

16.1 LATE ITEM - AUDIT AND ORGANISATIONAL RISK COMMITTEE NOVEMBER MEETING

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance and Organisational Strategy
Date of Report:	12 November 2015
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	1. Minutes of AORC Meeting 12 November 2015 2. Audit Opinion for 2014/15 3. Annual Financial Report for the Year Ended 30 June 2015 4. Confidential - Audit Findings Report

PURPOSE

The purpose of this report is to receive the minutes of the Audit & Organisational Risk Committee (AORC) meeting held on 12 November 2015 and to consider various statutory reports.

BACKGROUND

The following matters were discussed at the meeting:

- (a) Audit by Grant Thornton Pty Ltd (Grant Thornton) of the 2014/15 financial affairs of the Council including the:
 - (i) 2014/15 Audit Opinion;
 - (ii) 2014/15 Annual Financial Report; and
 - (iii) Audit Findings Report to the Committee.
- (b) Risk Management Report informing key indicators, treatments and controls related to operational risks;
- (c) Meeting dates for the Audit and Organisational Risk Committee for 2016; and
- (d) Status report on implementation of the business improvement program.

Grant Thornton provided an unqualified audit opinion indicating no non-compliance issues. Additionally a management report provided by Grant Thornton indicated that there were no material weakness or significant deficiencies, and only four deficiencies (considered to be low risk housekeeping or administrative matters) related to asset revaluations, leave entitlements, impairment on staff housing values and a liability related to the prior financial year. These and two other uncorrected misstatements were considered immaterial by Grant Thornton.

LEVEL OF SIGNIFICANCE

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

COUNCILLOR/OFFICER CONSULTATION

Consultation has occurred on the above matters with the members of the Audit and Organisational Risk Committee, the Chief Executive Officer and Director Corporate Services.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Part 7 of the *Local Government Act 1995* reflects the requirements of the audit committee, purpose and conduct of the audit and the general scope of audit. Regulation 16 of the *Local Government (Audit) Regulations 1996* makes provision for the function of the audit committee.

In accordance with section 5.53 of the *Local Government Act 1995* the City is required to prepare an annual report for each financial year. Section 5.54 requires that the annual report be accepted by an absolute majority no later than 31 December.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no direct financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2015-2016 provides for this activity:

Our Program:	4.c.2.3	Develop and or review Council policies, procedures and processes.
Our Services:	4.c.2.3.1	Undertake risk management initiatives via internal audits and reviews.

RISK MANAGEMENT CONSIDERATIONS

All risks are managed with periodic reporting and audit to the Executive and to the Audit and Organisational Risk Committee.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

Council considers the Annual Financial Reports and Audit Opinion on an annual basis.

VOTING REQUIREMENTS

Absolute Majority

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Section 5.54 and Part 7 of the *Local Government Act 1995* RESOLVES to DEFER consideration of the Audit & Organisational

Risk Committee meeting, the Audit Opinion and Annual Financial Report for the Year Ended 30 June 2015.

CONCLUSION

The major focus of the recent meeting of the Audit & Organisational Risk Committee was to consider the Audit Opinion and Annual Financial Report for the Year Ended 30 June 2015. As the Audit Opinion was unqualified and confirmed that the Financial Report provides a true and fair view of the City's financial position it is recommended that the Council now receive the minutes of the Committee Meeting together with the Audit Opinion and Annual Financial Report for the Year Ended 30 June 2015 prior to the Annual Elector's Meeting which is scheduled to be held on 14 December 2015.

OFFICER'S RECOMMENDATION

That Council by ABSOLUTE Majority pursuant to Section 5.54 and Part 7 of the *Local Government Act 1995* RESOLVES to:

- 1. RECEIVE the Minutes of the Audit and Organisational Risk Committee for the meeting held on 12 November 2015;**
- 2. ACCEPT the Annual Financial Report for the Year Ended 30 June 2015;**
- 3. ACCEPT the Audit Opinion from Grant Thornton Audit for 2014/15; and**
- 4. NOTE the Audit Findings from Grant Thornton Audit Pty Ltd to the Audit and Organisational Risk Committee for the year ended 30 June 2015.**

This page is intentionally blank.



