



City of Nedlands

Minutes

Audit & Risk Committee Meeting

31 May 2021

ATTENTION

These Minutes are subject to confirmation.

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 Ordinary Council Meeting next 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 Monday 31 May at 5.30pm.

Declaration of Opening

The Presiding Member declared the meeting open at 5.32pm and drew attention to the disclaimer below.

Present and Apologies and Leave of Absence (Previously Approved)

Councillors	Councillor L J McManus	(Presiding Member)
	Councillor R Senathirajah	Melvista Ward
	Councillor J D Wetherall	Hollywood Ward
	Councillor A W Mangano	Dalkeith Ward
	Councillor K A Smyth	Costal Ward
	Mr P Setchell	Community Member

Staff	Mr E Herne	Acting Chief Executive Officer
	Mr A Melville	Director Corporate & Strategy
	Mrs S C Gibson	PA to Director Corporate & Strategy
	Ms R Jahmeerbacus	Manager Financial Services

Invited Guests	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 Auditor General (OAG)

Leave of Absence (Previously Approved) None at distribution of agenda.

Apologies	Councillor P N Poliwka	Hollywood Ward
	Mr S Foley	Community Member
	Mr M Beevers	KPMG (Auditors)

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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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.

The order in which the CEO receives registrations of interest shall determine the order of questions unless the Presiding Member determines otherwise. Questions must relate to a matter affecting the City of Nedlands.

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 to be made at this point.

Nil.

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 of financial interest.

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 affecting impartiality.

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

Councillor Wetherall advised that he has not given due consideration to the paper due to being called in as the Deputy Member for Councillor Poliwka at short notice.

Councillors Senathirajah, Smyth & Mangano, and Mr Setchell advised that they have not given due consideration to the additional papers provided at the meeting as there was not enough time to go through them.

6. Confirmation of Minutes

Moved – Councillor/Mr Setchell
Seconded – Councillor Senathirajah

The minutes of the Audit & Risk Committee held 4 March 2021 be confirmed.

CARRIED UNANIMOUSLY 6/-

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 Audit 2019/20

Committee	31 May 2021
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Andrew Melville – A/Director Corporate & Strategy
Attachments	<ol style="list-style-type: none"> 1. 2019-20 Annual Financial Report; 2. Audit Representation Letter; 3. Audit Completion Report; 4. KPMG Addendum - Required Communications with the Committee; 5. Draft Audit Opinion: and 6. Management Letter Report.
Confidential Attachments	Nil.

Regulation 11(da) – Not Applicable – Recommendation Adopted

Moved – Mr Setchell

Seconded – Councillor Senathirajah

That the Recommendation to be adopted.

(Printed below for ease of reference)

**CARRIED 5/1
(Against: Cr. Smyth)**

Committee Recommendation / Recommendation to Committee

That the Committee recommends to Council:

1. that it accepts the Financial Report for the City of Nedlands for the year ended 30 June 2020 comprising the Financial Report and the Auditor’s Report; and
2. that it accepts the 2020 Audit Completion Report as presented.

Voting Requirement

Absolute Majority.

Executive Summary

The Annual Financial Report for the year ended 30 June 2020, including Auditor's Report and the Audit Completion Report by The Auditor General, is presented to the Audit & Risk Committee for its review. 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 Management Representation Letter is also presented.

Discussion/Overview

Background

Financial Performance

A brief overview of the City's financial performance for the 2019/20 financial year is provided below.

The City completed the 2019/20 year with a surplus net result of \$2.8m compared to the adopted budget surplus of \$0.02m. The overall favourable variance was mostly due to an underspend in Capital projects.

Operating Revenue for the year totalled \$34.3m, which is aligned to the budget target of \$34.3m for the year.

Operating Expenditure marginally increased to \$30.6m compared to a budget of \$30.5m. This was mostly due to an overspend in Materials and Contracts offset by an underspend in employee costs as a result of vacancies throughout the year.

Capital Works of \$7.2m were completed in 2019/20 compared to a budget of \$12.8m. This was mostly as a result of the COVID-19 impact on City operations that impeded the progress of Infrastructure capital projects around parks, gardens and roads.

The City's key financial ratios in Note 38 provide an overview of the financial performance of the City in 2019/20 compared with the previous two years. All the ratios are within recommended standard benchmarks set by the Department of Local Government.

	Target	2020 Actual	2019 Actual	2018 Actual
Current ratio	>1.10	0.93	0.75	0.85
Asset consumption ratio	>0.5	0.59	0.58	0.57
Asset renewal funding ratio	0.75 - 0.95	0.95	0.92	0.86
Asset sustainability ratio	0.9 - 1.10	1.61	2.33	1.45
Debt service cover ratio	>2.00	4.23	5.61	1.83
Operating surplus ratio	0.01-0.15	0.12	0.18	(0.12)
Own source revenue coverage ratio	>0.4	1.05	1.14	0.84

The current ratio is slightly below the target of >1.10 due to increased current liabilities, mainly creditors and other bonds payable.

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 1995* and associated 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 benefits from the effective management of its finances. This ensures regulatory compliance, transparency, and accountability of the City's processes.

Does it involve a tolerable risk?

There is a risk that if the City does not accept the report on the City's Annual Financial Report, that the City will not be compliant with the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*.

Do we have the information we need?

The Audit report provides all of the information required for the Committee to consider this recommendation.

Budget/Financial Implications

There are no financial implications to this report.

Can we afford it?

There is no budgetary implication to receiving this report.

How does the option impact upon rates?

There is no impact on rates as the information presented is historical information for 2019/20.

Conclusion

The Financial Report for the City of Nedlands for the year ended 30 June 2020, comprising the Financial Report and the Auditor's Report financial report, showing the financial performance of the City for 2019/20, is recommended for approval.

Ms Perumal retired from the meeting at 6.06pm.

CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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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 2020**

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

Signed on the [redacted] day of [redacted] 2021

A/ Chief Executive Officer

Ed Herne

Name of Acting Chief Executive Officer

CITY OF NEDLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	29(a)	24,367,185	24,144,574	23,459,523
Operating grants, subsidies and contributions	2(a)	2,293,237	1,845,710	2,126,813
Fees and charges	2(a)	7,099,852	7,071,447	6,998,936
Service charges		(204,464)	280,747	3,406,430
Interest earnings	2(a)	500,063	648,000	645,924
Other revenue	2(a)	490,161	297,720	262,841
		34,546,034	34,288,198	36,900,467
Expenses				
Employee costs		(13,890,564)	(14,007,534)	(13,373,742)
Materials and contracts		(10,139,596)	(9,719,311)	(10,971,507)
Utility charges		(881,896)	(889,350)	(868,508)
Depreciation on non-current assets	12(d)	(4,128,897)	(4,378,000)	(3,999,335)
Interest expenses	2(b)	(241,893)	(238,615)	(299,062)
Insurance expenses		(412,313)	(355,975)	(334,926)
Other expenditure		(937,514)	(902,851)	(738,311)
		(30,632,673)	(30,491,636)	(30,585,391)
		3,913,361	3,796,562	6,315,076
Non-operating grants, subsidies and contributions	2(a)	2,174,522	4,640,042	2,386,090
Profit on asset disposals	12(a)	77,691	43,228	57,230
(Loss) on asset disposals	12(a)	(24,217)	(108,448)	(46,823)
Fair value adjustments to financial assets at fair value through profit or loss		2,305	0	16,403
		2,230,301	4,574,822	2,412,900
Net result for the period		6,143,662	8,371,384	8,727,976
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	14	0	0	0
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		6,143,662	8,371,384	8,727,976

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 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
	2(a)			
Governance		253,900	338,820	256,684
General purpose funding		25,787,306	25,285,574	25,000,040
Law, order, public safety		400,106	504,500	493,028
Health		159,281	138,000	63,204
Education and welfare		1,943,721	1,808,210	1,915,442
Community amenities		3,618,105	3,883,047	3,768,226
Recreation and culture		1,400,353	757,450	863,721
Transport		153,415	542,972	84,831
Economic services		889,132	943,650	980,971
Other property and services		(59,285)	85,975	3,474,321
		34,546,034	34,288,198	36,900,468
Expenses				
	2(b)			
Governance		(2,597,806)	(3,121,658)	(2,260,384)
General purpose funding		(667,253)	(403,590)	(692,359)
Law, order, public safety		(1,000,422)	(1,002,754)	(1,025,572)
Health		(661,509)	(694,366)	(659,400)
Education and welfare		(2,441,082)	(2,462,024)	(2,371,404)
Community amenities		(4,766,093)	(4,849,225)	(4,234,334)
Recreation and culture		(8,881,821)	(8,797,805)	(8,247,611)
Transport		(4,478,937)	(3,474,393)	(4,393,161)
Economic services		(4,727,977)	(4,916,703)	(5,094,579)
Other property and services		(177,842)	(530,503)	(1,307,526)
		(30,400,742)	(30,253,021)	(30,286,330)
Finance Costs				
	2(b)			
Community amenities		(80,107)	(22,842)	(104,454)
Recreation and culture		(115,745)	(178,801)	(151,740)
Transport		(36,079)	(36,972)	(42,868)
Economic services		0	0	0
Other property and services		0	0	0
		(231,931)	(238,615)	(299,062)
		3,913,361	3,796,562	6,315,076
Non-operating grants, subsidies and contributions	2(a)	2,174,522	4,640,042	2,386,090
Profit on disposal of assets	12(a)	77,691	43,228	57,230
(Loss) on disposal of assets	12(a)	(24,217)	(108,448)	(46,823)
Fair value adjustments to financial assets at fair value through profit or loss		2,305	0	16,403
		2,230,301	4,574,822	2,412,900
Net result for the period		6,143,662	8,371,384	8,727,976
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	14	0	0	0
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		6,143,662	8,371,384	8,727,976

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

CITY OF NEDLANDS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020	2019	1 July 2018
		\$	*Restated	*Restated
		\$	\$	
CURRENT ASSETS				
Cash and cash equivalents	3	10,219,350	8,170,423	5,097,698
Trade and other receivables	6	2,132,896	2,428,507	1,199,152
Other financial assets	5(a)	6,277,329	4,874,125	6,037,348
Inventories	7	22,816	15,727	31,936
Lease receivable	8	50,422	0	0
Contract assets	2(a)	33,686	0	0
Other assets	9	290,591	170,830	0
TOTAL CURRENT ASSETS		19,027,090	15,659,612	12,366,134
NON-CURRENT ASSETS				
Trade and other receivables	6	1,110,860	1,227,236	540,167
Other financial assets	5(b)	221,257	218,952	123,734
Lease receivable	8	493,575	0	0
Property, plant and equipment	10	147,286,247	319,626,719	319,350,041
Infrastructure	11	90,302,381	87,638,048	82,571,683
Right of use assets	13(a)	5,039,912	0	0
TOTAL NON-CURRENT ASSETS		244,454,232	408,710,955	402,585,625
TOTAL ASSETS		263,481,322	424,370,567	414,951,759
CURRENT LIABILITIES				
Trade and other payables	15	6,186,122	4,782,262	2,086,520
Contract liabilities	16	1,022,659	0	0
Lease liabilities	17(a)	52,999	0	0
Borrowings	18(a)	1,750,166	1,693,964	3,249,692
Employee related provisions	19	2,652,371	2,274,759	2,027,291
TOTAL CURRENT LIABILITIES		11,664,317	8,750,985	7,363,503
NON-CURRENT LIABILITIES				
Lease liabilities	17(a)	137,163	0	0
Borrowings	18(a)	4,114,485	5,861,752	6,748,982
Employee related provisions	19	264,987	474,196	337,618
Other payables	15	47,251	54,001	0
TOTAL NON-CURRENT LIABILITIES		4,563,886	6,389,949	7,086,600
TOTAL LIABILITIES		16,228,203	15,140,934	14,450,103
NET ASSETS		247,253,119	409,229,632	400,501,656
EQUITY				
Retained surplus		81,399,623	75,945,610	67,275,653
Reserves - cash/financial asset backed	4	5,895,843	6,095,369	6,037,350
Revaluation surplus	14	159,957,653	327,188,653	327,188,653
TOTAL EQUITY		247,253,119	409,229,632	400,501,656

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

*Restated - refer to Note 34

CITY OF NEDLANDS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/FINANCIAL ASSET BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		67,275,655	6,037,348	353,546,653	426,859,656
Correction of error	34	0	0	(26,358,000)	(26,358,000)
Restated total equity at the beginning of the financial year		67,275,655	6,037,348	327,188,653	400,501,656
Comprehensive income					
Net result for the period		8,727,976	0	0	8,727,976
Total comprehensive income		8,727,976	0	0	8,727,976
Transfers from reserves	4	717,369	(717,369)	0	0
Transfers to reserves	4	(775,390)	775,390	0	0
Balance as at 30 June 2019 *		75,945,610	6,095,369	327,188,653	409,229,632
Change in accounting policy	32(c)	(889,175)	0	(167,231,000)	(168,120,175)
Restated total equity at 1 July 2019		75,056,435	6,095,369	159,957,653	241,109,457
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
Balance as at 30 June 2020		81,399,623	5,895,843	159,957,653	247,253,119

