows of the City's payables and borrowings 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.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2021</b>					
Payables	7,573,268	0	0	7,573,268	7,573,268
Borrowings	1,521,957	2,663,207	206,645	4,391,809	4,114,485
Contract liabilities	671,023	0	0	671,023	671,023
Lease liabilities	51,393	157,178	64,070	272,641	271,915
	9,817,641	2,820,385	270,715	12,908,741	12,630,691
<b>2020</b>					
Payables	6,186,122	0	0	6,186,122	6,186,122
Borrowings	1,926,583	3,962,019	429,791	6,318,393	5,864,651
Contract liabilities	1,022,659	0	0	1,022,659	1,022,659
Lease liabilities	58,232	71,524	81,950	211,706	190,162
	9,193,596	4,033,543	511,741	13,738,880	13,263,594

### 32. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the 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.

#### (a) AASB 1059 Service Concession Arrangements: Grantors

This standard sets out the framework for a grantor to recognise the assets, liabilities, revenue and expense associated with a service concession arrangement where an operator is providing a public service on behalf of the grantor.

There is no impact on the City's financials.

### 33. BONDS AND RETENTION FUNDS

All bonds and deposits not required by legislation to be held in trust are included in Restricted Cash Note 3 and shown as current liability in Note 14:

	1 July 2020	Amounts Received	Amounts Paid	30 June 2021
	\$	\$	\$	\$
Footpath Bonds	1,144,943	911,473	(490,280)	1,566,134
Hall & Key Bond	52,705	6,795	(1,499)	58,001
Tresillian Bond & Miscellaneous	7,244	1,925	(410)	8,759
Retention for Non Compliance	42,662	2,504	0	45,166
Construction Training Bond	221,168	607,631	(507,338)	321,462
Building Construction Bond	337,013	651,269	(628,312)	359,970
Unclaimed Money	52,379	0	0	52,379
Tresillian Artist Sales	749	0	0	749
Crossover Bond	6,219	0	0	6,219
Miscellaneous	224,565	30,180	(16,499)	238,246
DAP Application Levy	14,253	101,409	(118,589)	(2,928)
Adelma	100,000	0	0	100,000
Supplier Retention	44,829	35,308	(34,093)	46,044
Staff Funds	32	0	(32)	0
	2,248,759	2,348,493	(1,797,051)	2,800,200

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**34. 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 operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current 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 end of the reporting period.

**35. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<p><b>GOVERNANCE</b>                      To provide a decision making process for the effi</p>	<p>Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.</p>
<p><b>GENERAL PURPOSE FUNDING</b>                      To collect revenue to allow for the provision of services.</p>	<p>Rates, general purpose government grants and interest revenue.</p>
<p><b>LAW, ORDER, PUBLIC SAFETY</b>                      To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.</p>
<p><b>HEALTH</b>                      To provide an operational framework for environmental and community health.</p>	<p>Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.</p>
<p><b>EDUCATION AND WELFARE</b>                      To provide services to disadvantaged persons, the elderly, children and youth.</p>	<p>Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.</p>
<p><b>HOUSING</b>                      To provide and maintain elderly residents housing.</p>	<p>Provision and maintenance of elderly residents housing.</p>
<p><b>COMMUNITY AMENITIES</b>                      To provide services required by the community.</p>	<p>Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.</p>
<p><b>RECREATION AND CULTURE</b>                      To establish and effectively manage infrastructure and resource which will help the social wellbeing of the community.</p>	<p>Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.</p>
<p><b>TRANSPORT</b>                      To provide safe, effective and efficient transport services to the community.</p>	<p>Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.</p>
<p><b>ECONOMIC SERVICES</b>                      To help promote the shire and its economic wellbeing.</p>	<p>Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building</p>
<p><b>OTHER PROPERTY AND SERVICES</b>                      To monitor and control City of Nedlands's overheads operating accounts.</p>	<p>Private works operation, plant repair and operation costs and engineering operation costs.</p>

### 36. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	1.50	1.18	0.98
Asset consumption ratio	0.72	0.59	0.58
Asset renewal funding ratio	1.02	0.95	0.92
Asset sustainability ratio	1.36	1.61	2.33
Debt service cover ratio	3.79	4.34	5.61
Operating surplus ratio	0.09	0.12	0.18
Own source revenue coverage ratio	1.03	1.06	1.14

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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

CITY OF NEDLANDS

MANAGEMENT LETTER

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

MATTERS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS		RATING		
<b>Identified in the current year</b>				
No new matters have been identified in final testing				
No	Description	Significant	Moderate	Minor
<b>Matters outstanding from prior years</b>				
1.	Manual Input of Fees and Charges on Invoicing			✓
2.	Capitalisation of Infrastructure Assets		✓	
3.	Lack of formal evidence of monitoring of vendor activity within the Authority production environment	✓		
4.	Migration of changes to the Authority production environment did not follow the relevant process		✓	
5.	Payments made to suppliers not matched against the respective supplier invoices.		✓	
6.	Receipts from debtors not matched against the respective debtor invoices.		✓	
7.	No aged trial balance available for Infringement Debtors.		✓	

CITY OF NEDLANDS

MANAGEMENT LETTER

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

MATTERS IDENTIFIED DURING THE AUDIT

### 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. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed 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.



**1. Manual input of fees and charges on invoicing**

**Finding**

2020/21

Prior year issue remains unresolved.

2019/20

The Council-approved schedule for fees and charges are not locked in the system and are manually input when invoicing.

**Rating**

Minor

**Implication**

There are risk of erroneous entry of the fees and charges upon invoicing which could result in incorrect charges to customers which might expose the City to reputational risks.

**Recommendation**

The City should ensure all categories of fees and charges are loaded onto the accounting system, reviewed in accordance with the approved schedule and locked for use in invoicing.

Alternatively, where this cannot be loaded onto the system and has to be entered manually, a level of review should be put in place to ensure the fees or charges entered agree to what has been approved by the Council.

**Management Comment:**

**2019/20**

Due to current finance system limitations, the City is unable to load all categories of fees and charges in to the present accounting system. The Director C&S and Manager Financial Services are very aware of this issue and have ensured that this has been identified as an integral requirement of the new accounting system being sourced.

**2020/21**

The implementation of ERP Finance System will address this finding.

**Responsible person:** Manager Financial Services

**Completion Date:** July 2022

## 2. Capitalisation of Infrastructure Assets

### Finding

2020/21

Prior year issue remains unresolved.

2019/20

We identified that in accordance with the City's capitalization policy, capitalization of new infrastructure assets is undertaken at year end, which results in the new infrastructure assets not being depreciated from the point at which they were ready and available for use.

### Rating

Minor

### Implication

There is a risk that depreciation expense for infrastructure assets is understated.

### Recommendation

For major infrastructure assets, the City should include a depreciation start date that aligns with when the asset was ready and available for use.

### Management Comment:

**2019/20**

The current accounting system does not have the capacity for identification and capitalization of infrastructure assets as and when the asset is ready and available for use. There are numerous capital projects and to manually perform this exercise would not be viable. This has been identified as an integral requirement of the new accounting system being sourced.

**2020/21**

The implementation of ERP Finance System will address this finding.

**Responsible person:** Manager Financial Services

**Completion Date:** July 2022

**3. Lack of formal evidence of monitoring of vendor activity within the Authority production environment**

**Finding**

2020/21

Testing of the formal evidence of monitoring still to be completed for 2020/21.

2019/20

The Authority vendor (Civica) is responsible for developing and migrating large changes into the production environment, as well as providing support when required.

We were informed by IT personnel interviewed that Civica have 24/7 remote access to Authority via a generic account and that their access to the system is logged and monitored at the network layer, however logging functionality is poor within the application itself and therefore code or other configuration related changes cannot be tracked or monitored.

**Rating**

Significant

**Implication**

The vendor may make potentially inappropriate changes to Authority, including changing the configuration of key system-based controls or data related to the financial statements.

**Recommendation**

Management should consider:

- Locking the vendor account when not required
- Provisioning the vendor with unique accounts rather than a generic account
- Confirming with the vendor whether audit logging of changes within the application is available and if so, Management should conduct a formal periodic review of this log. To evidence that the review has been completed, the formal sign-off should be maintained, including the name of the reviewer, date reviewed, what they reviewed and the controls in place for them to gain comfort that the data provided to them to review was complete and accurate

**Management Comment**

The current solution records when the supplier logs in, but reporting of changes is restricted due to functionality within the system.

A new change management process has now been implemented. Civica have been notified via that effective immediately;

The Manager Business Systems will be notified prior to any changes.

Business Systems Senior engineer will manage the change process internally and pass information back to Civica once approval/rejection has occurred by management and the change has been affected.

**2020/21**

The implementation of the ERP Finance system in July 2022 will have full audit

capability and changes to the ERP functionality will go through the standard TechnologyOne system upgrade process. TechnologyOne will not have access to the City's ERP system and therefore will not be able to make any changes.

**Responsible person:** Manager ICT

**Completion Date:** July 2022

**4. Migration of changes to the Authority production environment did not follow the relevant process**

**Finding**

2020/21

Testing of the migration still to be completed for 2020/21.

2019/20

The process to migrate a change to the Authority production environment as defined in the City of Nedlands's System/Application Change Control Policy is as follows:

- 1 A standard change control form is completed
- 2 Approval from the Manager Information Systems (title has been changed) is obtained prior to the implementation of the change

Furthermore, we were informed that the testing is also conducted by IT and the business prior to the Authority vendor (Civica) migrating the change into production.

We noted that there were changes migrated into the Authority production environment during the audit period, but no change control form was completed and no evidence of testing was recorded for these changes.

We noted the above process is being changed during the 2021 financial year.

**Rating**

Moderate

**Implication**

Changes may be made to the Authority production environment which aren't suitably tested or approved by the relevant stakeholders, which may result in system based controls not operating as intended.

Not recording evidence to support testing may result in there being no audit trail if any issues were to be encountered after migration.

**Recommendation**

Management should update their change management process to reflect ITIL standards as stated in the FY20 management comment. This new process should clearly state the requirement to maintain appropriate documentation for changes to the Authority application, including completing change control forms and maintaining evidence of testing being completed.

**Management Comment**

The policy with regard to system/addlication change control was approved in August 2018. Vendors, and specifically Civica, were informed of this change in December 2020. However, since this notification, there has been no occurrence of the requirement to have Manager ICT approve any vendor driven system updates and as such, no forms asking for approval have been created or authorised. It is therefore not possible to show evidence for an event that has not occurred.

**Responsible person:** Manager ICT

**Completion Date:** Sep 2021

**5. Payments made to suppliers not matched against the respective supplier invoices**

**Finding**

2020/21

Prior year issue remains unresolved.

2019/20

Prior year issue remains unresolved.

2018/19

Our review of the creditors aged trial balances from 1 July 2018 to 28 February 2019 revealed that the payments made to suppliers were not matched against the respective supplier invoices in the creditor's module in the system, and thus, fully paid creditors were included as part of the creditors ageing.

**Rating: Moderate**

**Implication:**

In the absence of accurate creditors' ageing trial balance, there is increased risk that the Council may be using misleading data for decision making.

**Recommendation:**

We recommend that payments to creditors be matched against the relevant outstanding suppliers' invoices in the creditors' module in order to maintain an accurate creditors ageing trial balance and to evaluate the payable balances age-wise.

**Management Comment:**

**2020/21**

The City's ERP system matches payments to suppliers invoices.

**Responsible person:** Manager Financial Services

**Completion Date:** July 2022

**2019/20**

This is an on-going issue with the current version of the Authority software that the City is using and will not be rectified until the implementation of a new solution. CIVICA is not addressing any issues in the software version used by the City as they have since upgraded their solution to 2 higher versions.

This has been identified as an integral requirement of the new accounting system being sourced.

**Responsible person:** Manager Financial Services

**Completion Date:** TBA – Dependent on implementation of new Finance System

**2018/19**

The inaccurate creditors aging was again raised with CIVICA in recent months and their reply remains the same, that they have no plans yet to change the report. Management agrees with the finding and recommendation and will continue to work with CIVICA to make the changes, however Management have little scope to ensure these changes are made as the supplier; CIVICA hasn't provided any clear indication of when they attend to address this issue.

**Responsible person:** Manager Financial Services

**Completion Date:** TBA – Dependent on implementation of new Finance System

**6. Receipts of debtors not matched against the respective debtor invoices**

**Finding**

2020/21

Prior year issue remains unresolved.

2019/20

Prior year issue remains unresolved.

2018/19

Our review of the sundry debtors aged trial balances from 1 July 2018 to 31 January 2019 revealed that receipts from debtors were not matched against the respective debtors invoices in the debtor's module in the system, and thus, debtors with a zero balance were included as part of the debtors ageing.

**Rating: Moderate**

**Implication:**

In the absence of accurate debtors ageing trial balance, there is increased risk that the Council may be using misleading data for decision making.

**Recommendation:**

We recommend that receipts from debtors be matched against the relevant outstanding debtor's invoices in the debtor's module in order to maintain an accurate debtors ageing trial balance and to evaluate the receivable balances age-wise.

**Management Comment:**

**2020/21**

The implementation of ERP Finance System will address this finding.

**Responsible person:** Manager Financial Services

**Completion Date:** TBA – Dependent on implementation of new Finance System

**2019/20**

This is an on-going issue with the current version of the Authority software that the City is using and will not be rectified until the implementation of a new solution. CIVICA is not addressing any issues in the software version used by the City as they have since upgraded their solution to 2 higher versions.

This has been identified as an integral requirement of the new accounting system being sourced

**Responsible person:** Manager Financial Services

**Completion Date:** TBA – Dependent on implementation of new Finance System

**2018/19**

The receipts are matched against the invoices on a weekly basis. However, the debtors ageing report has a similar issue to the creditors ageing report in that the Authority system reports based on total invoices and total receipts and not as a net figure. We have also raised this issue with CIVICA and their response is that they have no plans yet to change the report. Management agrees with the finding and recommendation and will continue to work with



CIVICA to make the changes, however Management have little scope to ensure these changes are made as the supplier; CIVICA hasn't provided any clear indication of when they attend to address this issue.

**Responsible person:** Manager Financial Services

**Completion Date:** TBA – Dependent on implementation of new Finance System

**7. No Aged Trial balance available for infringement debtors**

**Finding**

2020/21

Prior year issue remains unresolved.

2019/20

Prior year issue remains unresolved.

2018/19

The current accounting system "Authority" is not capable of generating an aged trial balance report for infringement debtors.

**Rating: Moderate**

**Implication:**

The Council is unable to ascertain if there are any long outstanding amounts for infringement debtors and their collectability.

**Recommendation:**

We recommend that an aged trial balance report be developed for infringement debtors. All long outstanding debts if any, be reviewed and action taken to recover them at the earliest.

**Management Comment:**

**2020/21**

The City's ERP system will produce trial balances and aged debtors reports.

**Responsible person:** Manager Financial Services

**Completion Date:** TBA – As per implementation of the ERP

**2019/20**

This is an on-going issue with the current version of the Authority software that the City is using and will not be rectified until the implementation of a new solution. CIVICA is not addressing any issues in the software version used by the City as they have since upgraded their solution to 2 higher versions.

This has been identified as an integral requirement of the new accounting system being sourced

**Responsible person:** Vanaja Jayaraman (Manager Financial Services)

**Completion Date:** TBA – Dependent on implementation of new Finance System

**2018/19**

The Council agrees with the finding and recommendation and will continue to work with CIVICA to resolve this issue.

**Responsible person:** Vanaja Jayaraman (Manager Financial Services)

**Completion Date:** TBA – Dependent on implementation of new Finance System

**INDEPENDENT AUDITOR'S REPORT  
2021  
City of Nedlands**

To the Councillors of the City of Nedlands

## Report on the audit of the annual financial report

### Opinion

I have audited the financial report of the City of Nedlands (City) which comprises:

- the Statement of Financial Position at 30 June 2021, 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
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the City of Nedlands:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2021 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 section below. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the 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.

## 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 financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the 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**

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 financial report. 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.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

### **Report on other legal and regulatory requirements**

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

(i) The following material matter indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:

a. Due to accounting system limitations, vendor activity within the system cannot be tracked or monitored. The vendor also used a generic account. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

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

### **Other information**

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

My opinion does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

### **Matters relating to the electronic publication of the audited financial report**

This auditor's report relates to the financial report of the City of Nedlands for the year ended 30 June 2021 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 financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Sandra Labuschagne  
Deputy Auditor General Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
xx November 2021

# City of Nedlands

## Report to Audit & Risk Committee

### For the year ended 30 June 2021



# Introduction

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## To the Audit & Risk Committee of the City of Nedlands

We are pleased to have the opportunity to meet with you on 23 November 2021 to discuss the results of our audit of the City of Nedlands ("the City"), as at and for the year ended 30 June 2021.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan for the year ended 30 June 2021. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. We draw your attention to the important notice on page 14 of this report, which explains:

- the purpose of this report; and
- limitations on work performed;
- restrictions on distribution of this report.

We would like to thank management for their assistance during the audit process.

Punitha Perumal  
*OAG Assistant Director*

Matthew Hingeley  
*KPMG Partner*



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# Executive summary

## Key focus areas

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Revenue – rates, fees, charges, operating grants and subsidies	<a href="#">6</a>
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## Audit misstatements

Please refer to page 9 for details on the corrected and uncorrected audit misstatements identified.

## Outstanding matters

In order to finalise our work, we require the following:

- Receipt of signed financial statements declaration and certification
- Receipt of signed management representation letters
- Subsequent events procedures
- Final clearance comments of the Audit & Risk Committee of matters contained in this report.

## Fraud

We have not identified any instances of material fraud through our audit procedures.



# Audit Focus Areas

## 01 Existence and valuation of Property, plant & equipment

### Summary

Our audit response to the existence and valuation of property, plant & equipment comprises a fully substantive approach.

We consider this an audit focus area due to:

- Valuation methodology and assumptions can be complex and judgmental
- Significant volume of individual assets

Balance	FY20	FY20
Property, plant & equipment	\$146,705,559	\$147,286,247

### Our controls approach

None planned

### Our substantive approach

- No revaluations of fixed assets occurred during the current year with carrying values considered to continue to materially approximate fair value.
- Performed a roll forward of the fixed asset register for FY2021.
- Considered the previous internal valuations for the Council's land and buildings.
- Considered management's fair value assessment for fixed assets held at 30 June 2021.
- Performed substantive analytical procedures over the depreciation expense for the year.

### Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



# Audit Focus Areas

## 02 Existence and valuation of Infrastructure Assets

### Summary

Our audit response to the existence and valuation of infrastructure assets comprises a fully substantive approach.

We consider this an audit focus area due to:

- Valuation methodology and assumptions can be complex and judgmental
- Significant volume of individual assets

Balance	FY21	FY20
Infrastructure	\$92,642,616	\$90,302,381

### Our controls approach

None planned

### Our substantive approach

- No revaluations of infrastructure assets occurred during the current year with carrying values considered to continue to materially approximate fair value.
- Performed a roll forward of the infrastructure asset register for FY2021.
- Considered the previous internal valuations for the City's infrastructure assets.
- On a sample basis, selected infrastructure asset additions confirming their existence and agreeing to supporting documentation.
- Considered management's fair value assessment for infrastructure assets held at 30 June 2021.
- Performed substantive analytical procedures over the depreciation expense for the year.

### Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



# Audit Focus Areas

## 03 Revenue - rates, fees, charges, operating grants and subsidies

### Summary

Our audit response to the revenue – rates, fees, charges, operating grants and subsidies comprises controls and substantive testing.

We consider this an audit focus area due to:

- High volume of transactions and varying revenue/income streams that management are required to process accurately

Balance	FY21	FY20
Rates	\$24,724,235	\$24,367,185
Fees and charges	\$7,699,409	\$7,099,852
Operating grants and subsidies	\$2,162,126	\$2,293,237

### Our controls approach

- Council approval of rates and charges for FY21.

### Our substantive approach

- Reviewed the City’s rates policy for FY21.
- For a sample of rates revenue, recalculated the rates charged and ensured the correct rates were used, rates were accurately charged and the rates were received by the City.
- Focused cut-off testing around financial year end to ensure revenue was recorded in the correct period.
- Agreed a sample of fees and charges to supporting documentation and bank statements.
- Agreed grants received to the grant agreement and bank statements.
- Reviewed the City’s assessment of the impact of the standards AASB 15 and AASB 1058 for a sample of grants.

### Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



# Audit Focus Areas

## 04 Cash and cash equivalents

### Summary

Our audit response to cash and cash equivalents comprises a fully substantive approach.

We consider this an audit focus area due to:

- High volume of transactions of significant value

Balance	FY21	FY20
Cash and cash equivalents	\$15,827,346	\$10,219,349
Term deposits	\$4,281,982	\$6,273,882

### Our controls approach

- None planned.

### Our substantive approach

- Reviewed the year end bank reconciliations and agreed to bank confirmations.
- Vouched term deposits to confirmations and considered appropriateness of classification.

### Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



# Audit Focus Areas

## 05 Financial ratios

### Summary

We reviewed the financial ratios presented by the City for the year ended 30 June 2021.

Ratio	FY21	FY20	FY19	Significant Adverse Trend?
Current Ratio	1.50	1.18	0.98	No
Asset Consumption Ratio	0.72	0.59	0.58	No
Asset Renewal Funding Ratio	1.02	0.95	0.92	No
Asset Sustainability Ratio	1.36	1.61	2.33	No
Debt Service Cover Ratio	3.79	4.34	5.61	No
Operating Surplus Ratio	0.09	0.12	0.18	No
Own Source Revenue Coverage Ratio	1.03	1.06	1.14	No

### Our approach

- Reviewed the ratios presented by the City for the year ended 30 June 2021.
- Assessed the mathematical accuracy of the financial ratios.
- Agreed financial ratios calculations to supporting data / documentation.
- Reviewed the City's comments to ensure consistency with our understanding obtained during the audit.
- Assessed whether any ratios constituted a significant adverse trend in accordance with the OAG guidance.

### Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



# Audit Misstatements

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We assess audit misstatements under the income statement method. The income statement method considers the effect of uncorrected prior-period misstatements from an income statement perspective and uncorrected misstatements are quantified as the amount by which the current period income statement is misstated, after considering the reversing and correcting effects of uncorrected prior-period misstatements.

## Corrected misstatements

There were no corrected audit misstatements.

## Uncorrected misstatements

We have not identified uncorrected misstatements in the financial report.

## Omissions and Errors in Presentation and Disclosures

We have not identified any material omissions or errors in presentation and disclosures in the financial report.

In the course of our review of the financial statements we made a number of recommendations in relation to presentation matters matters which management have incorporated into financial statements.



# Auditor's Independence

We have strict rules and protocols to maintain our independence from City of Nedlands, including annual training and an annual staff declaration.

## Safeguard

Non-audit services did not involve partners or staff acting in a managerial or decision making capacity, or involve the processing or originating of transactions.