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

* Restated - refer to note 34

CITY OF NEDLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates	23,395,781	24,114,074	23,327,006
Operating grants, subsidies and contributions	2,866,485	1,845,710	2,126,813
Fees and charges	7,099,852	7,031,447	5,957,117
Service charges	(204,464)	330,747	2,959,234
Interest received	500,063	648,000	645,924
Goods and services tax received	2,082,634	2,020,000	1,496,613
Other revenue	490,161	297,720	262,841
	36,230,512	36,287,698	36,775,548
Payments			
Employee costs	(13,652,282)	(13,937,534)	(12,924,696)
Materials and contracts	(8,664,330)	(9,520,561)	(8,560,451)
Utility charges	(881,896)	(889,350)	(868,508)
Interest expenses	(241,893)	(238,615)	(297,770)
Insurance paid	(412,313)	(355,975)	(334,926)
Goods and services tax paid	(1,764,049)	(2,000,000)	(1,779,393)
Other expenditure	(937,514)	(902,851)	(738,311)
	(26,554,277)	(27,844,886)	(25,504,055)
Net cash provided by (used in) operating activities	20 9,676,235	8,442,812	11,271,493
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for financial assets at amortised cost	0	0	1,176,852
Payments for purchase of property, plant & equipment	10(a) (1,721,433)	(2,854,676)	(2,059,828)
Payments for construction of infrastructure	11(a) (5,430,933)	(9,947,698)	(7,619,246)
Payments for right of use assets	(25,672)	0	0
Non-operating grants, subsidies and contributions	2(a) 2,174,522	4,640,042	2,386,090
Proceeds from financial assets at amortised cost - term deposits	(1,415,692)	0	0
Proceeds from financial assets at amortised cost - self supporting loans	10,183	13,630	13,219
Proceeds from lease receivable	33,352	0	0
Proceeds from sale of property, plant & equipment	12(a) 519,905	491,636	347,103
Net cash provided by (used in) investment activities	(5,855,769)	(7,657,066)	(5,755,810)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short term borrowings	0	0	(2,603,076)
Repayment of borrowings	18(b) (1,691,065)	(1,691,065)	(1,597,168)
Payments for principal portion of lease liabilities	17(b) (80,474)	0	0
Proceeds from new short term borrowings	0	0	950,552
Proceeds from new borrowings	18(b) 0	0	806,734
Net cash provided by (used in) financing activities	(1,771,539)	(1,691,065)	(2,442,958)
Net increase (decrease) in cash held	2,048,927	(905,319)	3,072,725
Cash at beginning of year	8,170,423	11,274,862	5,097,698
Cash and cash equivalents at the end of the year	20 10,219,350	10,369,543	8,170,423

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

CITY OF NEDLANDS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2,020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	30 (b)	1,604,417	1,703,203	2,201,758
		1,604,417	1,703,203	2,201,758
Revenue from operating activities (excluding rates)				
Governance		253,900	338,820	256,684
General purpose funding		1,422,426	1,141,000	1,556,920
Law, order, public safety		400,106	504,500	493,028
Health		159,281	138,000	63,204
Education and welfare		1,943,721	1,808,210	1,915,442
Housing		0	0	0
Community amenities		3,618,105	3,883,047	3,768,226
Recreation and culture		1,400,353	757,450	863,721
Transport		153,415	542,972	84,831
Economic services		889,132	943,650	980,971
Other property and services		18,406	129,203	3,531,551
		10,258,845	10,186,852	13,514,578
Expenditure from operating activities				
Governance		(2,597,806)	(3,121,658)	(2,260,384)
General purpose funding		(667,253)	(403,590)	(692,359)
Law, order, public safety		(1,000,422)	(1,002,754)	(1,025,572)
Health		(661,509)	(694,366)	(659,400)
Education and welfare		(2,441,082)	(2,462,024)	(2,371,404)
Housing		0	0	0
Community amenities		(4,846,200)	(4,872,067)	(4,338,788)
Recreation and culture		(8,997,566)	(8,976,665)	(8,399,351)
Transport		(4,515,016)	(3,511,365)	(4,436,029)
Economic services		(4,727,977)	(4,916,703)	(5,094,579)
Other property and services		(202,059)	(638,951)	(1,354,349)
		(30,656,890)	(30,600,143)	(30,632,215)
		(20,398,045)	(30,575,209)	
Non-cash amounts excluded from operating activities	30(a)	3,710,881	3,849,883	3,383,590
Amount attributable to operating activities		(15,082,747)	(14,860,205)	(11,532,289)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	2,174,522	4,640,042	2,386,090
Proceeds from disposal of assets	12(a)	519,905	491,636	347,103
Proceeds from financial assets at amortised cost - self supporting loans		10,183	13,630	13,219
Purchase of property, plant and equipment	10(a)	(1,721,433)	(2,854,676)	(2,059,828)
Purchase and construction of infrastructure	11(a)	(5,430,933)	(9,947,698)	(7,619,246)
Right of use asset	13(a)	(25,672)		
Amount attributable to investing activities		(4,473,429)	(7,657,066)	(6,932,662)
FINANCING ACTIVITIES				
Repayment of borrowings	18(b)	(1,691,065)	(1,691,065)	(1,597,168)
Repayment of short term borrowings		0	0	(2,603,077)
Proceeds from borrowings	18(c)	0	0	806,734
Proceeds from short term borrowings		0	0	950,552
Proceeds from principal portion of lease receivable				
Payments for principal portion of lease liabilities	17(b)	(80,474)	0	0
Transfers to reserves (restricted assets)	4	(2,361,686)	(1,768,566)	(775,390)
Transfers from reserves (restricted assets)	4	2,561,212	1,856,862	717,369
Amount attributable to financing activities		(1,572,013)	(1,602,769)	(2,500,980)
Surplus/(deficit) before imposition of general rates		(21,128,189)	(24,120,040)	(20,965,931)
Total amount raised from general rates	29(a)	24,367,185	24,144,574	23,459,523
Surplus/(deficit) after imposition of general rates	30(b)	3,238,996	24,534	2,493,592

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.

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 16* arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the City. This was not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

From 1 July 2019, the City has applied AASB 16 Leases which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to 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 (i.e. not included in the statement of financial position) 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.

The City has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

AASB 1059 *Service Concession Arrangements: Grantors* is not expected to impact the financial report.

Specific impacts of AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*, have not been identified.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. There are no Trust Fund held by the City.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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 of revenue and recognised as follows:

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"> • Building, planning, development, and animal management, having the same nature as a license regardless of naming. • Compliance safety check • Regulatory Food, Health and safety • Kerbside collection service • Halls and facilities • Library fees, reinstatements and private works • Art course fees • Fines issued for breaches of local laws 	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:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions			
Governance	4,106	20,000	48,027
General purpose funding	786,478	363,000	472,819
Law, order, public safety	31,116	30,000	28,678
Education and welfare	1,099,315	1,063,210	1,089,830
Recreation and culture	112,627	49,300	85,464
Transport	96,068	195,200	291,049
Economic services	153,641	125,000	110,946
Other property and services	9,886	0	0
	2,293,237	1,845,710	2,126,813
Non-operating grants, subsidies and contributions			
Recreation and culture	58,670	33,500	905,430
Transport	2,115,852	4,606,542	1,480,660
	2,174,522	4,640,042	2,386,090
	4,467,759	6,485,752	4,512,903
Fees and charges			
Governance	263,817	77,800	80,305
General purpose funding	119,420	130,000	130,644
Law, order, public safety	356,103	474,500	464,350
Health	70,231	137,000	62,538
Education and welfare	715,356	743,000	823,612
Community amenities	3,618,102	3,883,047	3,754,179
Recreation and culture	1,088,545	686,250	748,703
Transport	57,166	80,000	84,869
Economic services	753,861	789,850	787,574
Other property and services	57,251	70,000	62,162
	7,099,852	7,071,447	6,998,936

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)	2020 Actual \$	2020 Budget \$	2019 Actual \$
Contracts with customers and transfers for recognisable non-financial assets			
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:			
Non-operating grants, subsidies and contributions	2,174,522	4,640,042	2,386,090
	<u>2,174,522</u>	<u>4,640,042</u>	<u>2,386,090</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:			
Contracts with customers included as a contract liability at the start of the period	0	1,150,000	0
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period	1,086,062	0	0
Other revenue from performance obligations satisfied during the year	1,088,460	3,490,042	2,386,090
	<u>2,174,522</u>	<u>4,640,042</u>	<u>2,386,090</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	811,770	521,815	1,319,546
Contract assets	33,686	0	0
Contract liabilities from contracts with customers	(1,022,659)	0	0

Contract assets primarily relate to the City's right to consideration for work completed but not billed at 30 June 2020.

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	24,367,185	24,144,574	23,459,523
Statutory permits and licences	492,661	398,500	374,598
Fines	458,081	542,000	484,401
	25,317,927	25,085,074	24,318,522

Other revenue

Reimbursements and recoveries	159,178	241,020	65,432
Other	330,983	56,700	197,409
	490,161	297,720	262,841

Interest earnings

Financial assets at amortised cost - self supporting loans	2,680	2,682	3,066
Interest on reserve funds	104,817	155,000	157,890
Rates instalment and penalty interest (refer Note 29(e))	215,994	198,000	205,459
Lease interest income	14,906	0	0
Other interest earnings	161,666	292,318	279,509
	500,063	648,000	645,924

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.

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report	80,000	42,000	10,000
- Other services	4,500	37,000	2,180
	84,500	79,000	12,180

Interest expenses (finance costs)

Borrowings	235,312	238,615	299,062
Lease liabilities	6,581	0	0
	241,893	238,615	299,062

Other expenditure

Impairment loss on trade and other receivables	152,517	28,500	39,189
Sundry expenses	784,997	874,351	699,122
	937,514	902,851	738,311

3. CASH AND CASH EQUIVALENTS

	NOTE	2020 \$	2019 \$
Cash at bank and on hand		6,682,574	3,849,110
Short - Term deposits		3,536,776	4,321,313
Total cash and cash equivalents		10,219,350	8,170,423

Restrictions

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		2,893,379	4,068,346
- Financial assets at amortised cost (Term Deposits)		6,273,882	4,860,495
- Bonds & Retention Funds	15	2,248,759	1,874,670
		9,167,261	8,928,841

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

Reserves - cash/financial asset backed	4	5,895,843	6,095,369
Bonds & Retention Funds	15	2,248,759	1,874,670
Contract liabilities from contracts with customers	16	1,022,659	0
Contract liabilities from transfers for recognisable non financial assets	16	0	0
Unspent grants, subsidies and contributions		0	958,802
Total restricted assets		9,167,261	8,928,841

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. This includes term deposits with an original maturity of less than 90 days.

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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

4. RESERVES - CASH/FINANCIAL ASSET BACKED

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Reserves cash backed - Plant Replacement Reserve	34,000	483	0	34,483	34,051	851	0	34,902	0	34,000	0	34,000
(b) Reserves cash backed - City Development Reserve	367,068	6,594	(100,000)	273,662	367,580	9,190	(100,000)	276,770	456,580	50,488	(140,000)	367,068
(c) Reserves cash backed - North Street Reserve	760,605	12,912	(400,000)	373,517	761,266	19,032	(400,000)	380,298	765,464	20,142	(25,000)	760,605
(d) Reserves cash backed - Welfare Reserve	484,909	208,779	0	693,688	491,387	12,285	0	503,672	479,887	10,022	(5,000)	484,909
(e) Reserves cash backed - Service Reserve	207,568	3,669	0	211,237	207,591	5,190	0	212,781	202,591	4,977	0	207,568
(f) Reserves cash backed - Insurance Reserve	64,099	1,024	0	65,123	64,117	1,603	0	65,720	62,547	1,552	0	64,099
(g) Reserves cash backed - Waste Management Reserve	962,682	119,122	0	1,081,804	964,793	124,120	0	1,088,913	842,547	120,135	0	962,682
(h) Reserves cash backed - Building Replacement Reserve	718,057	101,157	(74,000)	745,214	715,969	106,049	(60,000)	762,018	689,120	103,937	(75,000)	718,057
(i) Reserves cash backed - Swanbourne Development Reserve	132,008	2,459	0	134,467	132,296	3,307	0	135,603	129,140	2,868	0	132,008
(j) Reserves cash backed - Public Art Reserve	210,866	44,511	(158,000)	97,377	60,807	41,520	(50,000)	52,327	126,894	83,972	0	210,866
(k) Reserves cash backed - Business System Reserve	295,424	255,196	0	550,620	295,404	57,385	0	352,789	102,229	193,195	0	295,424
(l) Reserves cash backed - All Abilities Play Space	193,262	101,205	(14,000)	280,467	193,349	103,234	(30,000)	266,583	94,900	98,362	0	193,262
(m) Reserves cash backed - Underground Power Projects	370,166	1,480,664	(1,080,840)	769,990	36,549	1,268,571	(756,862)	548,258	485,450	12,085	(127,369)	370,166
(n) Reserves cash backed - Major Projects	1,294,655	23,911	(734,372)	584,194	1,298,417	16,230	(460,000)	854,647	1,600,000	39,655	(345,000)	1,294,655
	6,095,369	2,361,686	(2,561,212)	5,895,843	5,623,576	1,768,566	(1,856,862)	5,535,281	6,037,349	775,390	(717,369)	6,095,369

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 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 in 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

5. OTHER FINANCIAL ASSETS

	2020	2019
	\$	\$
(a) Current assets		
Financial assets at amortised cost	6,277,329	4,874,125
	<u>6,277,329</u>	<u>4,874,125</u>
Other financial assets at amortised cost		
Term deposits	6,273,882	4,860,495
Self supporting loans	3,447	13,630
	<u>6,277,329</u>	<u>4,874,125</u>
(b) Non-current assets		
Financial assets at amortised cost	78,815	78,815
Financial assets at fair values through other comprehensive income	0	0
Financial assets at fair value through profit and loss	142,442	140,137
	<u>221,257</u>	<u>218,952</u>
Financial assets at amortised cost		
Self supporting loans	78,815	78,815
	<u>78,815</u>	<u>78,815</u>
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	142,442	140,137
	<u>142,442</u>	<u>140,137</u>
During the year, the following gains/(losses) were recognised in profit and loss	<u>2,305</u>	<u>16,403</u>
	2,305	16,403

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 18(b) as self supporting loans. Due to the COVID-19 pandemic additional longer repayment period have been provided to the club.

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

Term deposits

Term deposits represent deposits held with financial institutions with an original maturity date of greater than 90 days.

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.