Non-audit services were only provided where we were satisfied that they did not impact on our auditor independence.

Partners and staff involved in the provision of non-audit services obtained approval from the lead engagement partner to deliver the service.

## Breaches

The APESB Code of Ethics for Professional Accountants ("the Code") requires us to communicate to you any breaches of the independence requirements of the Code.

On the rare instance of a significant breach of the Code, we will report our conclusions to you on the actions to be taken, or already taken within three working days. We will report less significant breaches in the Year-end Report to the Audit Risk Committee.

We confirm that as at the date of this report, no such breaches have been identified.

## Non audit services

No non-audit services have been performed during or subsequent to the year ended 30 June 2021, other than audits in relation to Roads to Recovery grant acquittal and Pensioner Deferments. Agreed fees for these engagements were \$2,500 excl GST each. Grant acquittal audit in relation to Local Roads and Community Infrastructure is yet to complete. Agreed fees for this engagement is \$2,500 excl GST.

## Conclusion

We confirm that, as at the date of this report, we have complied with the ethical requirements regarding independence.



# Appendices

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**Required  
Communications**

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**Matters identified  
during the audit**

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**Important Notice**

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# Required communications with the Committee

Type	Response
<b>Our draft management representation letter</b>	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 30 June 2021.
<b>Related parties</b>	There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by those charged with governance</b>	There were no matters to report arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process.
<b>Control deficiencies</b>	Refer to page 13.
<b>Modifications to auditor's report</b>	The audit report includes a modification relating to a material matter, indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law. Due to accounting system limitations, vendor activity within the system cannot be tracked or monitored. The vendor also used a generic account. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.
<b>Actual or suspected fraud, non-compliance with laws or regulations or illegal acts</b>	No actual or suspected fraud management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements was identified during the audit.

Type	Response
<b>Significant difficulties</b>	No significant difficulties were encountered during the audit.
<b>Disagreements with management or scope limitations</b>	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>	This is to be completed once the preparation of the annual report is completed.
<b>Breaches of independence</b>	No matters to report. The engagement team and the firm have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	Over the course of our audit, we have evaluated the appropriateness of City of Nedlands' accounting policies, accounting estimates and financial statement disclosures. In general, we believe that these are appropriate. We have identified a number of management letter points relating to the IT systems that impact the Finance function.
<b>Significant matters discussed or subject to correspondence with management</b>	The significant matters arising from the audit were discussed with management and included within this Report.



# Matters identified during the audit

The findings below have been reported in the management letter for the year ended 30 June 2021. There were no issues identified in the current year. All issues are prior year issues.

## Matters outstanding from prior year

Description	Rating	
Lack of formal evidence of monitoring of vendor activity within the Authority production environment.	<b>S</b>	Consistent with the 30 June 2020 financial statement audit report, the significant finding outstanding from the prior year will be raised as a material matter indicating non-compliance with Part 6 of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.
Capitalisation of Infrastructure Assets	<b>M</b>	
Migration of changes to the Authority production environment did not follow the relevant process	<b>M</b>	
Payments made to suppliers not matched against the respective supplier invoices	<b>M</b>	
Receipts from debtors not matched against the respective debtor invoices	<b>M</b>	
No aged trial balance available for Infringement Debtors	<b>M</b>	
Manual Input of Fees and Charges on Invoicing	<b>L</b>	

### Ratings

- S** Significant
- M** Moderate
- L** Minor



# Important notice

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This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

## Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of the City of Nedlands (the “City”), prepared in accordance with the Australian Accounting Standards [‘AASBs’] (as they apply to local governments and not for profit entities) and the Local Government Act 1995 and accompanying regulations at and for the year ended 30 June 2021.

This Report has been prepared for those charged with governance, whom we consider to be the Audit & Strategic Finance Committee, in order to communicate matters of interest as required by ASAs (including ASA 260 Communication with Those Charged with Governance), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. The Audit & Strategic Finance Committee should not assume that reports from us indicate that there are no additional matters they should be aware of in meeting their responsibilities.

This report summarises the key issues identified during our audit but does not repeat matters previously communicated to you.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the City’s financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Restrictions on distribution

The report is provided on the basis that it is only for the information of those charged with governance of the City’s; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

## Item 8.1 - Attachment 4



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Designed by Australian Creative Services | ACS098561

Our Ref:  
Your Ref:

xx November 2021

Ms Caroline Spencer  
Auditor General  
Office of the Auditor General  
7<sup>th</sup> Floor, Albert Facey House  
469 Wellington Street  
PERTH WA 6000

Dear Ms Spencer

**REPRESENTATION LETTER IN RESPECT OF THE CITY OF NEDLANDS' ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021**

This representation letter is provided in connection with your audit of the City of Nedlands' annual financial report for the year ended 30 June 2021 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2021 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

**1. GENERAL**

- (a) We have fulfilled our responsibilities for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report.
- (d) The prior period comparative information in the financial report has not been restated.





- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.
- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- (g) We have provided your auditors with:
  - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
  - (ii) Additional information that your auditors have requested for the purpose of the audit.
  - (iii) Unrestricted access to staff and councillors of the City from whom your auditors determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations, and all known data or security breaches whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the involving:
  - (i) Management;
  - (ii) Employees who have significant roles in internal control; or
  - (iii) Others

have occurred to the knowledge of management of the City of Nedlands.

- (m) To our knowledge no allegations of fraud or suspected fraud affecting the City's financial report has been communicated to us by employees, former employees, analysts, regulators or others.



- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

## **2. FAIR VALUE MEASUREMENTS AND DISCLOSURES**

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

## **3. GOING CONCERN**

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

## **4. CONTINGENT LIABILITIES**

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

## **5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE**

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.

## **6. FINANCIAL LIABILITY FOR CONTAMINATED SITES**

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.





## **7. RELATED ENTITIES**

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to the Auditor General if any of the City's functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2021.

## **8. RELATED PARTIES**

We have disclosed to your auditors the identity of the City's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the City's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

## **9. KEY MANAGEMENT PERSONNEL COMPENSATION**

We confirm the City's key management personnel (KMP) have not received any other money, consideration or benefit (except amounts being reimbursements for out-of-pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

## **10. SUBSEQUENT EVENTS**

All events subsequent to the date of the financial report and up to the date of this letter for which Australian Accounting Standards require adjustment or disclosure, have been adjusted or disclosed.

## **11. INTERNAL CONTROL**

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

## **12. INSURANCE**

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

## **13. RISK MANAGEMENT**

We confirm that we have established and maintained a risk management framework that is appropriate to the City.



**14. FINANCIAL RATIOS**

We confirm that the financial ratios included in the annual financial report have been prepared and fairly presented in accordance with the *Local Government (Financial Management) Regulations 1996*.

We confirm that the asset consumption ratio and the asset renewal funding ratio are supported by verifiable information and reliable assumptions.

**15. ACCOUNTING MISSTATEMENTS**

There are no uncorrected misstatements in the financial report.

**16. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR'S REPORT**

- (a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- (b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the City's website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- (c) We have clearly differentiated between audited and unaudited information in the construction of City's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

**17. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT**

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.

\_\_\_\_\_  
**Director Corporate Services (or the equivalent)**      **Date**

NAME:

\_\_\_\_\_  
**Chief Executive Officer**      **Date**

NAME:

## 8.2 Update on Audit Recommendation of Contract Management

<b>Committee</b>	23 November 2021
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Ed Herne
<b>Attachments</b>	Nil.
<b>Confidential Attachments</b>	1. Moore Australia Contracts Management Internal Audit Report

### Regulation 11(da) – Not Applicable – Recommendation Adopted

Moved – Councillor Senathirajah

Seconded – Councillor Combes

**That the Recommendation to Committee be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

### Committee Recommendation / Recommendation to Committee

**That the Audit and Risk Committee notes the progress made to date to address the findings from the Moore Australia Contract Management Audit Report.**

### Executive Summary

This report provides an update on the recommendations from the audit of the City's Contract Management processes conducted by Moore Australia.

### Discussion/Overview

Moore Australia are the City's appointed Internal Auditors and in accordance with the internal audit plan have facilitated a review of the City's contract management processes.

The attached report which contained details of the issues raised and management's comments were presented to the Audit and Risk Committee on 31 May 2021.

A proposed action list to address the issues raised was presented to Council on 22 June 2021.






## **Update on Progress**





Following the appointment of the Procurement Coordinator in August 2021, the focus has been primarily to address the findings and implement the recommendations from the Moore Australia audit.




Since then, substantial work has been done in the Contracts Management space between mid-August and the end of October, involving extensive consultation with internal stakeholders, training and working closely with WALGA and Moore Australia. As a result, several recommendations have been successfully addressed and implemented.

The target dates for implementation of the findings, as shown below and presented at the last Audit and Risk Committee meeting in August 2021, were based on the Procurement Coordinator position being vacant for about two half months. Considering the role has now been filled, the target dates have been revised accordingly.

An update on status and progress of each finding is provided below:

Finding	Description	Status	% Complete	Target Date identified in Audit report	New Target Date	Issues	Activity
1	Contract Management Training		100%	01 Sep 2021	-	Nil.	<ul style="list-style-type: none"> <li>Officers attended various training sessions held by WALGA</li> <li>Training needs are being identified by supervisors as part of Performance Reviews</li> </ul>
2	Review of Resourcing		0%	30 June 2021	30 June 2022	Nil.	<ul style="list-style-type: none"> <li>Will be addressed as part of the Organisational Review</li> </ul>
3	Contracts Management Framework		100%	30 June 2021	30 Nov 2021	Nil.	<ul style="list-style-type: none"> <li>EMT endorsed the new Contracts Management Framework on 04 Nov 2021</li> </ul>
4	Contracts Register		100%	01 July 2021	30 Nov 2021	Nil	<ul style="list-style-type: none"> <li>Comprehensive Contracts Register developed and completed with the City's current contracts</li> </ul>
5	Delegation Matrix		80%	31 Dec 2021	-	Nil	<ul style="list-style-type: none"> <li>Manager City Projects will be working together with Executive Officer to update the Delegation Matrix</li> </ul>

Finding	Description	Status	% Complete	Target Date identified in Audit report	New Target Date	Issues	Activity
6	Policies and Procedures	 	100% 70%	27 July 2021	31 March 2022	Nil.	<ul style="list-style-type: none"> <li>Procurement Policy approved by Council on 27 July 2021</li> <li>Contract Management Policy and procedures in draft to be verified for currency and approved by EMT</li> </ul>
7	Executive Reporting		0%	30 June 2022	-	Nil	<ul style="list-style-type: none"> <li>Reporting on contract management performance, issues and opportunities will be implemented once the policies and procedures in place.</li> </ul>
8	Risk Assessment		0%	31 Oct 2021	30 June 2022	Nil	<ul style="list-style-type: none"> <li>Draft Risk Register to be developed as part of City's wider Risk Management Framework</li> </ul>

Legend	Description
	Target date will be delayed.
	Potential for target date delay.
	On target.

## **Key Relevant Previous Council Decisions:**

The audit findings were reported to the Audit and Risk Committee at the meeting held on the 31<sup>st</sup> May 2021. The Audit and Risk Committee recommended the following:

1. notes with concern the Moore Australia Audit into Contracts Management;
2. notes the actions recommended by the City's Officers; and
3. refers the report to the next Ordinary Council Meetings, where the Chief Executive Officer is requested to advise Council what resources are required to address this matter on an urgent basis.