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	

Non-current

Pensioner's rates and ESL deferred	
Service charges receivable	

	2020	2019
	\$	\$
	1,004,284	440,333
	811,770	1,319,546
	220,871	539,456
	(9,282)	(9,282)
	105,253	138,454
	<u>2,132,896</u>	<u>2,428,507</u>
	470,734	491,436
	640,126	735,800
	<u>1,110,860</u>	<u>1,227,236</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

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

	2020	2019
	\$	\$
	22,816	15,727
	<u>22,816</u>	<u>15,727</u>
	15,727	31,936
Inventories expensed during the year	(149,824)	(189,170)
Reversal of write down of inventories to net realisable value	2,305	16,403
Additions to inventory	154,608	156,558
	<u>22,816</u>	<u>15,727</u>

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Reversal of write down of inventories to net realisable value

Additions to inventory

Carrying amount at end of period

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. LEASE RECEIVABLES

	2020	2019
	\$	\$
Current		
Lease receivable	50,422	0
	50,422	0
Non-current		
Lease receivable	493,575	0
	493,575	0

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 head lease, not with reference to the underlying asset.

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.

9. OTHER ASSETS

	2020	2019
	\$	\$
Other assets - current		
Prepayments	290,591	170,830
	290,591	170,830

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.

CITY OF NEDLANDS
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FOR THE YEAR ENDED 30 JUNE 2020

10. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land \$	Land - vested in and under the control of Council \$	Total land \$	Buildings - non- specialised \$	Buildings - specialised \$	Total buildings \$	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Total property, plant and equipment \$
Balance at 1 July 2018 (previously reported)	137,993,000	167,231,000	305,224,000	1,282,304	35,635,539	36,917,843	342,141,843	655,887	2,910,310	345,708,040
Correction of error (Note 34)	(26,358,000)	0	(26,358,000)	0	0	0	(26,358,000)	0	0	(26,358,000)
Restated balance as at 1 July 2018 (Note 34)	111,635,000	167,231,000	278,866,000	1,282,304	35,635,539	36,917,843	315,783,843	655,887	2,910,310	319,350,040
Additions	0	0	0	21,211	1,360,656	1,381,867	1,381,868	229,695	448,265	2,059,828
(Disposals)	0	0	0	0	0	0	0	(4,031)	(332,665)	(336,696)
Depreciation (expense)	0	0	0	(47,435)	(782,545)	(829,980)	(829,980)	(125,288)	(491,186)	(1,446,454)
Carrying amount at 30 June 2019	111,635,000	167,231,000	278,866,000	1,256,080	36,213,650	37,469,730	316,335,731	756,263	2,534,724	319,626,718
Comprises:										
Gross carrying amount at 30 June 2019	111,635,000	167,231,000	278,866,000	1,351,211	53,875,737	55,226,948	334,092,948	2,849,677	6,424,077	343,366,702
Accumulated depreciation at 30 June 2019	0	0	0	(95,131)	(17,662,087)	(17,757,218)	(17,757,218)	(2,093,414)	(3,889,353)	(23,739,985)
Carrying amount at 30 June 2019	111,635,000	167,231,000	278,866,000	1,256,080	36,213,650	37,469,730	316,335,731	756,263	2,534,724	319,626,718
Change in accounting policy (Note 33 (a))		(167,231,000)	(167,231,000)	0	(5,112,928)	(5,112,928)	(172,343,928)	0	0	(172,343,928)
Adjusted carrying amount at 1 July 2019	111,635,000	0	111,635,000	1,256,080	31,100,722	32,356,802	143,991,802	756,263	2,534,724	147,282,789
Additions	0	0	0	21,445	817,468	838,913	838,913	130,058	752,463	1,721,433
(Disposals)	0	0	0	0	(6,327)	(6,327)	(6,327)	(653)	(459,451)	(466,431)
(Impairment)	0	0	0	0	0	0	0	(60,454)	(33,305)	(93,759)
Depreciation (expense)	0	0	0	(48,007)	(670,566)	(718,573)	(718,573)	(119,874)	(319,339)	(1,157,786)
Carrying amount at 30 June 2020	111,635,000	0	111,635,000	1,229,518	31,241,297	32,470,815	144,105,815	705,340	2,475,092	147,286,247
Comprises:										
Gross carrying amount at 30 June 2020	111,635,000	0	111,635,000	1,372,656	46,030,803	47,403,459	159,038,459	2,779,757	6,549,765	168,367,981
Accumulated depreciation at 30 June 2020	0	0	0	(143,138)	(14,789,506)	(14,932,644)	(14,932,644)	(2,074,417)	(4,074,673)	(21,081,734)
Carrying amount at 30 June 2020	111,635,000	0	111,635,000	1,229,518	31,241,297	32,470,815	144,105,815	705,340	2,475,092	147,286,247

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	Level 2	Market Approach	Independent Registered valuer	June 2017	Sales evidence of similar assets
Land - freehold (unique)	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.
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.
Furniture and equipment	Level 3	Market Approach (until 30 June 2019)	Management valuation	June 2016	Make, size, year of manufacture and condition
Plant and equipment	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 is effective from 1 July 2019 and represents a change in accounting policy.

Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.

11. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Other infrastructure - Drainage	Other infrastructure - Footpath	Other infrastructure - Parks, Garden and Reserves	Other infrastructure - Street Furniture	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	43,669,775	13,457,517	11,207,906	12,041,667	2,194,818	82,571,683
Additions	3,859,227	342,898	963,927	2,262,379	190,815	7,619,246
Depreciation (expense)	(1,031,443)	(382,921)	(380,316)	(601,238)	(156,963)	(2,552,881)
Carrying amount at 30 June 2019	46,497,559	13,417,494	11,791,517	13,702,808	2,228,670	87,638,048
Comprises:						
Gross carrying amount at 30 June 2019	78,680,714	27,747,042	20,399,482	20,745,570	3,565,004	151,137,812
Accumulated depreciation at 30 June 2019	(32,183,155)	(14,329,548)	(8,607,965)	(7,042,762)	(1,336,334)	(63,499,764)
Carrying amount at 30 June 2019	46,497,559	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)
Carrying amount at 30 June 2020	48,636,204	13,066,560	11,801,121	14,662,184	2,136,312	90,302,380
Comprises:						
Gross carrying amount 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)
Carrying amount at 30 June 2020	48,636,204	13,066,560	11,801,121	14,662,184	2,136,312	90,302,381

11. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	01 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.
Other infrastructure - Drainage	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	01 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.
Other infrastructure - Footpath	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	01 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.
Other infrastructure - Parks, Garden and Reserves	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	01 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.
Other infrastructure - Street Furniture	Level 3	Depreciated Replacement Cost Approach	Independent Registered valuer	01 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.

12. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

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

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land.

Land under roads prior to 1 July 2019

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008.

This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the then Local Government (Financial Management) Regulation 16(a)(i) which arbitrarily *prohibited local governments from recognising such land as an asset*. This regulation has now been deleted.

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

Whilst such treatment is inconsistent with the requirements of *AASB 1051, Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail. Consequently, any land under roads acquired on or after 1 July 2008 was not included as an asset of the City.

Land under roads from 1 July 2019

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

The City has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.

Vested improvements from 1 July 2019

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

Refer to Note 13 that details the significant accounting policies applying to leases (including right of use assets).

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12. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Buildings - specialised	6,327	6,327	0	0	0	0	0	0	0	0	0	0
Furniture and equipment	653	0	0	(653)	0	0	0	0	4,031	0	0	(4,031)
Plant and equipment	459,451	513,577	77,691	(23,565)	556,856	491,636	43,228	(108,448)	332,665	347,103	57,230	(42,792)
	466,431	519,905	77,691	(24,217)	556,856	491,636	43,228	(108,448)	336,696	347,103	57,230	(46,823)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Other property and services	459,451	513,578	77,691	(23,565)
Buildings				
Recreation and culture	6,327	6,327	0	0
Furniture and Equipment				
Recreation and culture	379	0	0	(379)
Other property and services	274	0	0	(274)
	653	0	0	(653)
	466,431	519,905	77,691	(24,217)

(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.

	2020 \$	2019 \$
Furniture and equipment	765,145	0
Plant and equipment	298,144	0
	1,063,289	0

(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.

	2020 \$	2019 \$
Buildings - specialised	1,262,790	600,737
	1,262,790	600,737

12. FIXED ASSETS

(d) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	48,007	47,700	47,435
Buildings - specialised	670,566	877,200	782,545
Furniture and equipment	119,874	95,200	125,288
Plant and equipment	319,339	655,000	491,186
Infrastructure - Roads	1,140,109	1,163,700	1,031,443
Other infrastructure - Drainage	383,123	413,500	382,921
Other infrastructure - Footpath	400,119	260,300	380,316
Other infrastructure - Parks, Garden and Reserve	693,462	705,300	601,238
Other infrastructure - Street Furniture	149,787	160,100	156,963
Right of use assets - Building	137,675	0	0
Right of use assets - Printer	66,835	0	0
	4,128,897	4,378,000	3,999,335

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:

- 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
- 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.

13. LEASES

(a) Right of Use Assets

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

	Right of use assets - Building \$	Right of use assets - Printer \$	Right of use assets Total
Carrying amount at 30 June 2019	0	0	0
Recognised on initial application of AASB 16	5,112,928	105,822	5,218,750
Restated total equity at the beginning of the financial year	5,112,928	105,822	5,218,750
Additions	25,672	0	25,672
Depreciation (expense)	(137,675)	(66,835)	(204,510)
Carrying amount at 30 June 2020	5,000,925	38,987	5,039,912

(b) Cash outflow from leases

Interest expense on lease liabilities	0	2,339	2,339
Lease principal expense	0	66,835	66,835
Total cash outflow from leases	0	69,174	69,174

The City has one lease relating to printer equipment.

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 12 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.

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14. REVALUATION SURPLUS

	2020 Opening Balance	2020 Change in Accounting Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Correction of Error	2019 Opening Balance *Restated	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$			\$	\$	\$	\$
Revaluation surplus - Land - freehold land	94,742,418	0	0	0	0	94,742,418	121,100,418	(26,358,000)	94,742,418	0	0	0	94,742,418
Revaluation surplus - Land - vested in and under the control of Council	167,231,000	(167,231,000)	0	0	0	0	167,231,000	0	167,231,000	0	0	0	167,231,000
Revaluation surplus - Buildings - non-specialised	140,384	0	0	0	0	140,384	140,384	0	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	23,004,320	0	0	0	23,004,320
Revaluation surplus - Plant and equipment	732,800	0	0	0	0	732,800	732,800	0	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	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	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	3,998,893	0	0	0	3,998,893
Revaluation surplus - Other infrastructure - Street Furniture	795,524	0	0	0	0	795,524	795,524	0	795,524	0	0	0	795,524
	327,188,653	(167,231,000)	0	0	0	159,957,653	353,546,653	(26,358,000)	327,188,653	0	0	0	327,188,653

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

*Restated - refer to note 34

15. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Service charge refund
Accrued salaries and wages
Accrued interest on borrowings
Bonds and retentions funds (Note 35)
Prepaid rates

Non-current

Service charge refund

	2020	2019
	\$	\$
	3,141,264	2,286,980
	22,096	234,603
	411,724	341,845
	43,958	44,164
	2,248,759	1,874,670
	318,321	0
	6,186,122	4,782,262
	47,251	54,001
	47,251	54,001

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.

16. CONTRACT LIABILITIES

Current

Contract liabilities from contracts with customers
 Contract liabilities from transfers for recognisable non
 financial assets

	2020	2019
	\$	\$
	1,022,659	0
	0	0
	1,022,659	0

Contract liabilities are expected to be recognised as
 revenue in accordance with the following time bands:

Less than 1 year

1,022,659
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.

17. LEASE LIABILITIES

(a) Lease Liabilities

	2020	2019
	\$	\$
Current	52,999	0
Non-current	137,163	0
	190,162	0

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2019	30 June 2020 Actual New Leases	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments
Other property and services					\$	\$	\$	\$	\$
Photocopier	X636629	Fuji Xerox Australia Pty Limited	3.5%	24 months	105,822	0	66,835	38,987	2,339
Land	N/A	Department of Planning, Lands and Heritage	2.5%	20 years plus 364 days	164,814	0	13,639	151,175	4,242
					270,636	0	80,474	190,162	6,581

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

18. INFORMATION ON BORROWINGS

(a) Borrowings	2020	2019
	\$	\$
Current	1,750,166	1,693,964
Non-current	4,114,485	5,861,752
	<u>5,864,651</u>	<u>7,555,716</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2020					30 June 2020					30 June 2019				
				Actual Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Community amenities																		
Waste Bins	178	WATC	6.01%	0	0	0	0	0	0	0	0	0	48,688	0	48,688	409	0	0
Underground Power Project	187	WATC	2.64%	2,464,759	0	633,675	57,467	1,831,084	2,464,759	0	633,675	58,831	1,831,084	3,081,977	0	617,218	73,959	2,464,759
Underground Power Project	188	WATC	3.07%	645,499	0	66,873	18,115	578,626	645,499	0	66,873	18,277	578,626	0	645,499	0	12,487	645,499
Underground Power Project	189	WATC	3.07%	94,279	0	9,767	2,646	84,512	94,279	0	9,767	2,669	84,512	0	94,279	0	1,824	94,279
Underground Power Project	190	WATC	3.07%	66,956	0	6,937	1,879	60,019	66,956	0	6,937	1,896	60,019	0	66,956	0	1,295	66,956
Recreation and culture																		
Buildings & Infrastructures	181	WATC	5.91%	498,901	0	242,135	22,396	256,766	498,901	0	242,135	24,184	256,766	727,240	0	228,339	36,294	498,901
Buildings & Infrastructures	182	WATC	4.67%	649,124	0	250,646	25,458	398,478	649,125	0	250,646	25,967	398,479	888,398	0	239,274	36,853	649,124
Buildings & Infrastructures	183	WATC	2.80%	1,031,607	0	160,250	26,316	871,357	1,031,607	0	160,250	27,018	871,357	1,187,478	0	155,871	30,713	1,031,607
Buildings & Infrastructures	184	WATC	3.12%	921,180	0	129,895	26,418	791,285	921,181	0	129,895	27,231	791,286	1,047,100	0	125,920	30,418	921,180
Buildings & Infrastructures	185	WATC	3.12%	435,974	0	61,476	12,503	374,498	435,974	0	61,476	12,888	374,498	495,569	0	59,595	14,396	435,974
Transport																		
Road Infrastructures	179	WATC	6.04%	654,992	0	115,781	36,079	539,211	654,992	0	115,781	36,972	539,211	764,036	0	109,044	42,868	654,992
				<u>7,463,271</u>	<u>0</u>	<u>1,677,435</u>	<u>229,276</u>	<u>5,785,836</u>	<u>7,463,273</u>	<u>0</u>	<u>1,677,435</u>	<u>235,933</u>	<u>5,785,838</u>	<u>8,240,486</u>	<u>806,734</u>	<u>1,583,949</u>	<u>281,516</u>	<u>7,463,271</u>
Self Supporting Loans																		
Recreation and culture																		
Buildings & Infrastructures	186	WATC	3.07%	92,445	0	13,630	2,655	78,815	92,445	0	13,630	2,682	78,815	105,664	0	13,219	3,066	92,445
				<u>92,445</u>	<u>0</u>	<u>13,630</u>	<u>2,655</u>	<u>78,815</u>	<u>92,445</u>	<u>0</u>	<u>13,630</u>	<u>2,682</u>	<u>78,815</u>	<u>105,664</u>	<u>0</u>	<u>13,219</u>	<u>3,066</u>	<u>92,445</u>
				<u>7,555,716</u>	<u>0</u>	<u>1,691,065</u>	<u>231,931</u>	<u>5,864,651</u>	<u>7,555,718</u>	<u>0</u>	<u>1,691,065</u>	<u>238,615</u>	<u>5,864,653</u>	<u>8,346,150</u>	<u>806,734</u>	<u>1,597,168</u>	<u>284,582</u>	<u>7,555,716</u>

* 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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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18. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2019/20

The City has no new borrowings during the financial year.