At the Ordinary Council meeting dated 22<sup>nd</sup> June 2021, Council resolved the following:

1. notes with concern the Moore Australia Audit into Contracts Management;
2. notes the actions recommended by the City's officers.

## **Consultation**

Over the period of the audit several staff members across the city were interviewed and consulted by the Moore Australia audit team regarding their involvement with contract management, and the processes structures guiding around them.

## **Strategic Implications**

### **How well does it fit with our strategic direction?**

Strategically, the City is committed to reducing operational risk and continual improvement of administrative processes to deliver more efficient services.

### **Who benefits?**

The City benefits from the effective management of its contracts. This ensures regulatory compliance, transparency, reduced risk, process efficacy, and improved controls on contract expenditure, especially that related to contract variance and executive reporting.

### **Does it involve a tolerable risk?**

The greatest risk is that we do nothing. This will expose the City to multiple risks operationally, reputationally and financially. The availability of an effective Procurement and Contracts function with sufficiently resourced and qualified staff will ensure the City can address those risks identified.

### **What level of risk is associated with the option? How can it be managed?**

The audit report demonstrates that the City is performing poorly in all areas of its contract management activities and this represents a high risk to the City, financially, reputationally and operationally.

### **Do we have the information we need?**

The Moore Australia Audit into the City's contract management function provides all the information required to improve our contract management processes.

## **Budget/Financial Implications**

There are no financial implications to this report.

There may be budget implications when the report's recommendations are addressed in detail, where operational impacts are estimated and considered by the Administration, and then by Council at the appropriate time.

### **Can we afford it?**

There is no immediate budgetary implication to receiving this report. Due to the current status, as identified by the Audit Report, the City is exposed to risk with a continuation of a business as usual operation within this function. This will need to be considered by the Administration and Council at a later date.

### **How does the option impact upon rates?**

There will be no impact on rates in the receipt of this report. Future costs will need to be considered by the Administration and Council at a later date following a detailed review of the report's implications to the City's operations.

## **Conclusion**

The findings reported by Moore Australia are progressively being addressed as a matter of priority.

Addressing all the findings will occur throughout the 2021/2022 financial year.



### 8.3 Update on Audit of Records Management

<b>Committee</b>	23 November 2021
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Ed Herne – Director Corporate & Strategy
<b>Attachments</b>	Nil.
<b>Confidential Attachments</b>	1. Moore Australia Records Management Internal Audit Report

#### **Regulation 11(da) – Not Applicable – Recommendation Adopted**

Moved – Councillor Seanthirajah  
 Seconded – Councillor Combes

**That the Recommendation to Committee be adopted.**  
 (Printed below for ease of reference)

Councillor Coghlan joined the meeting at 5.49pm.

**CARRIED 3/1**  
**(Against: Cr. Mangano)**

#### **Committee Recommendation / Recommendation to Committee**

**That the Audit & Risk Committee notes the progress made to address the findings from Moore Australia (Internal Auditor’s) Records Management Audit and the Dialog IT SharePoint and Recordkeeping Audit Report.**

#### **Executive Summary**

The objective of this report is to present an update of the key records management initiatives being undertaken, along with their progress, to address the findings from Moore Australia (Internal Auditor’s) Records Management Audit and the Dialog IT SharePoint and Recordkeeping Audit Report for endorsement.

#### **Voting Requirement**

Simple Majority.

## **Discussion/Overview**

The Moore Australia (WA) Pty Ltd (“Moore Australia”) audit into Records management identified a total of 9 key findings. The Dialog IT report identified eight recommendations. All recommendations are subsumed into the overarching audit report completed by Moore Australia.

Overall, the findings reported by Moore Australia and Dialog IT are considered very serious as the City’s records are largely unmanaged and lack compliance with the relevant principles and standards under the *State Records Act 2000*.

The City has been reviewing the findings and has been working on addressing these as a matter of urgency to achieve increased compliance.

## **Update on Progress**

Circumstances have resulted in the Senior Information Management Officer position being vacated. This is having an impact on the Information Management team however this position will be filled as soon as possible. The recent appointment of a full time Manager ICT will mitigate the shortfall in capacity as an interim solution.

Additionally, the Manager ICT appointment has led to some delays in work completion as objectives are handed over to this position whilst completing the City’s onboarding processes.

The above changes notwithstanding, the focus of activity since the previous Audit and Risk Committee Report has been the engagement of RecordPoint, and the enablement and configuration of its’ Records365 solution. This solution overlays the standard Microsoft SharePoint functionality, using a rules-based approach to classify documents and records against the appropriate General Disposal Authority criteria. RecordPoint have been extremely patient, and flexible, in bringing clarity and foresight to the City’s’ incumbent Records Management processes. This patience and flexibility have allowed the City to understand more completely the difference between its current practices and best practice Records Management processes. It has also made clear to the City that previous thought processes were causing confusion and preventing the City from making sensible, pragmatic decisions which would support the City’s in satisfying its’ Record Management obligations




The Information Management team is working diligently to make these pragmatic choices active and available to all staff in the shortest time possible.





The secondary area of the team’s focus has been against the digitalization of physical records. The team has completed site visits to potential external Solution Providers who have both been very candid in their engagement with the City. In conjunction with this candor, the team has been reaching out to fellow Councils to understand how they have been approaching the basic challenge of digitization; digitize and then classify or classify and then digitize. Unsurprisingly, many of the councils spoken with have not given the topic much detailed thought and it should be noted that some Councils are no better placed than Nedlands in this regard.



The team will be working to finalize a specialist partner for the digitization of Physical Records, working with the nominated partner to formalize a program of activities to give the City clarity on milestones and timeframes. This program is likely to run over several phrases.




The provision of a robust, compliant, and useable Records Management solution for the City will take some time to deliver, especially with regard to digitization of physical records which have proven challenging for many Councils for several years. The costs and expenses, of which, will be managed through existing budgetary processes.

The following table is an update on the status and progress of each finding:

Finding	Description	Status	% Complete	Previous Target Date	New Target Date	Issues	Activity/Comments
1	Lack of Records Management Policy & Procedures		40%	30-Oct-21	31-Dec-21	Staff turnover.	<ul style="list-style-type: none"> <li>Records Management Policy and Procedures drafted</li> <li>Policy and Procedures undergoing internal review before sending for adoption</li> </ul>
2	Inadequate Record Keeping Plan		20%	31-Dec-21		Nil.	<ul style="list-style-type: none"> <li>Existing Records Keeping plan to be re-written</li> <li>State Records Office in public consultation over new RKP standard. New draft standard available but not officially released</li> <li>IM Team to assess differences between existing and new templates, then make recommendation as to which version, existing or draft updated, to refresh the existing RKP against.</li> </ul>
3	Lack of Qualified & Experienced Staff		50%	31 Dec 2021	31-Mar-21	Additional capacity to address this finding.	<ul style="list-style-type: none"> <li>Temporary Resource extended until end of Financial Year.</li> <li>Senior Information Officer departed City, with associated resource implications. Replacement recruitment underway. Not expected to be filled until new calendar year.</li> </ul>

4	Inadequate Records Management Training		0%	30-Jun-22		Capacity to train all City staff.	<ul style="list-style-type: none"> <li>No change from last report</li> <li>External training for existing staff by end of November</li> <li>All hands training (160+ staff) to commence on completion of finding #9</li> </ul>
5	Lack of Monitoring		10%	30-Jun-22		Capacity to address this finding.	<ul style="list-style-type: none"> <li>Minimal Change from last report</li> <li>To be addressed on completion of finding #9</li> </ul>
6	Physical & Digital Security of Documents		80%	30-Sep-21	24-Dec-21	Staff turnover.	<ul style="list-style-type: none"> <li>Physical Records Room procedure updated</li> <li>Undergoing internal consultation before final implementation</li> <li>Digital Document Security will be addressed as part of finding #9</li> </ul>
7	Inadequate management of retention & disposal of records		10%	30-Jun-22		Additional capacity to address the ongoing management of this finding.	<ul style="list-style-type: none"> <li>Minimal change from last report</li> <li>The City adopt the State Records Office Guideline for Records Retention and Disposal</li> <li>For Digital Documents, the implementation (ongoing) of Specialist Software will support closing this finding</li> <li>For Physical Documents, there is an ongoing market assessment to able the selection of specialist partner to support closing this finding</li> </ul>

8	Inconsistent naming of documents		10%	30-Jun-22			<ul style="list-style-type: none"> <li>Minimal change from last report; the naming standard will be based on the Keywords for Council standard with this standard incorporated into staff training</li> </ul>
9	Non-compliance with State Records Act - SharePoint		40%	31-Jan-22		Nil.	<ul style="list-style-type: none"> <li>Procurement of specialist software, RecordPoint365, completed with implementation underway</li> </ul>

Legend	Description
	Target date will be delayed.
	Potential for target date delay.
	On target.

## **Key Relevant Previous Council Decisions:**

The audit findings were reported to the Audit and Risk Committee at the meeting held on the 31<sup>st</sup> May 2021. The Audit and Risk Committee recommended the following:

1. notes with concern the Moore Australia Audit into Records Management and Dialog I.T.;
2. notes the actions recommended by the City's Officers; and
3. refers the report to the next Ordinary Council Meetings, where the Chief Executive Officer is requested to advise Council what resources are required to address this matter on an urgent basis.

At the Ordinary Council meeting dated 22<sup>nd</sup> June 2021, Council resolved the following:

1. notes with concern the Moore Australia Audit into Records Management and Dialog I.T.;
2. notes the actions recommended by the Administration; and
3. ensures the CEO notes the Council's concerns of what the Audit Report – Records Management revealed and requests the CEO address the remedial action as an urgent matter and report back to Council as soon as possible.

## **Consultation**

The City's officers have consulted with the Director of State Records Office of Western Australia.

## **Strategic Implications**

### **How well does it fit with our strategic direction?**

Addressing the findings reported by Moore Australia and Dialog IT audit reports will ensure that the City can achieve increased compliance with the *State Records Act 2000* and reduce operational and strategic risk.

### **Who benefits?**

The City will benefit by complying with the *State Records Act 2000*.

### **Does it involve a tolerable risk?**

The Moore Australia and Dialog IT audit reports have identified a significant number of business risks that can only be mitigated to a manageable level if their recommendations are addressed by the City.

### **What level of risk is associated with the option and how can it be managed?**

Addressing the Moore Australia and Dialog IT audit reports recommendations will reduce the risks that the City is currently exposed to in Records Management.

### **Do we have the information we need?**

Yes, the Moore Australia and Dialog IT audit reports has fully informed the City on what actions are required to mitigate the identified records management risks.

## **Budget/Financial Implications**

### **Can we afford it?**

Addressing the Moore Australia and Dialog IT audit report recommendations will initially be addressed with existing resources. Future requirements for increasing capacity in the Records Management area will be subject to the City's budgetary processes.

### **How does the option impact upon rates?**

Accepting the Officers recommendations in this report will not impact rates.

## **Conclusion**

The findings reported by Moore Australia and Dialog IT are progressively being addressed within the capacity of existing records management resources.

Fully addressing all the findings will occur throughout the 2021/2022 financial year as the administration will have a significant amount of work to do after 5 years of no attention to the records management function.



## 8.4 Status of City's Internal Audit Log

<b>Committee</b>	23 November 2021
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Ed Herne
<b>Attachments</b>	1. Internal Audit Log
<b>Confidential Attachments</b>	Nil.