(d) Unspent Borrowings

The City has no unspent borrowings during the financial year.

(e) Undrawn Borrowing Facilities

	2020	2019
	\$	\$
Credit Standby Arrangements		
Credit card limit	130,000	130,000
Credit card balance at balance date	(4,319)	(725)
Total amount of credit unused	125,681	129,275
Loan facilities		
Loan facilities - current	1,750,166	1,693,964
Loan facilities - non-current	4,114,485	5,861,752
Lease liabilities - current	52,999	0
Lease liabilities - non-current	137,163	0
Total facilities in use at balance date	6,054,813	7,555,716

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.

19. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2019			
Current provisions	1,174,724	1,100,035	2,274,759
Non-current provisions	0	474,196	474,196
	1,174,724	1,574,231	2,748,955
Additional provision	1,221,946	174,601	1,396,547
Amounts used	(1,042,963)	(185,181)	(1,228,144)
Balance at 30 June 2020	1,353,707	1,563,651	2,917,358
Comprises			
Current	1,353,707	1,298,664	2,652,371
Non-current	0	264,987	264,987
	1,353,707	1,563,651	2,917,358

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

	2020 \$	2019 \$
Less than 12 months after the reporting date	1,856,660	1,751,564
More than 12 months from reporting date	1,060,698	997,391
	2,917,358	2,748,955

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

20. 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:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	10,219,350	10,369,543	8,170,423
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	6,143,662	8,371,384	8,727,976
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(2,305)	0	(16,403)
Depreciation on non-current assets	4,128,897	4,378,000	3,999,335
(Profit)/loss on sale of asset	(53,474)	65,220	(10,407)
Write off of minor assets	93,759	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	411,987	(500)	(2,208,421)
(Increase)/decrease in other assets	(119,761)	0	15,503
(Increase)/decrease in inventories	(4,784)	(2,000)	16,211
(Increase)/decrease in contract assets	(33,686)	0	0
Increase/(decrease) in payables	1,188,212	210,750	2,695,742
Increase/(decrease) in provisions	161,653	60,000	438,048
Increase/(decrease) in contract liabilities	(63,403)	0	0
Non-operating grants, subsidies and contributions	(2,174,522)	(4,640,042)	(2,386,090)
Net cash from operating activities	9,676,235	8,442,812	11,271,494

21. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019 *Restated	1 July 2018 *Restated
	\$	\$	
Governance	303,457,372	309,522,255	309,383,585
Education and welfare	7,895,542	7,861,730	7,882,953
Community amenities	2,082,448	2,084,291	2,114,867
Recreation and culture	36,136,618	35,351,500	34,017,223
Transport	75,640,196	73,935,239	70,530,016
Other property and services	25,378,103	21,973,551	17,381,115
Unallocated	(187,108,957)	(26,357,999)	(26,358,000)
	263,481,322	424,370,567	414,951,759

*Restated - refer to note 34

22. CONTINGENT LIABILITIES

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

23. CAPITAL COMMITMENTS

	2020	2019
	\$	\$
Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	2,227,483	692,158
- plant & equipment purchases	211,671	329,657
	2,439,154	1,021,815
Payable:		
- not later than one year	2,439,154	1,021,815

24. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	298,831	298,000	306,838
Mayor's allowance	63,354	63,354	62,725
Deputy Mayor's allowance	15,266	15,838	15,682
Telecommunications allowance	43,807	51,000	45,504
	421,258	428,192	430,749

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	2,447,556	2,545,319
Post-employment benefits	256,151	256,188
Other long-term benefits	59,199	56,533
Termination benefits	6,568	0
	2,769,474	2,858,040

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

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 any Associated Entities.

27. MAJOR LAND TRANSACTIONS

The City did not participate in any major land transactions during the 2019/20 financial year.

28. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertaking or major trading undertakings during the 2019/20 financial year.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

29. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
Residential	0.057333	6,853	308,334,460	17,877,024	142,056	13,291	18,032,371	17,666,250	25,000	3,000	17,694,250	17,093,691
Residential Vacant	0.081341	112	6,715,660	551,448	(4,298)	(3,465)	543,685	533,984	25,000	3,000	561,984	552,278
Non Residential	0.07122	390	47,117,312	3,271,666	(14,726)	537	3,257,477	3,339,804	25,000	0	3,364,804	3,358,407
Sub-Total		7,355	362,167,432	21,700,138	123,032	10,363	21,833,533	21,540,038	75,000	6,000	21,621,038	21,004,376
Minimum payment												
Gross rental valuations												
Residential	1,484	1,471	31,635,500	2,182,964	(34,063)	(3,840)	2,145,061	2,190,384			2,190,384	2,139,922
Residential Vacant	1,968	60	1,128,205	118,080	10,270	11,702	140,052	82,656			82,656	71,897
Non Residential	1,957	127	2,286,035	248,539			248,539	250,496			250,496	243,328
Sub-Total		1,658	35,049,740	2,549,583	(23,793)	7,862	2,533,652	2,523,536	0	0	2,523,536	2,455,147
		9,013	397,217,172	24,249,721	99,239	18,225	24,367,185	24,063,574	75,000	6,000	24,144,574	23,459,523
Discounts (Note 29(d))							0				0	0
Total amount raised from general rate							24,367,185				24,144,574	23,459,523
Concessions (Note 29(d))							0				0	0
Specified Area Rate (Note 29(b))							0				0	0
Totals							24,367,185				24,144,574	23,459,523

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 2020**

29. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the City of Nedlands during the year ended 2020.

(c) Service Charges

No service charges were imposed by the City of Nedlands during the year ended 2020.

(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 Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	26 August 2019			11.00%
Option Two				
First instalment	26 August 2019	0.00	5.50%	11.00%
Second instalment	28 October 2019	16.00	5.50%	11.00%
Third instalment	28 January 2020	16.00	5.50%	11.00%
Fourth instalment	30 March 2020	16.00	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	88,563	70,000	81,172
Interest on instalment plan	118,162	120,000	116,161
ESL interest income	9,269	8,000	8,126
	215,994	198,000	205,459
Charges on instalment plan	95,664	100,000	99,504
	311,658	298,000	304,963

As a result of the state of emergency which has arisen due to the COVID-19 pandemic, the City has frozen penalty interest rates from 15 March 2020 to 15 September 2020 for ratepayers affected by the pandemic in accordance with the City's Policy.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Item 8.1 - Attachment 1

30. RATE SETTING STATEMENT INFORMATION

Note	2019/20	2019/20	2019/20	2018/19
	(30 June 2020 Carried Forward)	Budget (30 June 2020 Carried Forward)	(1 July 2019 Brought Forward)	(30 June 2019 Carried Forward)
	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	12(a)	(77,691)	(43,228)	(57,230)
Less: Movement in liabilities associated with restricted cash			910	(57,230)
Less: Fair value adjustments to financial assets at fair value through profit and loss		(2,305)	0	(16,403)
Movement in pensioner deferred rates (non-current)		20,702	0	(43,714)
Movement in service charge receivable (non-current)		95,674	0	(735,800)
Movement in lease receivable (non-current)		(493,575)	0	0
Movement in employee benefit provisions (non-current)		(209,209)	0	136,578
Movement in payables (non-current)		(6,750)	0	54,001
Movement in lease payables (non-current)		137,163	0	0
Add: Change in accounting policy		0	(594,247)	0
Add: Loss on disposal of assets	12(a)	24,217	108,448	46,823
Add: Write off minor assets		93,758	0	0
Add: Depreciation on non-current assets	12(d)	4,128,897	4,378,000	3,999,335
Non cash amounts excluded from operating activities		3,710,881	3,849,883	3,383,590
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - cash/financial asset backed	4	(5,895,843)	(5,535,281)	(6,095,369)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(3,447)	(14,053)	(13,630)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	18(a)	1,750,166	1,750,166	1,693,964
- Employee benefit provisions		25,348	35,020	0
Total adjustments to net current assets		(4,123,776)	(3,764,148)	(4,415,035)
Total current assets		19,027,090	11,666,244	16,236,961
Less: Total current liabilities		(11,664,317)	(7,877,562)	(8,750,985)
Less: Total adjustments to net current assets		(4,123,776)	(3,764,148)	(4,415,035)
Net current assets used in the Rate Setting Statement		3,238,997	24,534	1,604,417
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards				
Total current assets at 30 June 2019				15,659,612
- Lease receivable	32(a)			577,349
Total current assets at 1 July 2019				16,236,961
Total current liabilities at 30 June 2019				(8,750,985)
- Contract liabilities from contracts with suppliers	32(a)			(11,443)
- Contract liabilities from transfers for recognisable non financial assets	32(a)			(1,074,619)
- Lease liabilities	32(b)			(164,814)
Total current liabilities at 1 July 2019				(10,217,509)

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
Credit risk	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of borrowing facilities

(a) Interest rate risk

Cash and cash equivalents

The City's objective is to maximise its return on cash and term deposits whilst maintaining an adequate level of liquidity and preserving capital. Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up performance of the portfolio.

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
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.51%	10,219,350	3,536,776	6,682,574	0
Financial assets at amortised cost - term deposits	0.89%	6,273,882	6,273,882	0	0
2019					
Cash and cash equivalents	1.60%	8,170,423	4,321,313	3,849,110	0
Financial assets at amortised cost	2.13%	4,860,495	4,860,495	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*

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	102,194	81,704

* 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 18(b).

31. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The City's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery processes.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 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 2020 and 30 June 2019 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
30 June 2020					
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

30 June 2019

Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.05%	
Gross carrying amount	893,424	218,956	14,583	192,583	1,319,546
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 if required.

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
	\$	\$	\$	\$	\$
2020					
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
	<u>9,193,596</u>	<u>4,033,543</u>	<u>511,741</u>	<u>13,738,880</u>	<u>13,263,594</u>
2019					
Payables	4,782,262	0	0	4,782,262	4,782,262
Borrowings	1,926,583	5,350,209	968,184	8,244,976	7,555,716
	<u>6,708,845</u>	<u>5,350,209</u>	<u>968,184</u>	<u>13,027,238</u>	<u>12,337,978</u>

32. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 1058: Income For Not-For-Profit Entities

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

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004: Contributions before the change:

Note	AASB 118 and AASB 1004 carrying amount	Reclassification	AASB 1058 carrying amount
	30 June 2019		01 July 2019
	\$	\$	\$
Trade and other payables			
Rates paid in advance	0	(215,648)	(215,648)
Contract liabilities - current			
Contract liabilities from transfers for recognisable non financial assets	0	(1,086,062)	(1,086,062)
Adjustment to retained surplus from adoption of AASB 1058	33(b)	0	(1,301,710)

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

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

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

Note	2020 \$	Adjustment due to application of AASB 15 and AASB 1058
	As reported under AASB 15 and AASB 1058	
Statement of Comprehensive Income		
Revenue		
Rates	24,367,185	318,321
Operating grants, subsidies and contributions	2,293,237	11,443
Fees and charges	7,099,852	72,952
Non-operating grants, subsidies and contributions	2,174,522	938,264
Net result	6,143,662	1,340,980
Statement of Financial Position		
Contract assets	33,686	(33,686)
Trade and other payables	6,186,122	(318,321)
Contract liabilities	1,022,659	(1,022,659)
Net assets	247,253,119	1,307,294
Statement of Changes in Equity		
Net result	6,143,662	1,340,980

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Item 8.1 - Attachment 1

Retained surplus 81,399,623 1,340,980

Refer to Note 2 for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

(b) AASB 16: Leases

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

On adoption of AASB 16, the City recognised lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117 (excluding short term and low value leases). These lease liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was between 2.50% and 3.50%.

	Note	2020 Printer Lease	2020 Land lease	2020 Land Sub-lease
		\$	\$	\$
Operating lease commitments at 30 June 2019 applying AAS 117		109,526	189,241	664,888
Discount applied using incremental borrowing rate		(3,704)	(24,427)	(87,539)
Lease liability recognised as 1 July 2019 discounted using the City's incremental borrowing rate of 3.50%	17(b)	105,822	164,814	577,349
Lease liability - current		66,835	13,639	0
Lease liability - non-current		38,987	151,175	0
Right-of-use assets recognised at 1 July 2019		105,822	0	0
Lease receivable - current		0	0	33,352
Lease receivable - non-current		0	0	543,997
Right-of-use assets recognised at 1 July 2019		0	0	0
Retained earnings re-stated as at 1 July 2019		0	(164,814)	577,349

The City has leased a land which is sub-leased to a third party. On adoption of AASB 16 on 1 July 2019 the lease transactions are adjusted against the retained earnings.