### Regulation 11(da) – Not Applicable – Recommendation Adopted

Moved – Councillor Senathirajah  
 Seconded – Councillor McManus

**That the Recommendation to Committee be adopted.**  
 (Printed below for ease of reference)

**CARRIED 3/1**  
**(Against: Cr. Mangano)**

### Committee Recommendation / Recommendation to Committee

The Audit and Risk Committee:

1. notes the status of the City's Audit Log as per Attachment 1; and
2. notes that items 19, 23, 25 and 26 of the Audit Log as being addressed and closed as per Attachment 1.

### Executive Summary

This report is to provide an update on all the recommended actions from previous audit reports.

### Discussion/Overview

The Audit Log captures and reports on the progress of all recommended actions from previous audit reports. The following items have been addressed and implemented by the City and verified by Moore Australia. They are now marked as closed and can be subsequently removed from the Audit Log.

- Item 19 – Payroll Review – payroll change reporting
- Item 23 – Contracts Management Review – training program
- Item 25 – Contracts Management Review – Contract Management Framework
- Item 26 – Contract Management Review – Contracts register

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

Nil.

**Strategic Implications**

**How well does it fit with our strategic direction?**

The City of Nedlands relies on internal audit as the third line of defense to provide insight and improvement opportunities to the system of internal control.

**Who benefits?**

The City will benefit from having a Strategic Internal Audit Plan. This provides a strategic view of the internal audit topics planned for the next year to demonstrate the risks being mitigated by the work performed by the internal audit function, Office of the Auditor General via their financial and performance audit function and what work needs to be performed by the City of Nedlands.

**Does it involve a tolerable risk?**

The work included within the Strategic Internal Plan aims to reduce the residual risk identified by the City of Nedlands by identifying controls and improvement opportunities.

**What level of risk is associated with the option? How can it be managed?**

Nil.

**Do we have the information we need?**

Yes. The Strategic Internal Audit Plan identified the internal audit topics for the years ending 30 June 2022 to 30 June 2024.

**Budget/Financial Implications**

**Can we afford it?**

Recommendations from the audit reports have been included in the 2021-22 budget..

**How does the option impact upon rates?**

The impact of this option has already been included in the 2021-22 budget.

**Conclusion**

That Audit and Risk Committee notes the progress of all recommended actions from previous audit reports.

Audit Register 2021/22									
		Date		Audit			Status Comments		
ID	Open	Due	Status	Name	Action	Owner	Status Comments		
5	Jan-19	May-21	Work in progress	Accounts Payable and Purchasing (Contract & Procurement)	Purchasing Policy - Contract Variations (pt 3.3) Develop monitoring controls to ensure that deviations to the guidelines around contract variations are detected and mitigated.	Manager Financial Service	<p>23 Nov: Currently being developed.</p> <p>30 Aug: This is currently being developed</p> <p>31 May: This project is scheduled for June 2021</p> <p>17 Feb: Audit &amp; Risk accepted to document "Risk Assessments and Controls Tendering Process" on 31 Aug 2020. This catered for not only risk mitigation in the contract development but also any changes (variations) post tender / pre contract start.</p> <p>Over the past 3-4 months Procurement has drafted a comprehensive Contract Management Procedures Manual to provide guidance to all City officers on the different types of contracts used by the City.</p> <p>This Manual provides guidance (for each contract type) on how to action variations and includes templates for Variation Notices, Variation Registers and Variation Schedules. The draft manual has already been reviewed by Assets and Leasing, and is currently under review by Tech Services. Once it has been reviewed by all stakeholders it will be presented to Audit &amp; Risk for approval to publish. Procurement has set a target date of June 2021 for this project to be completed.</p> <p>9 Nov: Still in progress</p> <p>5 Oct: Still in progress</p> <p>3Aug20: - Currently in progress</p> <p>Jun20: The Procurement Coordinator is in the process of reviewing the existing controls and update them to enhance the monitoring process around contract variations.</p> <p>Feb20: The City is in the process of recruiting Purchasing and Tenders Coordinator. Existing Monitoring controls will be reviewed, finalised and managed by the appointed Purchasing and Tenders Coordinator.</p> <p>Nov19: Monitoring controls to detect contract variations will be managed via exception reporting. Currently, the reporting is being developed.</p> <p>Jun19: The Purchasing of Goods and Services Policy has been updated with the contract variations clauses. The monitoring controls will be updated as part of the purchasing</p>		
7	Jun-19	Dec-20	Work in progress	IT Policy review	Develop Privacy Policy and also policy to cover Data Breach Notifications (4.2.1)	ICT Manager	<p>23 Nov: Managerial changes within Business Systems/ICT/corporate teams resulted in a delay in the policy being reviewed and pushed for approval. Manager ICT now onboard with updates in due course</p> <p>30 Aug: A review and test of the BCP will be carried out by the new ICT Manager.</p> <p>31 May: We have engaged a consultant to do a review of our cyber security stance and deliver a report on our current state and what we would need to do to reach an acceptable industry standard in the future. This is currently under way and will be completed by End of June 2020</p> <p>17 Feb: This is part of a program of work around cyber security, data breach and privacy. This is a capacity issue and is part of a program of work</p> <p>9 Nov: Still in Progress</p> <p>5 Oct: Still in Progress</p> <p>3Aug20: Currently work in progress</p>		
8	Jun-19	Nov-20	Work in progress	IT Policy review	Item #1 Review and update BCP. Carry out testing of the BCP to assess for appropriateness.	ICT Manager	<p>23 Nov: BCP has been updated. Testing to be scheduled</p> <p>30 Aug: A review and test of the BCP will be carried out by the new ICT Manager.</p> <p>31 May: A review and workshop was carried out in Oct 2020. The BCP was updated to reflect the necessary changes. Due to a lack of the resources within IT and their capacity we have not been in any position to carryout the level of testing expected by the Internal Auditor. There has been extensive work carried out on ITSM (Information Technology Service Continuity) and we have had several instances that have proven our ability to maintain services when issues have arisen.</p> <p>17 Feb: BCP has reviewed and updated and signed off by EMT. Currently we do not have the capacity to carryout a test to the degree that has been indicated by the internal auditor. As a Business Continuity exercise, we have had two COVID lockdowns and business continuity has been consistent and continued throughout these periods. People working from home give an example of the office not being available and demonstrating that they can still work from remote locations. As with the outage on 16th Feb with with TCP, we were unable to do anything as it was a national fault. We had some workarounds which were able to give some functionality. The only option to protect ourselves in this scenario is to had an telecommunications account with two different suppliers for the same service.</p> <p>28 Oct Ongoing</p> <p>5 Oct: Completed going to EMT for Sign Off</p> <p>3Aug: Remaining action is to carry out testing by re-creating a complete shutdown. The BCP has now been reviewed and the current BCP has been updated. A series of two workshop and a complete re-write will commence after that workshop.</p> <p>20 Jun : The review has been conducted by the Internal Auditors on Business Continuity Management Area as part of 2nd year Internal Audit Function. The review process is in progress but the BCP document has been updated to incorporate certain recommendations made as a part of Internal Audit Review. Once, the review is completed and the Final recommendations are received, the BCP document will be finalised and the testing will be conducted.</p>		
12	Aug	Jun-22	Work in progress	Payroll Review	Set-up of new employee salary details in Payroll system should be performed by someone other than the Payroll Officer.	Manager Financial Service	<p>23 Nov: This is part of the ERP implementation.</p> <p>Aug: This is included in the ERP implementation.</p> <p>31 May: ERP process has concluded and a recommendation has been made.</p> <p>17 Feb: This will be addressed in the new ERP system. The RFT for this system is currently under review.</p> <p>9 Nov: This will be addressed in the new ERP system as the audit trail in the current format cannot be independently checked for changes made.</p>		
13	Aug	Jun-22	Work in progress	Payroll Review	Creation and changes to employee master file details impacting on salaries and/or employee level, should be independently reviewed after the changes have been made. There should be evidence of review by way of signature or initials.	Manager Financial Service	<p>23 Nov: This is part of the ERP implementation.</p> <p>Aug: This is included in the ERP implementation.</p> <p>31 May: ERP process has concluded and a recommendation has been made.</p> <p>17 Feb: This will be addressed in the new ERP system. The RFT for this system is currently under review.</p> <p>9 Nov: This will be addressed in the new ERP system as the audit trail in the current format cannot be independently checked for changes made.</p>		
14	Aug-20	Jun-22	Work in progress	Payroll Review	Future State Recommendation: New employee set-ups changes to employee master file data could be setup with workflow approval to ensure that there is an independent review process	Manager Financial Service	<p>23 Nov: This is part of the ERP implementation.</p> <p>Aug: This is included in the ERP</p> <p>31 May: ERP process has concluded and a recommendation has been made.</p> <p>17 Feb: This will be addressed in the new ERP system. The RFT for this system is currently under review.</p> <p>9 Nov: Will be considered under the new ERP system or via SharePoint in due course.</p>		

A	B	C	F	G	H	I	K
15	Aug-20	Sep-20	Work in progress	Payroll Review	The access to position management should be removed from the manager Financial services as soon as practicable.	ICT Manager	23 Nov: this action has been completed but working with Moore Australia to have final removal from this list confirmed 30 Aug: Completed but yet to be verified by auditors Feb 17: This was verified by the previous manager of Finance 9 Nov: Completed and awaiting verification Aug: As identified within the actions the position of management was removed.
16	Aug-20	Oct-20	Work in progress	Payroll Review	Critical and sensitive transactions associated with Payroll module should be identified to ensure those specific transactions are only assigned to Payroll staff.	ICT Manager	23 Nov: this action has been completed but working with Moore Australia to have final removal from this list confirmed 30 Aug: Completed but yet to be verified by auditors Feb 17: This was verified by the previous manager of Finance 9 Nov: Completed and awaiting verification Aug: Critical and sensitive transactions associated with the payroll module have been identified and transactions are assigned to the payroll staff as per the capability of the system and application.
17	Aug-20	Oct-20	Work in progress	Payroll Review	On completion, any critical or sensitive transactions that are part of the Human Resources Business Partner profile should be removed.	ICT Manager	23 Nov: this action has been completed but working with Moore Australia to have final removal from this list confirmed 30 Aug: Completed but yet to be verified by auditors 17 Feb: This was verified by the previous manager of Finance 9 Nov: Completed and awaiting verification Aug: Critical and sensitive transaction that form part of the human resources business partners profile have been removed.
21	Aug-20	Dec-21	Work in progress	Payroll Review	The Procedures should include a visual graphic of the payroll processes to help to identify the workflow ensuring key controls are performed by the appropriate resource and at the right time. This will help ensure segregation of duties is maintained between critical HR and payroll through systems access privileges.	Manager Financial Service	23 Nov: This is part of the ERP implementation. 30 Aug: Workflow visualisation will be captured in Promapp as part of the ERP implementation. 31 May: ERP process has concluded and a recommendation has been made. 17 Feb: This will be addressed in the new ERP system. The RFT for this system is currently under review. Aug: This point is taken, but will be documented in a payroll process document.
22	Aug-20	Dec-21	Work in progress	Payroll Review	The digital strategy as part of Strategic Plan should consider a new platform	ICT Manager	23 Nov: The ERP (oneCouncil) implementation has now started 30 Aug: Completed but yet to be verified by auditors May 31: This was completed Aug/Sep 2020. It has been presented to all Managers. Due to Staff turnover and capacity this has not been progressed any further. Feb 17: The Digital Transformation Strategy has as a key recommendation proposed an enterprise approach to the use of technology and buisness. The strategy was completed Jul 2020. Over the past several months had some minor details updated. Nov 9: Currently a new Payroll Service is being assessed as part of RFT 2020 - 21.04 Outsourced Payroll Services Nov: New Busienss Platform to address system short falls are about to go to marting under RFT 2020-21.03 Request for Tender Bity Business Platform Aug: The Digital Strategy has highlighted the digital transformation required for our city platforms which include Business platform addressing Finance, HR, Payroll
24	May-21	Jun-21	Work in progress	Contracts Management Review	The City needs to perfor, a complete and detailed assessment of resources required o effectively manage the	Manager Financial Service	23 Nov: Will be addressed as part of the Organisational Review 30 Aug: Will be addressed as part of the Organisational Review
27	May-21	Jul-21	Work in progress	Contracts Management Review	The City should develop a delegation matrix, which detaisl who is responsible fro the contract management at the City,	Manager Financial Service	23 Nov: Work in progress Aug: Manager City Projects will be working together with Executive Officer to update the Delegation Matrix
28	May-21	Jul-21	Work in progress	Contracts Management Review	Contract management policies and procedures to be developed and implemented.	Manager Financial Service	23 Nov: As part of ERP process mapping documentation 30 Aug: Procurement Policy approved by Council on 27 July 2021 and on track as per target date. Procurement procedures will be addressed as part of the ERP process mapping documentation
29	May-21	Jun-22	Work in progress	Contracts Management Review	Regular Executive Reporting to Executive and the Audit and Risk Committee should take place.	Manager Financial Service	23 Nov: Verbal updates at EMT . Formal reporting yet to be established. 30 Aug: Incoming Procurement Coordinator to implement
30	May-21	Oct-21	Work in progress	Contracts Management Review	A Risk register should be developed	Manager Financial Service	23 Nov: Will be addressed as part of City's risk register. 30 Aug: To be developed
31	May-21	FY-22	Work in progress	Records Management Audit	Lack of Records Management Policy & Procedures	ICT Manager	23 Nov: Records Management Policy & Procedure drafted & ready for Executive review/approval. 30 Aug: Records Management Policy & Procedure drafted 30 Aug: Information Management Framework Drafted. 30 Aug: Executive Management Team approval scheduled for late August 2021.
32	May-21	FY-22	Work in progress	Records Management Audit	Inadequate Record Keeping Plan	ICT Manager	23 Nov: State Records Office will be introducing an online digital Record Keeping Plan template in the coming year that will be used to draft the City's RKP. 30 Aug: Meeting held with the Director of the State Records Office Friday 30th July 2021 to discuss the City's plan to develop a new Record Keeping Plan.
33	May-21	FY-22	Work in progress	Records Management Audit	Lack of Qualified & Experienced Staff	ICT Manager	23 Nov: Benchmarking against other LGAs has shown that 3.0 to 3.5 FTE is the standard for LGAs of a similar size to Nedlands. Finding the right fit of personal for Nedlands remains a challenge. The incumbent Senior IM Officer has departed which will have an interim impact on work delivery. 30 Aug: A temporary resource has been engaged to 31 December 2021 to assist with capacity issues and operational records management. 30 Aug: Benchmarking of various Local Government Councils Records Management staffing levels has been completed. 30 Aug: Options of engaging another temporary resource is being explored.
34	May-21	FY-22	Work in progress	Records Management Audit	Inadequate Records Management Training	ICT Manager	23 Nov: Training quotes have been requested from IRIS Consulting and Information Enterprises Australia Pty Ltd for the IM team to review, and attend in Nov/Dec 2021. 30 Aug: Information Management staff scheduled to receive external training by end of November 2021. 30 Aug: All staff training (160+ staff) will commence on the completion of Finding #39.

A	B	C	F	G	H	I	K
28	35	May-21	FY-22	Work in progress	Records Management Audit	Lack of Monitoring	ICT Manager 23 Nov: Implementation of RecorPoint365 has commenced in Sep 2021. This software will mitigate the risk of information compliance gap. 23 Nov: Draft Physical Records Management Procedure has been developed and ready for Executive review/approval. This will enhance the monitoring of physical records until they are digitised. 30 Aug: Discussed with the Director of the State Records Office Friday 30th July 2021. 30 Aug: This will be addressed following the implementation of Finding #39.
29	36	May-21	FY-22	Work in progress	Records Management Audit	Physical & Digital Security of Documents	ICT Manager 23 Nov: Draft Physical Records Management Procedure has been developed and ready for Executive review/approval. 23 Nov: City has audited its hardcopy files (internal/external), and is in the process of reviewing the scope to run a classification/digitisation plan to digitise legacy records to add value to the City's hardcopy records. 30 Aug: The physical records are housed in a secure room. Only authorised staff can only enter the Records room by swiping their security access pass. 30 Aug: Access to this room is electronically recorded in the Building Management System. Monthly reports of staff that enter the records room will be developed to audit security access. 30 Aug: A formal procedure for accessing the Records room and retrieval of documents is under development. 30 Aug: Security of digital documents will be addressed by Finding #39.
30	37	May-21	FY-22	Work in progress	Records Management Audit	Inadequate management of retention & disposal of records	ICT Manager 23 Nov: State Records Office has advised that they will be releasing a revised version of General Disposal Authority for Records - Retention & Disposal. They cannot provide the City with an exact release date. 23 Nov: Implementation of RecorPoint365 has commenced in Sep 2021. This software will mitigate the risk of information retention and disposal gap that is in the current records management database (SharePoint). 23 Nov: RecordPoint 365 will further enhance and capture general staff record keeping activities as a silent agent. 30 Aug: Meeting held with the Director of the State Records Office Friday 30th July 2021 to discuss the Retention and Disposal schedule. 30 Aug: The City will adopt the State Records Office Guideline for Records Retention and Disposal Instructions.
31	38	May-21	FY-22	Work in progress	Records Management Audit	Inconsistent naming of documents	ICT Manager 23 Nov: State Records Office has advised that they will be releasing a revised version of Keywords for Councils for Records Management Teams to adopt. They cannot provide the City with an exact release date.30 Aug: Following the meeting held with the Director of the State Records Office Friday 30th July 2021 the naming standards adopted will be based on Keywords for Councils. 30 Aug: This standard will be incorporate into the training program.
32	39	May-21	FY-22	Work in progress	Records Management Audit	Non-compliance with State Records Act - SharePoint	ICT Manager 23 Nov: Implementation of RecordPoint365 has commenced in Sep 2021. This software will assist in resolving several identified findings and recommendations 30 Aug: Procurement of a software tool has been finalised and approved. This third-party software tool is compatible with SharePoint and will address compliance issues as identified. 30 Aug: Project implementation will commence in September 2021.

## 8.5 Update from Moore Australia

<b>Committee</b>	23 November 2021
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Ed Herne
<b>Attachments</b>	1. Moore Australia Agenda Paper Audit and Risk Committee
<b>Confidential Attachments</b>	Nil.

### Regulation 11(da) – Not Applicable – Recommendation Adopted

Moved – Councillor Combes

Seconded – Councillor Senathirajah

**That the Recommendation to Committee be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

### Committee Recommendation / Recommendation to Committee

**That the Audit and Risk Committee receives the agenda paper from Moore Australia.**

### Executive Summary

This report is for Moore Australia to present its agenda paper to the Audit and Risk Committee.

### Voting Requirement

Simple Majority.

### Discussion/Overview

Moore Australia has submitted an agenda paper for the discussion at the Committee meeting.

### Key Relevant Previous Council Decisions:

Nil.

## **Consultation**

Nil.

## **Strategic Implications**

### **How well does it fit with our strategic direction?**

The City of Nedlands relies on internal audit as the third line of defense to provide insight and improvement opportunities to the system of internal control.

### **Who benefits?**

The City will benefit from having a Strategic Internal Audit Plan. This provides a strategic view of the internal audit topics planned for the next year to demonstrate the risks being mitigated by the work performed by the internal audit function, Office of the Auditor General via their financial and performance audit function and what work needs to be performed by the City of Nedlands.

### **Does it involve a tolerable risk?**

The work included within the Strategic Internal Plan aims to reduce the residual risk identified by the City of Nedlands by identifying controls and improvement opportunities.

### **What level of risk is associated with the option? How can it be managed?**

Nil.

### **Do we have the information we need?**

Yes. The agenda paper contains updates relevant to the City's internal audit plan.

## **Budget/Financial Implications**

### **Can we afford it?**

Recommendations from the audit reports have been included in the 2021-22 budget..

### **How does the option impact upon rates?**

The impact of this option has already been included in the 2021-22 budget.

## **Conclusion**

That Audit and Risk Committee receives the agenda paper from Moore Australia.



AUDIT AND RISK COMMITTEE  
MEETING AGENDA PAPER

**CITY OF NEDLANDS  
INTERNAL AUDIT**

22 NOVEMBER 2021

Item 8.5 - Attachment 1







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## 1. Recommendation

The Audit and Risk Committee

- note the status update on the internal audit activities for the year ended 30 June 2022.

## 2. Status of Internal Audit Engagements

The City of Nedlands Audit and Risk Committee approved 4 topics as part of the Strategic Internal Audit Plan, and also the Regulation 17 Review. A summary of the status of these engagements is provided in the table below.

Approved Audit or Review Topic	Status Update
Procurement and Planning for the Implementation of the Enterprise Resource Planning System	Internal audit has been completed. Draft Report is being discussed with Management.
Risk Management (including Fraud and Corruption)	Engagement has not commenced.
Conflict of Interest (including Gifts and Benefits)	Engagement has not commenced.
Occupational Safety and Health	Engagement has not commenced.
Regulation 17 Review	Engagement has not commenced. Management have indicated a preference for the engagement to commence in January 2022.

**Table 1: Status of Engagements**



### 3. Status of Internal Audit Recommendations

Outlined below in Table 2 is the status of the internal audit recommendations at 12 November 2021 in preparation for the 22 November 2021 Audit and Risk Committee meeting, compared to the previous meetings.

Please refer to Appendix 1 for the Register of Internal Audit Recommendations. This is a document maintained by the Management of the City of Nedlands and they are available to answer any questions at the meeting.

Status	31 May 2021 Audit and Risk Committee Meeting		30 August 2021 Audit and Risk Committee Meeting		22 November 2021 Audit and Risk Committee Meeting	
	Number	%	Number	%	Number	%
Not implemented by Management	14	93%	8	26%	22	76
New recommendations	-	-	17	55%	0	0
Completed by Management but not verified by internal audit	0	0%	4	13%	3	10
Verified by internal audit and recommended to the Audit and Risk Committee to be removed from the Internal Audit Log.	0	0%	2	6%	4	14
Redundant	1	7%	0	0%	0	0
<b>Total number of recommendations</b>	<b>15</b>	<b>100%</b>	<b>31</b>	<b>100%</b>	<b>29</b>	<b>100</b>

Table 2: Status of Internal Audit Recommendations



## 4. Publications

Moore Australia has identified the following reports which may be of interest to the Audit and Risk Committee. This is presented in Table 3 below.

Organisation and Report	Issue Date
<a href="#">CCC - Serious Misconduct by the CEO of the Shire of Ravensthorpe</a>	2021
<a href="#">Public Sector Commission - Governance Manual for WA Boards and Committees</a>	November 2021
<a href="#">Institute of Internal Auditors - Managing a Good Culture</a>	June 2021

**Table 3** Publications

## 5. Office of the Auditor General

A role of internal audit is to help Management to identify where risks are and to identify the controls and treatment actions in place to mitigate those risks, or to report the lack of these controls and treatment actions. A risk for all State and Local Government entities is the risk the Auditor General will perform a performance audit and report the results to Parliament which depending on the results, may identify significant un-identified risks and affect the credibility with Parliament, the community, and other stakeholders. Moore Australia assist our clients to be “audit ready” to reduce their credibility risk.