On adoption of AASB 16, the City recognised a right-of-use asset in relation to leases which had previously been classified as an operating lease' applying AASB 117. This right-of-use asset is deemed to be equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

In applying AASB 16 for the first time, the City will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(c) Impact of New Accounting Standards on Retained Surplus

The impact on the City's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			75,945,610
Adjustment to retained surplus from adoption of AASB 16	32(b)	412,535	
Adjustment to retained surplus from adoption of AASB 1058	32(a)	(1,301,710)	(889,175)
Retained surplus - 1 July 2019			75,056,435

33. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the City was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 11.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	Carrying amount 30 June 2019 \$	Adjustment \$	Carrying amount 01 July 2019 \$
Property, plant and equipment *	10	319,626,718	(172,343,928)	147,282,790
Revaluation surplus	14	327,188,653	(167,231,000)	159,957,653
Right of use assets	13	0	5,112,928	5,112,928

* Restated - refer to Note 34

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

(b) Changes in equity due to change in accounting policies

The impact on the City's opening retained surplus due to the adoption of AASB 15 and AASB 1058 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			75,945,610
Adjustment to retained surplus from adoption of AASB 15	32(a)	0	
Adjustment to retained surplus from adoption of AASB 16	32(a)	412,535	412,535
Adjustment to retained surplus from adoption of AASB 1058	32(b)	(1,301,710)	(1,301,710)
Retained surplus - 1 July 2019			76,358,145

The impact on the City's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			327,188,653
Adjustment to revaluation surplus from deletion of FM Reg 16	33(a)	(167,231,000)	
Adjustment to revaluation surplus from deletion of FM Reg 17	33(a)	0	(167,231,000)
Revaluation surplus - 1 July 2019			159,957,653

34. CORRECTION OF ERROR

During the year ended 30 June 2020, the following misstatement was identified relating to the prior year financial report. The misstatement has been corrected by restating each of the affected financial statement line items for the prior period. The misstatement has had no impact on the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program or Statement of Cash Flows for the year ended 30 June 2019, and is set out below:

The fair value of land was not correctly determined at 30 June 2017 due to the following errors:

- Land that the City leases, and therefore is not within the scope of AASB116, was incorrectly recognised as property, plant and equipment (\$6,031,000); and
- Land that is vested to the City, but did not meet the recognition requirements of Local Government (Financial Management) Regulation 16, was incorrectly recognised as property, plant and equipment (\$20,327,000).

As a consequence, the City has determined that Land - freehold land and the revaluation surplus reserve were overstated by \$26,358,000

Statement of Financial Position (Extract)	30 June 2018 (previously reported)	Increase/ (Decrease)	01 July 2018 (Restated)
	\$	\$	\$
Land - freehold land	137,993,000	(26,358,000)	111,635,000
Property, Plant & Equipment	345,708,040	(26,358,000)	319,350,040
Total Non-Current Assets	<u>428,943,625</u>	<u>(26,358,000)</u>	<u>402,585,625</u>
Total Assets	<u>441,309,759</u>	<u>(26,358,000)</u>	<u>414,951,759</u>
Net Assets	<u>426,859,656</u>	<u>(26,358,000)</u>	<u>400,501,656</u>
Revaluation surplus	<u>353,546,653</u>	<u>(26,358,000)</u>	<u>327,188,653</u>
Total Equity	<u>426,859,656</u>	<u>(26,358,000)</u>	<u>400,501,656</u>

Statement of Financial Position (Extract)	30 June 2019 (previously reported)	Increase/ (Decrease)	30 June 2019 (Restated)
	\$	\$	\$
Land - freehold land	137,993,000	(26,358,000)	111,635,000
Property, Plant & Equipment	345,984,719	(26,358,000)	319,626,719
Total Non-Current Assets	<u>435,068,955</u>	<u>(26,358,000)</u>	<u>408,710,955</u>
Total Assets	<u>450,728,567</u>	<u>(26,358,000)</u>	<u>424,370,567</u>
Net Assets	<u>435,587,632</u>	<u>(26,358,000)</u>	<u>409,229,632</u>
Revaluation surplus	<u>353,546,653</u>	<u>(26,358,000)</u>	<u>327,188,653</u>
Total Equity	<u>435,587,632</u>	<u>(26,358,000)</u>	<u>409,229,632</u>

35. BONDS & RETENTION FUNDS

All bonds and deposits not required by Legislation to be held in trust are included in restricted Cash in Note 3 and shown as current liability in Note 15.

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
Footpath Bonds	(1,073,976)	(509,600)	438,633	(1,144,943)
Hall & Key Bond	(51,848)	(2,132)	1,275	(52,705)
Tresillian Bond & Miscellaneous	(7,300)	(641)	697	(7,244)
Retention for Non Compliance	(42,662)	0	0	(42,662)
Construction Training Bond	(60,417)	(398,219)	237,468	(221,168)
Building Construction Bond	(212,863)	(331,382)	207,232	(337,013)
Unclaimed Money	(50,784)	(1,595)	0	(52,379)
Tresillian Artist Sales	(749)	(500)	500	(749)
Crossover Bond	(6,219)	0	0	(6,219)
Miscellaneous	(258,353)	(7,888)	41,676	(224,565)
DAP Application Levy	0	(157,281)	143,028	(14,253)
Adelma	(100,000)	0	0	(100,000)
Supplier Retention	(9,465)	(113,304)	77,940	(44,829)
Staff Funds	(36)	(32)	36	(32)
	(1,874,670)	(1,522,574)	1,148,486	(2,248,759)

36. 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 ends of the reporting period.

37. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.</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>GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.</p>	<p>Rates, general purpose government grants and interest revenue.</p>
<p>LAW, ORDER, PUBLIC SAFETY 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>HEALTH 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>EDUCATION AND WELFARE 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>HOUSING To provide and maintain elderly residents housing.</p>	<p>Provision and maintenance of elderly residents housing.</p>
<p>COMMUNITY AMENITIES 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>RECREATION AND CULTURE 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>TRANSPORT 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>ECONOMIC SERVICES 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 Control.</p>
<p>OTHER PROPERTY AND SERVICES 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>

38. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.18	0.98	0.85
Asset consumption ratio	0.59	0.58	0.57
Asset renewal funding ratio	0.95	0.92	0.86
Asset sustainability ratio	1.61	2.33	1.45
Debt service cover ratio	4.34	5.61	1.83
Operating surplus ratio	0.12	0.18	(0.12)
Own source revenue coverage ratio	1.06	1.14	0.84

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

Our Ref:
Your Ref:

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7th 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 2020

This representation letter is provided in connection with your audit of the City of Nedlands annual financial report for the year ended 30 June 2020 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 2020 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, except as disclosed in Note 33 to the financial report.
- (d) The prior period comparative information in the financial report has not been restated other than disclosed in Note 34 of the financial report.
- (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 Town 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 Town involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Othershave occurred to the knowledge of management of the Town.
- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Town'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 Town 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 Town'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 2020.

8. RELATED PARTIES

We have disclosed to your auditors the identity of the Town'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 Town'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 Town'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

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the City.

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 Town.

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 Town'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 Town'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

31 May 2021
Date

NAME:

Chief Executive Officer

31 May 2021
Date

NAME:

City of Nedlands

Report to Audit & Risk Committee

For the year ended 30 June 2020



Introduction

To the Audit & Risk Committee of the City of Nedlands

We are pleased to have the opportunity to meet with you on 31 May 2021 to discuss the results of our audit of the City of Nedlands ("the City"), as at and for the year ended 30 June 2020.

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 2020. We will be pleased to elaborate on the matters covered in this report when we meet.

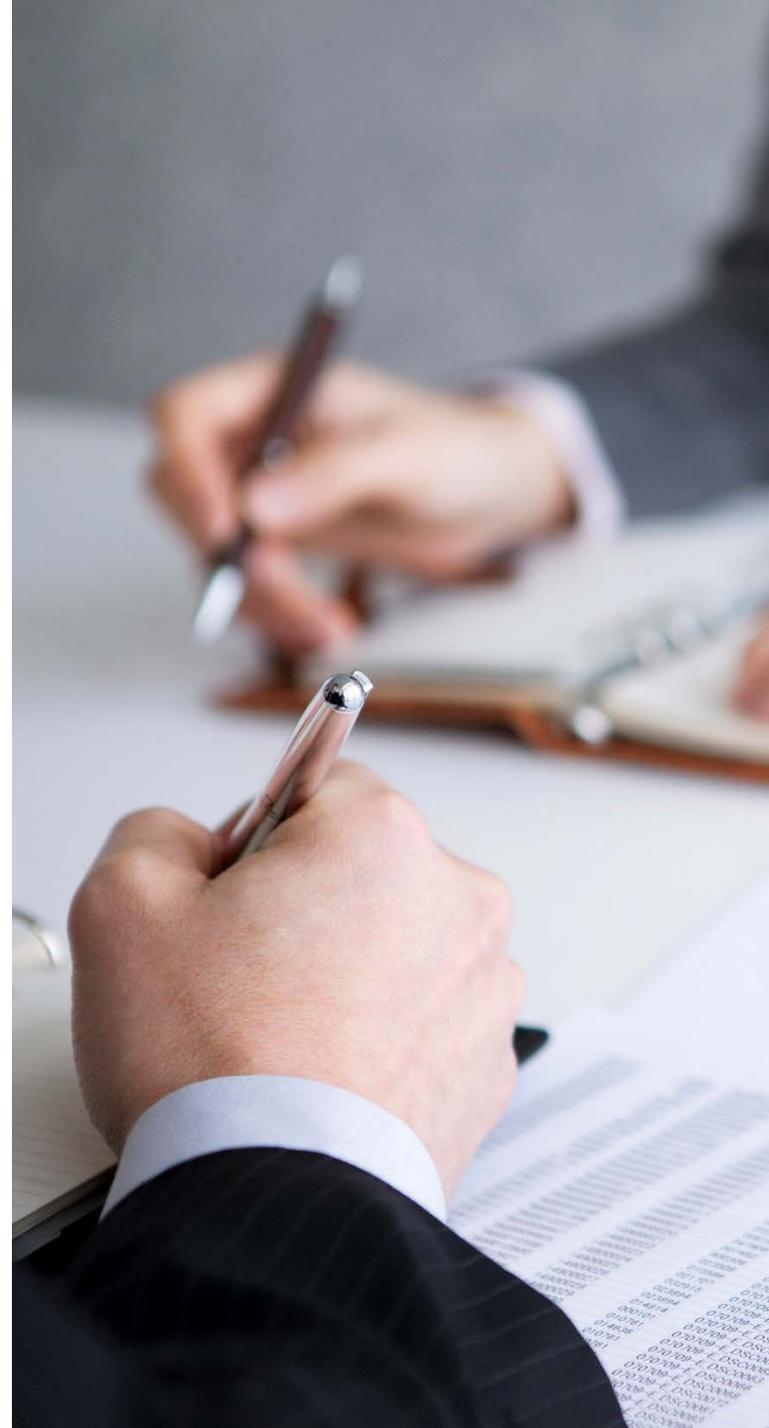
Our audit is substantially complete. We draw your attention to the important notice on page 14 of this report, which explains:

- 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 Beevers
KPMG Partner



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Executive summary

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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	FY19
Property, plant & equipment	\$147,286,247	\$319,626,719

Our controls approach

None planned

Our substantive approach

- Performed a roll forward of the fixed asset register for FY2020.
- Considered the previous internal valuations for the Council's land and buildings.
- On a sample basis, selected fixed asset additions confirming their existence and agreeing to supporting documentation.
- Considered management's fair value assessment for fixed assets held at 30 June 2020.
- Performed substantive analytical procedures over the depreciation expense for the year.
- Assessed the impact of the changes to the *Local Government (Financial Management) Regulations 1996*, that resulted in the derecognition of vested land (\$167,231,000).

Prior period error

During the year ended 30 June 2020, a prior period misstatement was identified relating to property, plant & equipment. As disclosed in Note 34 of the Financial Report, the fair value of land was overstated by \$26,358,00, due to land not owned by the City having previously been recognised as an asset.

Conclusion

Based on the audit procedures performed, other than the prior period misstatement identified above, 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	FY20	FY19
Infrastructure	\$90,302,381	\$87,638,048

Our controls approach

None planned

Our substantive approach

- Performed a roll forward of the infrastructure asset register for FY2020.
- 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 2020.
- 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	FY20	FY19
Rates	\$24,367,185	\$23,459,523
Fees and charges	\$7,099,852	\$6,998,936
Operating grants and subsidies	\$2,293,237	\$2,126,813

Our controls approach

- Council approval of rates and charges for FY20.

Our substantive approach

- Reviewed the City’s rates policy for FY20.
- 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 new Accounting Standards, AASB 15 and AASB 1058.

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	FY20	FY19
Cash and cash equivalents	\$10,219,349	\$11,135,046
Term deposits	\$6,273,882	\$4,860,495

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 2020.

Ratio	FY20	FY19	FY18	Significant Adverse Trend?
Current Ratio	1.18	0.98	0.85	No
Asset Consumption Ratio	0.59	0.58	0.57	No
Asset Renewal Funding Ratio	0.95	0.92	0.86	No
Asset Sustainability Ratio	1.61	2.33	1.45	No
Debt Service Cover Ratio	4.34	5.61	1.83	No
Operating Surplus Ratio	0.12	0.18	(0.12)	No
Own Source Revenue Coverage Ratio	1.06	1.14	0.84	No

Our approach

- Reviewed the ratios presented by the City for the year ended 30 June 2020.
- 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, except for the adverse trends noted above, no reportable misstatements are noted.



Audit Misstatements

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

Account	1 July 2018 Debit / (Credit)
Revaluation surplus	\$26,358,000
Property, plant & equipment	(\$26,358,00)

Correction of the prior period error relating to property, plant & equipment

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, including the disclosure of the corrected adjustments as detailed above.