### 6.1 Tabled Reports

Tabled Auditor General reports can provide an opportunity for State and Local Government entities to assess their policy framework and practice and to identify areas where improvements can be made. It can also identify internal audit topics which may be useful to include in the Strategic Internal Audit Plan. Set out below in Table 4. is the Auditor General tabled reports since the last ARC meeting in August 2021. This excludes Section 82 Financial Management Act Ministerial Notifications Reports.

Tabled Report	Date
<a href="#">Roll-out of State COVID-19 Stimulus</a>	25 October 2021
<a href="#">Local Government COVID-19 Financial Hardship Support</a>	15 October 2021

**Table 4:** Auditor General Tabled Reports since August 2021.





## 8. Office of The Auditor General (continued)

### 6.2 Performance Audit Program

Currently there are no performance audits identified in a forward program on the Office of the Auditor Generals website and so this information has not been provided.

### 6. Questions

Michelle Shafizadeh and Duy Vo will be in attendance and are available to answer any questions that you may have at the meeting.

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HELPING YOU THRIVE IN A CHANGING WORLD

## 8.6 Enterprise Resource Planning System – OneCouncil: Project Status Report #2

<b>Committee</b>	23 November 2021
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Ed Herne – Director Corporate & Strategy
<b>Attachments</b>	Nil.
<b>Confidential Attachments</b>	1. OneCouncil Project Management Plan.

### Regulation 11(da) – Not Applicable – Recommendation Adopted

Moved – Councillor Senathirajah  
 Seconded – Councillor McManus

**That the Recommendation to Committee be adopted.**  
 (Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

### Committee Recommendation / Recommendation to Committee

**That the Audit & Risk Committee receive the OneCouncil Project Status Report #2.**

### Executive Summary

The objective of this report is to present the Project Status Report for the implementation of the City’s Enterprise Resource Planning System - OneCouncil.

### Voting Requirement

Simple Majority.

### Discussion/Overview

This is the second report prepared to provide the Audit and Risk Committee with a project status update of the implementation of the Enterprise Resource Planning System, called OneCouncil.

Following the Council resolutions made at the Ordinary Council Meeting dated 22<sup>nd</sup> June 2021, the Acting Chief Executive Officer entered into a contract with TechnologyOne to purchase their Enterprise Resource Planning System, called OneCouncil.

To date, detailed project management plans, change management plans and the scheduling of the OneCouncil Project has been finalised. These plans will form the baseline for reporting, tracking and controlling the project implementation. The planning milestone was completed on time.

The City has been very successful in recruiting experienced and skilled staff for the OneCouncil Project given that:

- Western Australia has the strongest performing jobs market of all states and very low unemployment levels; and
- The City is competing with other Councils who are recruiting the same roles for their respective implementation of OneCouncil.

The recruitment milestone was completed on time.

The City has now commenced the formal training program for the OneCouncil project team which is key to ensuring knowledge transfer from TechnologyOne to the City's staff. The training sessions will run from November 2021 through to the end of January 2022 and cover all of the Phase 1 modules (Finance, Payroll, Procurement, Human Resources, Customer Request Management, Enterprise Content Management and Contract Management). As the training programs for each OneCouncil module finish, workshops will commence to determine and incorporate the City of Nedlands specific requirements into the OneCouncil solution.

Change management activities have formally started with the OneCouncil Change Manager starting on the 25<sup>th</sup> October 2021. Staff briefing sessions are well advanced and various communications channels have been established. These communication channels include a OneCouncil section on the City's Intranet, a OneCouncil email address for staff to ask questions and regular updates at the CEO's monthly staff meetings. Future communication plans include developing screen savers, monthly posters to inform at staff of progress and surveys of staff to assess the effectiveness of the change management program.

In summary, the implementation of OneCouncil will be via three (3) phases over three (3) years using a standard project management methodology as per the following:

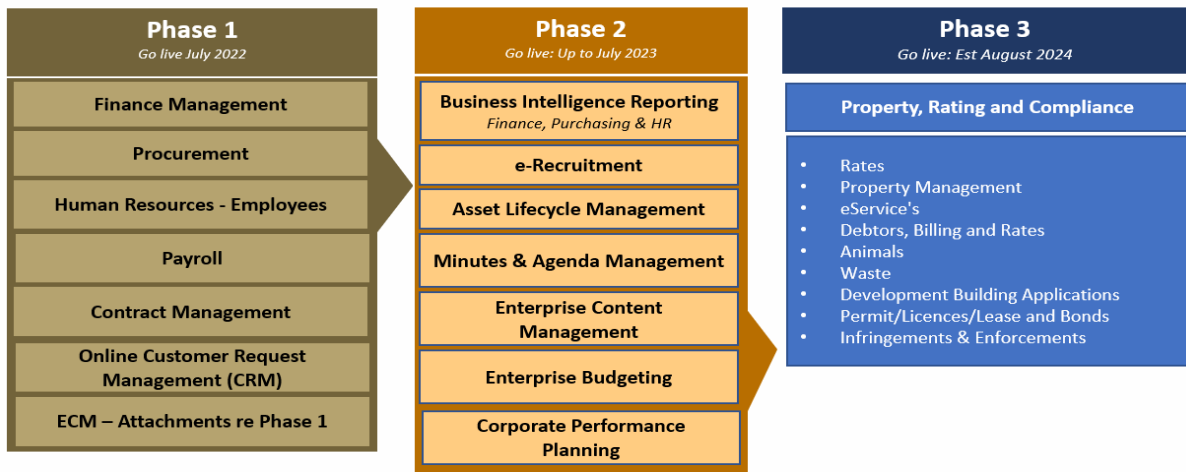


Figure 1 -OneCouncil : Overview of Phases



The scope of the abovementioned phases is largely driven by the fact that we are leveraging the implementation work undertaken at other Western Australian Local Governments. This approach reduces the implementation cost and overall risk to the City. Furthermore, the scope of Phase 1 is designed to lay the foundation systems ready for future phases of OneCouncil to build upon.

In terms of implementing Phase 1 of OneCouncil, the graphical representation below outlines the key project milestones:

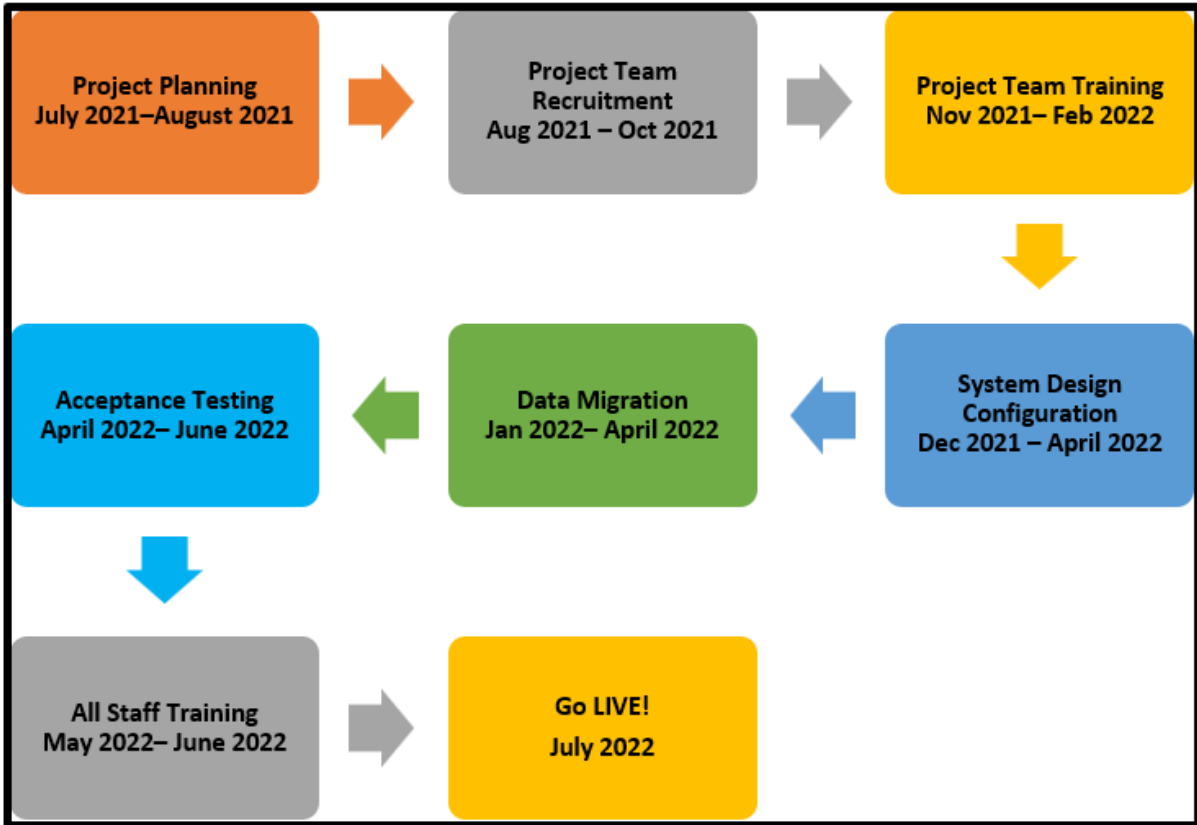


Figure 2 -OneCouncil Phase 1 Milestones

## Update on Progress

The OneCouncil project is 29% complete as per the Project Schedule below.