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 2020.

Conclusion

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

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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
Our draft management representation letter	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 2020.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by those charged with governance	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.
Control deficiencies	Refer to page 13.
Modifications to auditor's report	None.
Actual or suspected fraud, non-compliance with laws or regulations or illegal acts	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
Significant difficulties	No significant difficulties were encountered during the audit.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	This is to be completed once the preparation of the annual report is completed.
Breaches of independence	No matters to report. The engagement team and the firm have complied with relevant ethical requirements regarding independence.
Accounting practices	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.
Significant matters discussed or subject to correspondence with management	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 2020.

Identified in the current year

Description	Rating
Assessment of New Accounting standards	
Review of Approved Council Rates in Authority	
Manual Input of Fees and Charges on Invoicing	
Review of Depreciation Rates	
Capitalisation of Infrastructure Assets	
Review of New and Change in Employee Details	
Review of Leave Balances	
Lack of formal evidence of monitoring of vendor activity within the Authority production environment	
Migration of changes to the Authority production environment did not follow the relevant process	
Valuation of infrastructure and fixed assets	

Matters outstanding from prior year

Description	Rating
Payments made to suppliers not matched against the respective supplier invoices	
Receipts from debtors not matched against the respective debtor invoices	
No aged trial balance available for Infringement Debtors	

Ratings



Significant



Moderate



Minor



Important notice

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 of 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 2020.

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 3



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Addendum - Required communications with the Committee

This addendum should be read in conjunction with City of Nedlands Report to the Audit and Risk Committee for the year ended 30 June 2020.

The Report to the Audit and Risk Committee (page 12) identified that there were no modifications to the audit report for the City of Nedlands. In accordance with the legal and regulatory requirements under which the audit report is formed, the following significant non-compliance matter will be reported in the audit opinion:

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.

Item 8.1 - Attachment 4



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To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Nedlands

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the City of Nedlands which comprises the Statement of Financial Position as at 30 June 2020, and 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, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

I draw attention to Notes 1 and 10 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's annual financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Lease which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

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

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error. In preparing the annual financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the City.

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report. 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 annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

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 annual financial report was supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the City of Nedlands for the year ended 30 June 2020 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy

of the audited annual financial report to confirm the information contained in this website version of the annual financial report.

SANDRA LABUSCHAGNE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
June 2021

DRAFT

CITY OF NEDLANDS

MANAGEMENT LETTER

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

MATTERS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS		RATING		
Identified in the current year				
No	Description	Significant	Moderate	Minor
1.	Assessment of New Accounting Standards	✓		
2.	Review of Approved Council Rates in Authority		✓	
3.	Manual Input of Fees and Charges on Invoicing			✓
4.	Review of Depreciation Rates			✓
5.	Capitalisation of Infrastructure Assets		✓	
6.	Review of New and Change in Employee Details			✓
7.	Review of Leave Balances			✓
8.	Lack of formal evidence of monitoring of vendor activity within the Authority production environment	✓		
9.	Migration of changes to the Authority production environment did not follow the relevant process		✓	
10.	Valuation of infrastructure and fixed assets	✓		
Matters outstanding from prior year				
11.	Payments made to suppliers not matched against the respective supplier invoices.		✓	
12.	Receipts from debtors not matched against the respective debtor invoices.		✓	
13.	No aged trial balance available for Infringement Debtors.		✓	

CITY OF NEDLANDS

MANAGEMENT LETTER

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

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

CITY OF NEDLANDS

MANAGEMENT LETTER

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

MATTERS IDENTIFIED DURING THE AUDIT

1. Assessment of New Accounting Standards

Finding

From 1 July 2019, the City is required to apply three new accounting standards:

- AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of not-for-profit entities became effective for the City from 1 July 2019, which supersede the previous revenue accounting standards; and
- AASB 16 Leases came into effect for the City from 1 July 2019 and replaced the previous requirements of AASB 117 Leases.

During the interim audit, the impact of the initial and subsequent application of the new accounting standards had not yet been finalised by the City.

Rating

Significant

Implication

Non-compliance with AASB 15 and/or AASB 1058. As these standards generally result in delayed income recognition, the City's revenue may be overstated for the 2019-20 financial year.

Non-compliance with AASB 16 can result in depreciation and interest expense being understated for the 2019-20 financial year, an understatement of right of use assets and liabilities and the overstatement of lease expenses.

Recommendation

The City should complete a detailed revenue recognition assessment of all revenue streams in order to conclude if a particular revenue stream or transaction arises from an enforceable contract with a customer and has sufficiently specific performance obligations. The assessment will trigger the revenue recognition requirements under AASB 15, or if it falls outside this scope, under AASB 1058.

The City should consider all its operating leases and other agreements to determine if they are in the scope of AASB 16. For those that are, the City should ensure they are correctly accounted for in accordance with AASB 16.

Management Comment

Recommendation noted and implemented in a timely manner – completed by September 2020

Responsible person: Manager Financial Services

Completion Date: September 2020

CITY OF NEDLANDS

MANAGEMENT LETTER

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

MATTERS IDENTIFIED DURING THE AUDIT

2. Review of Approved Council Rates in Authority

Finding

In performing our walkthrough on Rates revenue, we noted that the rates modelled in the Authority system by the Rates Officer is reviewed and approved by the Manager Financial Services prior to the Council adoption and approval of these rates.

However, there is no evidence of review of the rates approved by the Council to ensure this agrees to the final rates locked in Authority.

Rating

Moderate

Implication

There exists a risk that the Revenue Officer could modify the rates approved by Council prior to locking this in Authority, as there is no subsequent review to ensure the approved rates agree to what has been input.

This could result in rate payers being billed with wrong rates and might expose the City to reputational risks.

Recommendation

The City should consider implementing a review to ensure that the rates in Authority agree to the rates approved by the Council.

Management Comment:

The rates approved by Council are manually entered into the rates parameter. There is no process available within the current software solution of 'locking it in Authority'. The 2020/21 approved rates were manually input by our Rates Consultants, CIVICA and checked by our Revenue Officer. Agreed that a subsequent review is required to ensure that the correct rates are updated in the parameter and going forward the rates will be up-dated by the Revenue Officer and checked by the Manager Financial Services.

Responsible person: Manager Financial Services

Completion Date: July 2021

3. Manual input of fees and charges on invoicing

Finding

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:

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.

Responsible person: Manager Financial Services

Completion Date: July 2022

4. Review of Depreciation Rates

Finding

We identified that for new fixed assets additions, the Accounts Officer will input a rate for depreciation based on the rates outlined in the capitalisation policy document. However, the depreciation rate input is not reviewed by another person to ensure it has been correctly input.

Rating

Minor

Implication

In the absence of independent review of depreciation rates there is increased risk that the depreciation rate used for new fixed asset additions may be incorrect, resulting in the depreciation charge being misstated.

Recommendation

The City should review the fixed assets processes to ensure of depreciation rates for new asset additions is reviewed by another person.

Management Comment:

Agreed that the depreciation rate input by the Officer is reviewed by another Officer to reduce incorrect rates being applied. This will be done on a test basis by the Coordinator Financial Services.

Responsible person: Manager Financial Services

Completion Date: December 2020

5. Capitalisation of Infrastructure Assets

Finding

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:

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.

Responsible person: Manager Financial Services

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

6. Review of Change and New Employee Details

Finding

In performing our walkthrough on new employees, we noted that the new employee or change in employee details are made in the Authority system by the Payroll Officer. There is currently no review on the information entered within the system. We noted an Employee Details Maintenance Report was trialed but due to IT issues it was not sufficient in identifying what changes were made by which employee.

Rating

Minor

Implication

There is increased risk that employee details recorded in Authority may be incorrect.

Recommendation

The City should consider resolving IT issues contained within the maintenance report, or performing a workflow within the system to ensure review of changed details is performed.

Management Comment:

Any new staff or termination of staff are cross-checked to appointment letters or termination letters duly approved against the information entered in Authority. However, as stated the audit trail in the current accounting system has limitation and it is not feasible to use it as a basis of checking the any changes made. This has been identified as an integral requirement of the new accounting system being sourced.

In the meantime, the City is in the process of sourcing audit reports from 3rd party which will enable an independent review of changes in the employee details.

The risk is minimized as any unauthorised changes to existing staff would be alerted by the staff themselves.

Responsible person: Manager Financial Services

Completion Date: March 2021

7. Review of Leave Balance

Finding

In undertaking our testing, we noted that there is no formal review and follow up on leave balances. The last annual leave report that was used to assess excessive annual leave was conducted on 8 July 2019. From these reports generated by Human Resources, there is no process to ensure that employees with excessive leave have an action plan implemented to address this.

Rating

Minor

Implication

In the absence of monitoring and control of accrued leave entitlements, there is an increased risk that internal controls will be weakened because of the absence of rotation of duties. Further, unbudgeted cash outflows may be required in the future if leave entitlements are required to be paid out

Recommendation

Management should monitor employee leave balances and actively establish leave management plans for staff with a view to clearing these large and long outstanding leave balances.

Management Comment

The HR Manager normally organises leave reports to be run 3-6 monthly for information of EMT. The leave reports identify excessive leave.

Directors advise their managers to enter into excess leave clearance plans with those employees with excess accrued leave. It is the responsibility of managers to ensure the leave clearance plans are carried out. The City is proactive in clearing excess leave, however there was a gap in completing this process between July 2019 and due to COVID.

The City has participated in LG Performance Excellence Program with LG Professionals and PwC for the past 2 financial years. Part of the benchmarking program is benchmarked leave liability which year on year is beginning to give good data.

The reports are run as per the dates given that plus the benchmarking we would call "regular". However, we are happy to accept your finding and agree to implementing quarterly reporting as recommended

Responsible person: Manager Human Resources

Completion Date: March 2021

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

Finding

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.

Responsible person: Manager Business Systems

Completion Date: November 2020

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

Finding

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 follow the change control process to maintain appropriate documentation for changes to the Authority application, including completing change control forms and maintaining evidence of testing being completed.

Management Comment

New change management processes have been defined around ITIL (Information Technology Infrastructure Library) standards

Suppliers of software or services have been informed and will now follow this formal process.

Responsible person: Manager Business Systems

Completion Date: November 2020

10. Valuation of infrastructure and fixed assets

Finding

Our audit identified a prior period error relating to the inclusion of three assets in the land valuation from 2017. As a consequence, freehold land was overstated by \$26.4 million with the corresponding error being recognized in the revaluation surplus reserve. The error consists of:

- Land recognized that was leased by the City - \$6 million
- Land incorrectly recognized as a golf course - \$20.4 million

Rating: Significant

Implication:

The incorrect inclusion (or exclusion) of assets for valuations can result in an overstatement (understatement) of the City's total assets which may impact decision making and financial ratios.

Recommendation:

We recommend that the list of assets to be valued is reviewed and confirmed as accurate before being provided to the valuers for the next asset valuation.

Management Comment:

Management agrees with the recommendation above and will ensure assets for valuation are thoroughly checked.

Responsible person: Manager Financial Services

Completion Date: June 2022

Matters outstanding from prior years**11. Payments made to suppliers not matched against the respective supplier invoices****Finding**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:**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

12. Receipts of debtors not matched against the respective debtor invoices

Finding

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:

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

13. No Aged Trial balance available for infringement debtors

Finding

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:

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

8.2 Internal Audit Action Log

Committee	31 May 2021
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Andrew Melville – A/Director Corporate & Strategy
Attachments	1. Internal Audit Actions Log.
Confidential Attachments	Nil.

Regulation 11(da) – Not Applicable – Recommendation Adopted

Moved – Councillor Senathirajah
 Seconded – Mr P Setchell

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

CARRIED 4/2
(Against: Crs. Smyth & Mangano)

Committee Recommendation / Recommendation to Committee

That the Audit and Risk Committee receives the Internal Audit Actions Log.

Voting Requirement

Simple Majority.

Executive Summary

The attached Internal Audit Actions Log contains details of the matters raised by the Auditors during the City’s Internal Audit program. The list apporitions information detailing the Log Reference, Dates – Open, Due and Closed, Business, Audit Status, Name and Action, Owner, Original and Revised Due Dates, Action, Owner and Status Comments.

The recently updated Internal Audit Actions Log is presented to the Audit and Risk Committee members for their information.

Discussion/Overview

An audit is a process through which internal control effectiveness is examined and assessed. The objective is to provide an audit for compliance with relevant management policies and procedures. Each internal audit undertaken results in actions being recommended to the City's Administration. These actions are monitored for completion using the Internal Audit Actions Log.

The attached list contains details of the Actions raised and outcomes.

The recently updated Internal Audit Actions Log is presented to the Audit and Risk Committee members for their information.

Key Relevant Previous Council Decisions:

Nil.

Consultation

Nil.

Strategic Implications

As part of the measures identified within the Community Strategic Plan for great governance and civic leadership, ongoing management of internal audit items assists towards this goal. This register has improved the City's ability to identify and manage both audit items, and potential risk.

Who benefits?

The City benefits from the effective management and recording of its implementation of Audit Recommendations and Actions. This ensures ongoing regulatory compliance, transparency, and accountability of the City's processes.

Does it involve a tolerable risk?

This reduces the City's exposure to risk as it provides a method of management through the monitoring and recording of the City's actions and outcomes.

Budget/Financial Implications

Nil.

Any actions requiring expenditure that are not allocated to an existing budget item will be considered by Council during budget deliberations.

Conclusion

The Internal Actions Log is presented to the Audit & Risk Committee for review of the City's outstanding actions.