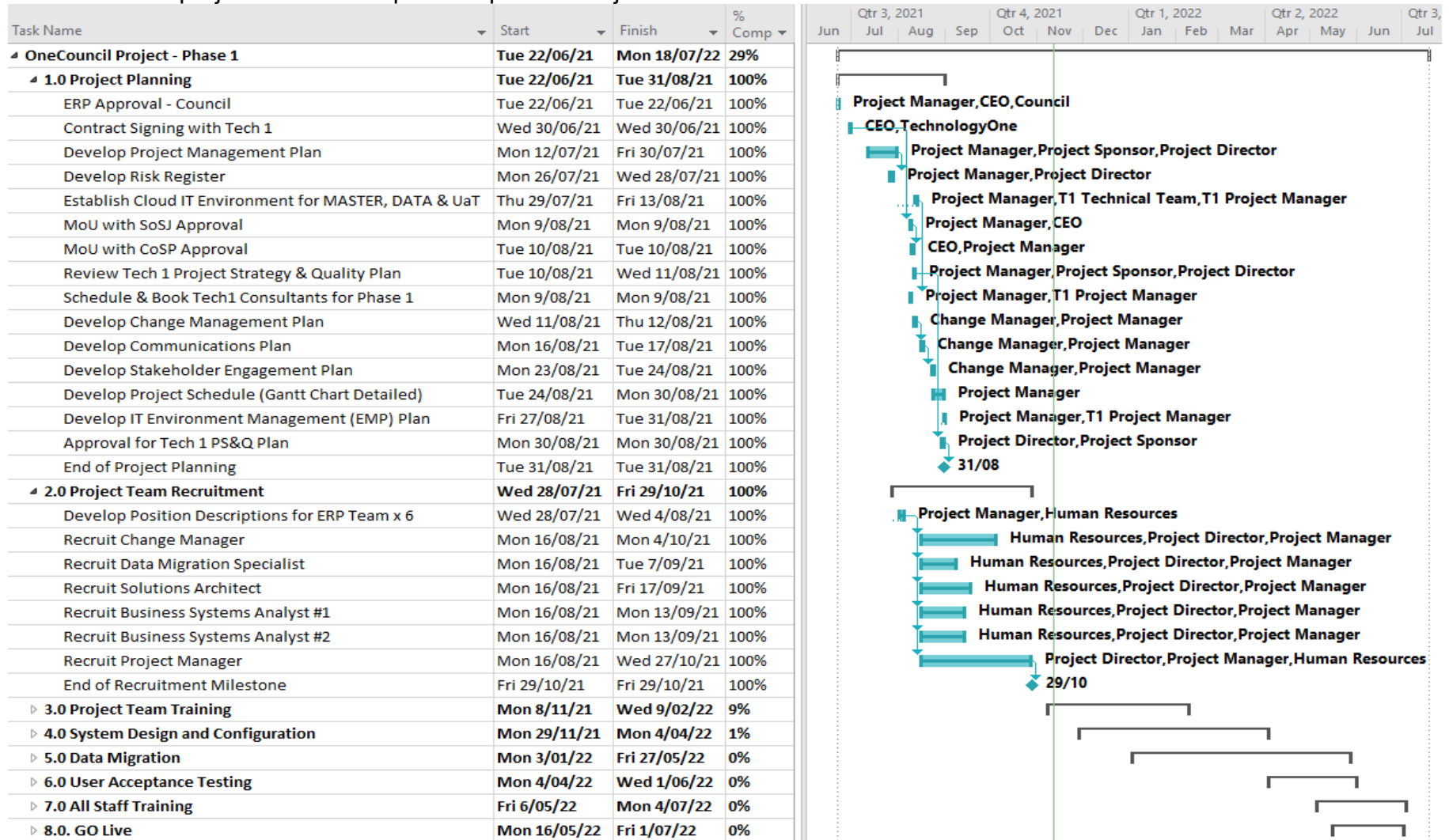





Figure 3 -OneCouncil Phase 1 Project Schedule

### Milestone Status

The status of the key milestones outlined in the project schedule for the implementation of OneCouncil Phase 1 are:

#	Milestone	Status	% Complete	Target Date
1	Project Planning		100%	31 August 2021
2	Project Team Recruitment		100%	29 October 2021
3	Project Team Training		9%	11 February 2022
4	System Design & Configuration		1%	30 April 2022
5	Data Migration		0%	30 May 2022
6	Acceptance Testing		0%	30 May 2022
7	All Staff Training		0%	30 June 2022
8	Go LIVE		0%	July 2022

Legend	Description
	Milestone delayed > 10%.
	Potential for milestone delay.
	Milestone on target.

**Key Activities Completed: 23 August 2021 to 31 October 2021**

1. Milestone #1 – Project Planning : **100% Complete**
  - Project Management Plan approved (refer to confidential attachment #1);
  - Project Risk Register developed;
  - Project Change Management Plan developed;
  - Project Stakeholder Engagement Plan developed;
  - Project Communication Plan developed;
  - Cloud based OneCouncil IT Environments established;
  - Development of a detailed Project Schedule (Gantt Chart);
  - Booking of TechnologyOne Consultants for Phase 1 through to end of June 2022;
  - Development of an IT Environment Management (EMP) Plan; and
  - Development of the TechnologyOne Project Strategy & Quality Plan.
  
2. Milestone #2 – Project Team Recruitment : 100% **Complete**
  - Recruited Project Manager;
  - Recruited Change Manager;
  - Recruited Data Migration Specialist (since resigned on 5th November 2021 and a replacement has been recruited);
  - Recruited Solutions Architect; and
  - Recruited Business Systems Analysts x 2.

**Key Activities Planned for next period – November 2021 to February 2022**

The key deliverables planned for the next period are:

1. Milestone #3 – Project Team Training
  - Communication with all staff on the ‘what, why, when and how’ of the OneCouncil project; and
  - Completion of project team training for Finance, Payroll, Purchasing, Customer Request Management, Contracts and Human Resources. These training sessions will include subject matter experts from relevant business units.
  
2. Milestone #4 System Design & Configuration
  - Finalise Finance Chart of Accounts;
  - Commence OneCouncil System Design Workshops; and
  - Commence Configuration of the OneCouncil system.

## **Project Governance**

The OneCouncil Steering Committee is the City's Executive Management Team. The inaugural OneCouncil Steering Committee meeting was held on the 7th October 2021 and a subsequent Steering Committee meeting was held on the 11<sup>th</sup> November 2021. Included on the agenda for the inaugural OneCouncil Steering Committee meeting was a presentation by TechnologyOne's State Consulting Manager and TechnologyOne's Project Manager.

OneCouncil Steering Committee Meetings are scheduled monthly with the City's project manager tabling a formal report on the overall status of the OneCouncil project.

The City's CEO also provides monthly updates to staff in the Monthly Staff Newsletter and provides regular updates to Council.

Fortnightly OneCouncil project team meetings have also commenced to monitor and control the OneCouncil project progress.

### **Key Relevant Previous Council Decisions:**

At the Ordinary Council Meeting held on the 22<sup>nd</sup> June 2021 Council Resolved the following:

1. approves the supplier, TechnologyOne, to be awarded the contract for RFT 2020-21.03 – Provision City Finance System (Enterprise Resource Planning System) for the initial term of 5 years, comprising the initial 3 years with two one-year extensions, to be awarded under Local Government (Functions & General) Regulations 1996 11(2);
2. agrees to enter a contract with TechnologyOne to purchase their Enterprise Resource Planning System, called OneCouncil, with final contract subject to independent review to the satisfaction of the Chief Executive Officer; and
3. notes;
  - a. the adoption of the Integrated Enterprise Resource Planning approach for implementing Information Systems; and
  - b. the implementation of the TechnologyOne OneCouncil solution using the Cloud model called "Software as a Service".

## **Consultation**

The OneCouncil Project team has developed the following stakeholder consultation plans:

<b>Stakeholder Consultation Plans</b>	<b>Purpose</b>
Change Management Plan	To outline the strategy and approach to managing the organisational change associated with implementing the OneCouncil project for employees, customers and stakeholders.
Communication Plan	To provide an overall framework for the ongoing management, coordination and delivery of communications to all staff across the City of Nedlands impacted by the OneCouncil project activities.
Stakeholder Engagement Plan	To outline the City's approach to managing stakeholder engagement throughout the implementation of the OneCouncil solution to ensure clear direction for the delivery of stakeholder engagement actions.

The City has also been consulting with the City of South Perth and the Shire of Serpentine Jarrahdale who are also implementing the same TechnologyOne OneCouncil system. The City has signed a Memorandum of Understanding (MoU) with the City of South Perth and the Shire of Serpentine Jarrahdale for the purpose of sharing information, system configuration/setup and lessons learnt.

## Strategic Implications

### How well does it fit with our strategic direction?

The City has adopted an Enterprise Resource Planning approach that sets the foundation for all organisational information technology systems and other supporting technologies. Investing in information systems and technology will provide the City of Nedlands with the requisite tools to plan, execute, evaluate all existing and future operations.

### Who benefits?

The benefits were reported to the Audit and Risk Committee in August 2021 and are re-iterated in this report for completeness.

Council will benefit from the implementation of OneCouncil by:

- Improved online services for ratepayers and residents;
- Implementing the ability for customers/residents to engage the City online from any device and anytime;
- More efficient tools for reporting budget and statutory reporting obligations;

- Improved staff morale by reducing pressure/stress on staff - this will reduce the need to increase FTE in the future - as staff will have the right tools to do their job;
- The ability to attract talent from other Councils that use TechnologyOne;
- Improved planned and scheduled maintenance of our Assets;
- Reduced strategic and operational risk by replacing the City's obsolete IT systems;
- Improved granularity of financial reporting with a revised Financial Chart of Accounts; and
- Increased financial system controls with full audit capability to reduce the risk of fraud / corruption.

The City's administrative staff will benefit from the implementation of OneCouncil by:

- Optimization of business processes - Being more effective & efficient;
- Improved information accuracy and decision-making capability - A more strategic City;
- Improved and efficient business processes and tools for:
  - Business Intelligence & Reporting;
  - Financial management, budgeting, governance and transparency;
  - Employee performance management, learning, training and development;
  - Corporate strategic planning and reporting;
  - Sharing information between all areas of the City;
  - Comprehensive Asset management; and
  - Workforce mobility.
- Elimination of unnecessary manual and paper-based business processes;
- Delivers contemporary ICT systems with the capability to scale as the City grows; and
- Increased capacity for staff to work on business improvement activities rather than manual data entry/extraction Improved capacity for staff to work 'on the business' rather than 'in the business'

The Customer, community and other stakeholders will benefit from this initiative by:

- Customers will have access to on-line services 24x7 – this is an expectation;
- Ability for customers to report issues and/or request information online;
- Automated communication to customers - Request lodgement, progress and completion outcomes;
- Ability to track requests for information or service online – rather than calling the City;
- Online ability to lodge, track and pay for :
  - Building Applications and Development applications;

- Dog/Cat renewals/licences;
  - Requests for new services (i.e. Bins, Verge collections);
  - Copies of plans; and
  - Infringements / Fines.
- Having an improved customer and interface experience with the availability of online processes that can be completed at their convenience, not only during the City's operating hours as is the current situation; and
  - Simplification of the customer's communication and engagement with the City of Nedlands.

**Does it involve a tolerable risk?**

The implementation of transformational change has inherent risks. These risks have been formally identified, and risk mitigation strategies will be identified and implemented. A project risk register has been developed as part of the implementation of the Enterprise Resource Planning System. This will be supported by implementing robust project governance and project management to ensure visibility and accountability over the progress of the project.

A key risk mitigation strategy includes the establishment of a Memorandum of Understanding (MoU) with the City of South Perth and the Shire of Serpentine Jarrahdale as these local governments currently use the OneCouncil solution. This will enable the City to minimise resource effort and risk in the City's overall implementation. Importantly, adopting a pre-configured business process that another local government has already implemented will give the City a solid foundation on which to accelerate the implementation.

**What level of risk is associated with the option and how can it be managed?**

There is no risk associated with receiving this report.

**Do we have the information we need?**

The City has sufficient information to present the OneCouncil project status report.

**Budget/Financial Implications**

**Can we afford it?**

The provision of the implementation of OneCouncil is included in the City of Nedlands 2021/22 Annual Budget.

**How does the option impact upon rates?**

Receiving this report will not impact rates.



## Conclusion

The implementation of OneCouncil Project is a significant investment that enables a whole new way of doing business more effectively.

A critical component of the implementation is effectively managing the transformational change that will occur right across the City. To this end, OneCouncil briefing sessions have been delivered to the CEO, Directors, Managers and Coordinators. All staff will be briefed at the CEO's monthly staff meeting scheduled for the 25<sup>th</sup> November 2021.

The following key messages being consistently communicated across the City:

- We need to evolve our organisation to ensure that we meet the expectations of the community we serve both now and in the future;
- The goal is to deliver a best-practice system that improves our processes, strengthens the capacity of our people and facilitates the delivery of excellent service to our customers;
- OneCouncil is a 3-year project managed in three (3) Phases and is an organisation-wide project that will touch most facets of the City;
- It is more than just new software. We are transforming the way we do things by simplifying our work processes and adopting best practice;
- You will be able to work 'on' the business rather than 'in' the business; and
- Active involvement by all staff in this change is vital to success.

**9. Urgent Business Approved By the Presiding Member or By Decision**

Any urgent business to be considered at this point.

Nil.

**10. Confidential Items**

Any confidential items to be considered at this point.

Nil.

**11. Date of next meeting**

The next meeting of the Audit & Committee is to be advised.

**Declaration of Closure**

There being no further business, the Presiding Member declared the meeting closed at 6.13pm.