Audit Register 2020/21										
ID	Open	Date Due	Closed	Business	Status	Name	Audit Action	Owner	Column1	Status Comments
5	Jan-19	May-21		Finance	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 Business Systems	N/A	<p>31 May: This project is scheduled for June 2021</p> <p>17 Feb: Audit & 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 & 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 procedures and process which will be rolled out once the policy is approved by the Council.</p>
7	Jun-19	Dec-20		Business Systems	Work in progress	IT Policy review	Develop Privacy Policy and also policy to cover Data Breach Notifications (4.2.1)	Manager Business Systems	N/A	<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> <p>Jun20: The IT Department is in the process of creating Privacy Policy and to test it. Once developed and tested, the policy will be approved and implemented.</p>
8	Jun-19	Nov-20		Business Systems	Work in progress	IT Policy review	Item #1 Review and update BCP. Carry out testing of the BCP to assess for appropriateness.	Manager Business Systems	N/A	<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		Finance	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	High	<p>May 31: ERP process has concluded and a recommendation has been made.</p> <p>Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review.</p> <p>Nov 9: 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		Finance	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	High	<p>May 31: ERP process has concluded and a recommendation has been made.</p> <p>Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review.</p> <p>Nov9: 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	Jun-22		Finance	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	High	<p>May 31: ERP process has concluded and a recommendation has been made.</p> <p>Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review.</p> <p>Nov9: Will be considered under the new ERP system or via SharePoint in due course.</p>
16	Aug	Oct-20		Finance	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.	Manager Business Systems	High	<p>Feb 17: This was verified by the previous manager of Finance</p> <p>9 Nov: Completed and awaiting verification</p> <p>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.</p>
17	Aug	Oct-20		Finance	Work in progress	Payroll Review	On completion of any critical or sensitive transactions that are part of the Human Resources Business Partner profile should be removed.	Manager Business Systems	High	<p>Feb 17: This was verified by the previous manager of Finance</p> <p>9 Nov: Completed and awaiting verification</p> <p>Aug: Critical and sensitive transaction that form part of the human resources business partners profile have been removed.</p>
18	Aug	Sep-20		Finance	Work in progress	Payroll Review	For new employees being paid for the first time, the Manager Financial Services should perform a detailed check of system details back to employment contract either at the point of employee master file creation or as part of the payroll review process.	Manager Financial Service	High	<p>May 31: ERP process has concluded and a recommendation has been made.</p> <p>Feb 17: This was verified by the previous manager of Finance</p> <p>9 Nov: Completed and awaiting verification</p> <p>Aug: New employees being paid for the first time the Manager of Fiancial Services performs a detailed check of the system details.</p>
19	Aug	Jun-22		Finance	Work in progress	Payroll Review	Future State Recommendation: The feasibility of a payroll change report should be considered to ensure that all changes from current pay to previous pay are reported in a manner to facilitate an efficient review process.	Manager Financial Service	High	<p>May 31: ERP process has concluded and a recommendation has been made.</p> <p>Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review.</p> <p>Aug: To be considered in the new ERP system</p>
20	Aug	Dec-20		Finance	Work in progress	Payroll Review	Develop documented approved comprehensive payroll procedures which include all the key roles and responsibilities of the Payroll and/or HR function including operating and supervisory control.	Manager Financial Service	Medium	<p>May 31:Feb 17: With the change of staff this is a task to be completed</p> <p>Aug: Approved payroll procedures will be updated to include the operating and supervisory controls.</p>
21	Aug	Dec-21		Finance	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	Medium	<p>May 31: ERP process has concluded and a recommendation has been made.</p> <p>Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review.</p> <p>Aug: This point is taken, but will be documented in a payroll process document.</p>

A	B	C	D	E	F	G	H	I	J	K
22	Aug	Dec-21		Business Systems	Work in progress	Payroll Review	The digital strategy as part of Strategic Plan should consider a new platform	Manager Business Systems	Medium	<p>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.</p> <p>Feb 17: The Digital Transformation Strategy has as a key recommendation proposed an enterprise approach to the use of technology and business. The strategy was completed Jul 2020. Over the past several months had some minor details updated.</p> <p>Nov 9: Currently a new Payroll Service is being assessed as part of RFT 2020 - 21.04 Outsourced Payroll Services</p> <p>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</p> <p>Aug: The Digital Strategy has highlighted the digital transformation required for our city platforms which include Business platform addressing Finance, HR, Payroll</p>

8.3 Update on Audit of Records Management

Committee	31 May 2021
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Andrew Melville – A/Director Corporate & Strategy
Attachments	Nil.
Confidential Attachments	<ol style="list-style-type: none"> 1. Moore Australia – Agenda Paper; 2. Moore Australia – Records Management Internal Audit Report; and 3. Dialog IT – City of Nedlands Audit Report (Final) 4. Recommendations by Dialogue IT.

Regulation 11(da) – The Committee agreed to refer this report to the next Ordinary Council Meeting in order for the CEO to advise Council on resources required to address this matter on an urgent basis.

Moved – Councillor McManus

Seconded – Councillor Smyth

Committee Recommendation

The Audit & Risk Committee:

- 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.**

CARRIED UNANIMOUSLY 6/-

Recommendation to Committee

The Audit & Risk Committee agree and accept the Officer recommendations and actions arising from Moore Australia Records Management audit and the Dialog IT audit report.

Voting Requirement

Simple Majority.

Executive Summary

The objective of this report is to present to the Risk and Audit Committee the outcomes from the Moore Australia (Internal Auditor's) Records Management Audit and the Dialog IT SharePoint and Recordkeeping Audit Report for endorsement.

Discussion/Overview

The Moore Australia (WA) Pty Ltd ("Moore Australia") audit into Records management identified a total of 9 key risks with 8 being categorized as high risk and 1 medium risk. To address these risks Moore Australia provided 13 recommendations with 12 of the recommendations relating to risks categorized as high.

The Dialog IT report identified eight conclusions and eight recommendations. All conclusions and 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 *State Records Act 2000*.

How did this situation occur?

In terms of how the City has evolved to be in this very serious situation can be traced back to late 2016. In late 2016, the City's IT manager recommended to the Chief Executive Officer that the Records Management section be abolished. This was approved by the Chief Executive Officer in late 2016. Shortly thereafter all positions within the Records Management Section were made redundant.

Prior to the abolishment of the Records Management business unit the City employed five (5) full time equivalents in the Records Management section. The annual cost of the Records Management section was approximately \$300,000 (comprising salary, superannuation, and on-costs).

The rationale and justification for abolishing the Records Management business unit was that the City's internal paper-based information has been progressively replaced by digital communications and e-processing. However overarching records management governance, and ongoing management of physical records, maintenance of Record Keeping Plans, Policies, compliance etc. were not adequately addressed.

Abolishing the Records Management business unit resulted in Records / Information Management governance and processes being devolved to every business unit. This resulted in no centralised governance, controls or accountability for Records Management.

Note: The City has recently appointed a Senior Information Management Officer in early 2021, this role is largely operational in nature (i.e., processing Freedom of Information Request and day to day processing).

The Way Forward

For the City to drive the strategic change required as outlined in the audit reports, the City's expertise, skills and capacity in Records Management will need to be reviewed and addressed as first priority. Benchmarking Records Management staffing capacity with similar Local Governments will be undertaken to inform appropriate capacity for the Records Management function.

This review will also develop a program of works to identify the order of priority for addressing recommendations which will start with addressing the basics of records management as per:

- Developing the Records Management Policy and Procedures;
- Reviewing and updating the Record Keeping Plan; and
- Staff training and awareness.

Addressing the people and process recommendations of the Moore Australia and Dialog IT audit findings should precede any review and/or changes in the City's IT systems required to underpin the City's records management function. The people and process elements will effectively inform what IT system support is required and to what level.

Key Relevant Previous Council Decisions:

Nil.

Consultation

Moore Australia and Dialog IT consulted with a wide range of staff across diverse business units.

Strategic Implications

How well does it fit with our strategic direction?

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

Who benefits?

The City will benefit by complying with state legislation, being the *State Records Act 2000*.

Does it involve a tolerable risk?

The Moore Australia and Dialog IT audits have identified a significant number of business risks that can only be mitigated to a tolerable 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 audits recommendations will reduce the risks that the City is currently exposed to in the area of Records Management.

Do we have the information we need?

Yes, the Moore Australia and Dialog IT audits 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 recommendations will initially be addressed with existing staff. Future requirements for increasing the capacity in the Records Management area will be subject to the City's budget or budget review approval process.

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, in essence, outlines how the City's Records Management approach requires a significant overhaul to mitigate operational and strategic risks. These audit findings are a direct result of abolishing the Records Management business unit in late 2016. That is, the City does not have qualified and experienced staff responsible for Records Management and that has been the case for around 4.5 years.

Likewise, staff across the organisation are not aware of their record keeping obligations. Clearly, the current approach to devolution of Records Management to other business units is not sustainable as it exposes the City to significant risk as outlined in the Moore Australia and Dialog IT audit report findings.

Given that the City's physical and electronic records have largely been unmanaged for around 4.5 years, it will take considerable time and effort over a period of approximately 12 months to fully address the recommendations made in the Moore Australia and Dialog IT audit reports.

8.4 Update on Audit Report – Contracts Management

Committee	31 May 2021
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Andrew Melville – A/Director Corporate & Strategy
Attachments	Nil.
Confidential Attachments	1. Internal Audit Report – Contracts Management.

The Committee agreed to refer this report to the next Ordinary Council Meeting in order for the CEO to advise Council on resources required to address this matter on an urgent basis.

Moved – Councillor McManus

Seconded – Councillor Smyth

Committee Recommendation

The Audit & Risk Committee:

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.

CARRIED UNANIMOUSLY 6/-

Recommendation to Committee

The Audit and Risk Committee receives the draft Contract Management Report and notes the findings and recommendations of the Audit and the actions proposed by Administration.

Voting Requirement

Simple Majority.

Executive Summary

Moore Australia are the City's appointed Internal Auditors. As part of an agreed internal audit plan, Moore Australia have conducted a number of internal audits across various business areas within the City. This report seeks to provide the Committee with an update on the findings of the draft Contract Management Audit Report.

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.

An Audit is a process through which internal control effectiveness is examined and assessed. The objective is to provide an Audit for compliance with relevant legislation, management policies and procedures. The assessment is conducted with input from city personnel and is facilitated by the Moore Australia audit team.

The attached draft report contains details of the issues raised and management's comments.

The City is aware of shortcomings within the Contracts Management function, and it has been tasked with delivering a significant program of reform.

This has commenced and the Procurement component was endorsed by the Audit and Risk Committee on 31 August 2020.

This work is now being completed for the Contracts Management function. The operational workload required of the sole officer is significant, and resourcing is insufficient for the City to deliver an efficient and transparent Procurement and Contracts Management service for the City.

The draft Contract Management Report is presented to the Audit and Risk Committee for their information.

Key Relevant Previous Council Decisions:

Nil.

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 draft 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

Moore Australia are the City's appointed Internal Auditors and have facilitated a review of the City's contract management processes.

The objective of the Audit is to determine compliance with relevant legislation, management policies and procedures. The assessment is conducted with input from city personnel and is facilitated by the Moore Australia audit team.

The report contains details of the issues raised and management's comments. The draft Contract Management Report is presented to the Audit and Risk Committee for their information.

8.5 Procurement of Goods and Services Council Policy Review

Committee	31 May 2021
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Andrew Melville – A/Director Corporate & Strategy
Attachments	1. Procurement of Goods and Services Council Policy.
Confidential Attachments	Nil.

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

Moved – Councillor Senathirajah
 Seconded – Councillor Wetherall

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

**CARRIED 5/1
 (Against: Cr. Mangano)**

Committee Recommendation / Recommendation to Committee

The Audit and Risk Committee recommends that Council adopts the updated Procurement of Goods and Services Policy, as attached to this report.

Voting Requirement

Simple Majority.

Executive Summary

The Procurement of Goods & Services Council Policy has been reviewed and suggested updates included to the content as part of an annual review process. The current Policy was prepared and endorsed by Council in April 2020. That revised Policy was prepared with very short notice to reflect an emergency amendment to Local Government (Functions & General) Regulations published at that time.

Due to the short time available for the April 2020 review, the Policy was further reviewed after a twelve-month period to assess its efficacy over the preceding 12 months. A number of amendments were made, and a tracked copy of the Policy is attached identifying these for the Committee's consideration.

The report is presented to inform the Committee of these amendments and enable the Committee to review and approve the updated policy.

Discussion/Overview

Due to the haste in which the revised Policy was produced in April 2020, it was considered prudent to revise it again after a 12 months period in use to address any areas in which it was found to be lacking in content or in detail.

The review addresses all areas of the policy document, and the following amendments are recommended:

- 1. Statement**
The original policy Statement was inadequate and it has been expanded to better capture the principles and purposes the City wants from its procurement activities.
- 2. Thresholds**
The thresholds retain the same monetary values but the procedures within the spending limits have been altered to align with what is both current practice and expected efficiencies.
- 3. Form of Quotation**
The changes made reflect improvements made to the process for obtaining quotations from suppliers.
- 4. Panels of Pre-Qualified Suppliers**
Wording has been modified to reflect organisational expectations and provide improved alignment with the Regulations.
- 5. Quotation Exemptions**
The quotation exemption of *WALGA Preferred Suppliers* was excluded from the original Policy. This is due to the City not being a WALGA member at the time that the original Policy was written.
- 6. Variations**
The processing of Variations on contracts was unclear and was causing operational problems. The changes reflect a need to provide better definition and improved clarity on what is reasonable to approve and at what level it can be authorised.

Contract variations are generally not large value transactions. The operational need to streamline these processes should align with the level of risk exposure to the City, ensuring contracts are managed effectively. Higher level transactions are captured with existing organisational procedures. In construction contracts there are often contractual obligations which require essential variations to be processed within “reasonable” timeframes so as not to incur additional costs or delays in contract delivery.

The amendments made allows for the majority of variations to be processed quickly and with appropriate oversight.

7. Value for Money

As this is the overarching principle for all public sector spending, extra definition has been provided.

Key Relevant Previous Council Decisions:

Special Council Meeting, 14 April 2020

Council Resolution

In response to the Coronavirus Disease 2019 (COVID 19), Council:

- “14. approves an amendment to the City of Nedlands Purchasing of Goods and Services Policy as per Attachment 2, on the condition that the Local Government (Functions and General) Regulations 1996 are amended to a \$250,000 tender limit;”

Consultation

Consultation not required.

Strategic Implications

The revised Policy will contribute towards the delivery of good governance.

Improved operational efficiency and value for money outcomes will benefit all residents.

The revised Policy will contribute to a significant reduction in procurement associated risks.

City officers are satisfied that they have identified relevant issues and the revised Policy will deliver a benefit to the City.

Budget/Financial Implications

The revised Policy will address the principles of best practice procurement and the delivery of value for money to the City and by extension deliver benefits to the community.

Conclusion

The Procurement of Goods & Services Council Policy has been reviewed by the City's administration and a number of amendments are proposed. These are put to the Audit and Risk Committee for consideration.



Procurement of Goods and Services

Status	Council
Responsible Division	Corporate and Strategy
Objective	This policy outlines Council's approach to the procurement of goods and services.

Context

Regulation [Part 4, Division 1\(11A\)](#) of the *Local Government (Functions and General) Regulations 1996 (As at 07 November 2020)* requires a local government to prepare, adopt and implement a purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be \$250,000 or less. Purchases above \$250,000 must follow the process detailed in Division 2 of the *Local Government (Functions and General) Regulations 1996* and requires a local government to invite tenders.

Division 3 of the *Local Government (Functions and General) Regulations 1996* requires a local government to prepare, adopt and implement a policy in relation to establishing a panel of pre-qualified suppliers for the procurement of goods or services.

Statement

The City is committed to establishing and implementing efficient, effective, economical and sustainable procedures for all procurement activities.

The purpose of this procurement policy is to:

- Provide the City with an efficient process for the procurement of goods and services
- Ensure that all procurement transactions are conducted in a transparent, fair, unbiased and equitable manner
- Strengthen the integrity and confidence in the procurement system
- Ensure effective and proper expenditure of public moneys based on achieving value for money
- Ensure that the City gives appropriate consideration to the environmental impact of its procurement through the lifecycle of goods and services.
- Ensure that the City, where value for money can be demonstrated, gives appropriate consideration to the use of recycled construction and demolition products including but not limited to recycled road base and drainage rock
- Ensure that the City, at all times, remains compliant with all statutory and regulatory obligations, City policies and code of conduct

Deleted: All procurement by the City of Nedlands shall:



- Promote effective governance, accountability and a clear definition of all City officers roles and responsibilities
- Uphold community and industry respect for the City's procurement practices

Procurement Thresholds:

The following table outlines the procedure for City procurement. The value for procurement is the expected value (excluding GST) of the contract over the full contract period (including options to extend).

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 Be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements; and¶
 Ensure effective and proper expenditure of public moneys based on achieving value for money.¶
 Uphold respect for the City's procurement practices.¶

Procurement value <u>ex GST</u>	Procedure
Up to \$1,500	Direct procurement from suppliers requiring only one <u>quotation or priced printouts</u> from a reputable supplier's catalogue or website.
\$1,501 - \$10,000	Obtain at least three* <u>written quotations</u> or priced printouts from reputable supplier's catalogues or websites.
\$10,001 - \$40 000	Obtain at least three** <u>written quotations against a written specification / scope of services</u> .
\$40 001 - \$249 999	Obtain at least three* written quotations containing price and specification of goods and services and assess according to a pre-determined selection criteria. Where the lowest priced offer is not recommended a <u>detailed explanation for the supplier selection is retained on the procurement file</u> .
\$250,000 and above	Conduct a public tender process <u>in accordance with the Regulations and City procurement procedures</u> . <u>Tender award</u> to be approved for acceptance by Council.

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*A minimum of one written quotation may be accepted in place of three at the discretion of the responsible manager, where the selected supplier can be demonstrated to offer value for money to the City

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**A minimum of one written quotation may be accepted in place of three at the discretion of the CEO on case by case basis, where a compliant request for exemption from competitive bidding, based on adequate reasons identified, evaluated , and documented has been approved by the relevant Director of the business unit.

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Where it is considered beneficial, tenders may be called in lieu of seeking quotations for procurements under \$250,000 (excluding GST). If a decision is made to seek public

tenders for contracts of less than \$250,000 a Request for Tender process that follows the procedures for tendering outlined in Division 2 of the *Local Government (Functions and General) Regulations 1996* must be followed to the extent required of Regulation 13.

Form of Quotation

The general principles for obtaining quotations are:

- The request for quotation must be processed through the Procurement team who will allocate a control RFQ number to the document and maintain a register of quotations issued by the City
- Ensure that the requirements/specification/scope of services is clearly understood by the Local Government employee seeking quotations;
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote; and
- Ensure due diligence is performed in approaching sufficient number of suppliers to comply with the number of quotes required as per this policy.

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Details of quotation that must be recorded in the Online Requisition System

- The request for tender/quotation number
- Name of company and person contacted;
- Contact number of suppliers;
- Adequate product/service description, quantity, unit price and total value;
- In cases where the choice of supplier is a WALGA preferred supplier, the WALGA contract number must be stated in the Narration column;
- Written quotes obtained must at least include all of the above details and be captured in the City's Document Management System. Further, the applicable Document Management System reference number must be stated;
- In cases of inability to obtain sufficient number of quotes, the procurement may proceed and Procurement must state the reason in the narration column of the respective supplier contacted for a quote;
- Procurement without the required number of quotes may be made only with valid reasons as allowed in the Exemptions Allowed under this policy; and
- In cases where the lowest quote is not the choice of supplier, the reason must be clearly stated in the Narration column of the choice of supplier.

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Panels of Pre-Qualified Suppliers:

Where the City has a continuing need for any particular goods or services to be supplied by a panel of pre-qualified suppliers, the procedures for tendering outlined in Division 2 of the *Local Government (Functions and General) Regulations 1996* must be followed in full. This ensures that the process must be inclusive of clear and consistent information being made available to all suppliers and must include the release of specifications, selection criteria, price schedules, and conditions.

The number of pre-qualified suppliers successfully selected for a panel will be dependent on the number of conforming submissions received from potential suppliers, and their suitability to provide goods or services against applicable selection criteria.

Each pre-qualified supplier selected for a panel will be assessed for suitability and value for money to the City. Any procurement from the pre-qualified suppliers, including the process for obtaining quotations from them shall follow normal competitive procedures as stated in this policy.

All pre-qualified suppliers on a panel of pre-qualified suppliers will be invited to quote for the supply of the goods or services that the pre-qualified suppliers will be expected to supply.

All regular communications between the City and the pre-qualified suppliers shall be in writing to ensure clarity and consistency. All written communication in respect of quotations received and procurements made from the pre-qualified suppliers shall be recorded and retained in the City's records.

When sourcing work from the panel the City will assess the supplier based on the following criteria, price, availability, demonstrated understanding of the project, and any specialist requirements.

The City may elect to select a supplier not on the panel, subject to normal quotation and tendering requirements of the *Local Government (Functions and General) Regulations 1996*.

In accordance with Division 3 (24AJ) of the *Local Government (Functions and General) Regulations 1996* any individual contract with a pre-qualified supplier who is part of a panel will be for a term not exceeding 12 months and will not contain an option for renewing or extending the term beyond the 12 month period.

Quote, Tender and Procurement Record Capture:

Written information and documents associated with quotes and procurement will be captured and retained as per the requirements of the General Disposal Authority for Local Government Records, under the *State Records Act 2000*.

Quotation Exemptions

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In the following instances, competitive quotation procedures are not required, regardless of the value of the procurement:

- An emergency situation as defined by the *Local Government Act 1995*;
- The procurement is under auction which has been authorised by Council;
- The contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
- The supply of goods or services is to be obtained through the WALGA Preferred Supplier Program
- The supply of goods or services is to be supplied by or obtained through the government of the State through its Common Use Agreement program
- Within last six months the market testing was done for procuring the same type of goods and services and the quotations obtained are still valid (i.e. price per unit, total value and the level of service has not changed), then the direct procurement is allowed; or
- Any of the other exclusions under Regulation 11 (2)(e) to (h) of Local Government (Functions & General) Regulations 1996.

Tender Exemptions

Regulation 11 of Local Government (Functions & General) Regulations 1996 stipulates the requirements for when the Tenders do not have to be publicly invited and the direct procurement can be made by the City. Accordingly, the determination can be made to procure goods and services which is expected to be more, or worth more, than \$250,000 excluding GST without performing a competitive Tender process.

The Regulation may change from time-to-time; hence reference is to be made to the aforementioned Regulation prior to considering procurement that are likely to exceed \$250,000 excluding GST.

When making a decision about whether to conduct a public tender or utilise a Tender Exempt arrangement, consideration and comparison should be made, where reasonable and practical, on the cost and benefits of both processes. The chosen procurement method, shall be approved by the CEO.

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Variation to Tender Contracts

Regulation 20 & 21(A) of Local Government (Functions & General) Regulations 1996 stipulates the requirements for the variation to Tender Contracts prior to and post of awarding the contract. These requirements need to be addressed before any Tender Contract variation can be made.

For the purpose of clarity a 'minor variation' as detailed in Regulation 20(1) shall not exceed the lower of 5% of the total contract value or \$50,000 excluding GST

Variations to Non-Tender Contracts

The City may make minor amendments to a contract only in the following instances:

- After the quotations have been received but before a contract is entered into; or
- After the contract has been entered into but before it has been completed.

Minor variation means a variation that the City is satisfied is minor having regard to the total goods or services that suppliers were invited to supply.

For the purpose of clarity a 'minor variation' for Non-Tender contracts shall not exceed the lower of 5% of the total contract value or \$25,000 excluding GST

Any major variation to the contract must be fully costed and supported with detailed reasons for the amendment request.

Variations deemed essential for the delivery of the contract requirements may be authorised by the City Officer with the appropriate level of delegation in accordance with this Procurement Policy

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Variation between Authorised Purchase Order and Invoice

It is not normal to observe variation between the total value of the Purchase Order and Invoice. However, when such instances occur the following needs to be executed:

- The requesting officer needs to provide appropriate explanation for the variance and get it approved by their Manager;
- If the variance is less than 10% or \$1,000 there is no need to raise a new Purchase Order for the variance amount; or
- If the variance is more than the above criteria, then a new Purchase Order has to be raised and issued to the supplier for the variation amount before the invoice can be processed and paid.

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Value for Money

"Value for money is an overarching principle governing procurement that allows the best possible outcomes to be achieved for the City.

It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account end user requirements, quality standards, sustainability, life cycle costing and service benchmarks.

An assessment of the best value for money outcome for any procurement above \$1,500.00 shall consider:



- All relevant whole-of-life costs and benefits for goods and whole of contract life costs (for services). This consideration includes transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal;
- The technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality;
- The financial viability and capacity of the supplier to supply in the specified time without risk of default;
- A strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable; and
- Minimising the average social, environmental and economic impacts in procurement decision making.

Contract Splitting Prohibited

It is a breach of this policy to enter into 2 or more contracts in circumstances such that the desire to avoid the requirements of this policy is a significant reason for not dealing with the matter in a single contract. In any circumstances, staff shall not cause two or more contracts to occur, or enter into multiple contracts to split the value of consideration below Tender threshold, thereby avoiding the need to call a public tender.

Ethics and Integrity of Employees

It is the responsibility of all staff involved in procurement of goods or services for the City of Nedlands to ensure that any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

All officers and employees of the City of Nedlands shall observe the highest standards of ethics and integrity in undertaking procurement activity and act in an honest and professional manner that supports the standing of the City of Nedlands.

The City of Nedlands recognises the personal rights of all employees to engage in other activities, but strongly discourages such activities within the boundaries of City of Nedlands that may have the potential to create a perception of a conflict of interest or a conflict with the objectives of this policy or an employee's contract of employment. Accordingly, employees must disclose to the Chief Executive Officer any activity or interests (including indirect financial interests) that may create a conflict of interest when performing any of their duties including an activity or an interest by a person with whom they have a close association as provided for in section 5.62 of the *Local Government Act 1995*.

Authorisation of Expenditure



Acceptance of tenders and quotations and the authorisation of expenditure is to comply with the City's procurement requirements, associated policies and procedures and within the relevant delegation or limit of authority.

All procurement of goods or services other than those goods or services deemed an emergency or those outside of normal business hours are only to be procured after the approval of an appropriate purchase requisition and the creation of a relevant purchase order.

The confirmation of any procurement after the completion of a quotation / tender process must be authorised by an officer to whom authority to incur a liability has been delegated ensuring that sufficient funds have been provided for in the City's annual budget.

Related documentation

Procurement of Goods and Services Procedure
General Disposal Authority for Local Government Records

Related local law and legislation

Local Government Act 1995
Local Government (Functions and General) Regulations 1996
State Records Act 2000

Related delegation

Local Government Act 1995, sections 3.57(1), 3.58(2), 3.58(3).
Local Government (Functions and General) Regulations, regulations 14(2a), 18(4), 18(5), 20(1) 20(2), 21(1), 21(3), 23(3) and 30(2)(a)(ii).

Review History

14 April 2020 (Item 6 – Special Council Meeting)
25 June 2019 (CEO Report 13.9)
25 May 2010 (Report CM12.10)
25 March 2014 (Report CPS14.14)
15 December 2015 (Report CPS29.15)
Minor change approved by CEO 11 January 2018

9. Reports by the Chief Executive Officer

Nil.

10. Urgent Business Approved by the Presiding Member or By Decision

Any urgent business to be considered at this point.

Risks to be considered by the Committee:

1. The replacement of a number of senior staff;
A number of issues have been identified.
2. Planning the implementation of the new ERP System;
Draft plan in place. Information will be forwarded to the Audit & Risk Committee.
3. Mr P Setchell announced his retirement from the Audit & Risk Committee;
and
4. Statutory turnaround times for Development Applications and Building Licences. To be added to the next Audit & Risk Committee Meeting Agenda.

11. Confidential Items

Nil.

12. Date of next meeting

The next meeting of the Audit and Risk Committee will be held in August 2021 at 5.30 pm, date to be confirmed.

Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed at 7.11pm.