AUDIT AND ORGANISATIONAL RISK COMMITTEE MEETING

MINUTES

**The Audit and Organisational Risk Committee Meeting
was held in the Council Chambers,
Welcome Road, Karratha,
on Thursday, 12 November 2015**

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

**CHRIS ADAMS
CHIEF EXECUTIVE OFFICER**



No responsibility whatsoever is implied or accepted by the City of Karratha for any act, omission or statement or intimation occurring during Council or Committee Meetings. The City of Karratha disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee Meeting does so at that persons or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a license, any statement or intimation of approval made by any member or Officer of the City of Karratha during the course of any meeting is not intended to be and is not taken as notice of approval from the City of Karratha.

The City of Karratha warns that anyone who has any application lodged with the City of Karratha must obtain and should only rely on

WRITTEN CONFIRMATION

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

Signed: _____

Chris Adams - Chief Executive Officer

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

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

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

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

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

NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

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

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

INTERESTS AFFECTING IMPARTIALITY

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

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

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

IMPACT OF AN IMPARTIALITY CLOSURE

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

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

TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
1	OFFICIAL OPENING	5
2	NOMINATIONS FOR THE CHAIRPERSON	5
3	RECORD OF ATTENDANCES AND APOLOGIES	5
4	DECLARATIONS OF INTEREST	5
5	CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS	6
6	ITEMS FOR DISCUSSION	7
6.1	AUDIT REPORT FOR THE YEAR ENDED 2015	7
6.2	RISK MANAGEMENT REVIEW	11
6.3	AUDIT & ORGANISATIONAL RISK COMMITTEE DATES 2016	15
7	ITEMS FOR INFORMATION ONLY	19
7.1	BUSINESS IMPROVEMENT – PROGRESS REPORT	20
8	CLOSURE & DATE OF NEXT MEETING	25

MINUTES

1 OFFICIAL OPENING

The Meeting was officially opened at 3.02pm.

2 NOMINATIONS FOR THE CHAIRPERSON

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

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

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

3 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members: Cr Evette Smeathers [Committee Chairperson]
Cr Grant Cucel
Cr Peter Long
Cr Daniel Scott

Staff: Chris Adams Chief Executive Officer
Phillip Trestrail Director Corporate Services
Henry Eaton Manager Governance & Organisational Strategy
Ray McDermott Manager Financial Services/CFO (Items 1 - 6.1)
Linda Franssen Minute Secretary

External: Mark Petricevic Partner-Audit & Assurance
Grant Thornton Audit
(via Telecon for Item 6.1)

Apologies: Cr Fiona White-Hartig

4 DECLARATIONS OF INTEREST

Nil.

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

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR29
MOVED : Cr Long
SECONDED : Cr Smeathers

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Tuesday, 25 August 2015, be confirmed as a true and correct record of proceedings.

CARRIED

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

6 ITEMS FOR DISCUSSION

6.1 AUDIT REPORT FOR THE YEAR ENDED 2015

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance & Organisational Strategy
Date of Report:	11 November 2015
Applicant/Proponent:	Mark Petricevic, Grant Thornton Audit Pty Ltd
Disclosure of Interest:	Nil
Attachment(s):	1. Audit Opinion 2. Annual Financial Report 3. Audit Findings Report (Confidential)

PURPOSE

To consider the Audit Opinion provided by the City Auditors, Grant Thornton Audit Pty Ltd (Grant Thornton), and to receive the Annual Financial Report of the City's affairs for the 2014/15 financial year.

BACKGROUND

Council is legislatively obliged to have its financial affairs verified to ensure accuracy and appropriateness and to also ensure that the reporting is compliant with the Australian Accounting Standards.

Grant Thornton has been Council's external auditors for the past three years (2012/13 – 2014/15). Following the completion of this year audit, which commenced in late August, an Audit Opinion and the City's Annual Financial Report is attached for consideration.

Grant Thornton has provided an unqualified opinion indicating no non-compliance issues and that the accounts are a true and fair representation of the City's financial performance for 2014/15.

Additionally, a Management Report has been provided by Grant Thornton indicating issues identified through the audit. The report indicates that there were no material weakness or significant deficiencies and only four deficiencies (low risk housekeeping or administrative matters) which were:

1. There was a sight variance (0.14%) for two unit rates used in the revaluation of the City's infrastructure assets for Fair Value purposes;
 2. Some leave/contract documentation is not available for long serving employees impacting leave balances and requiring adjustment of leave provisions;
 3. A progress claim for airport works was attributed to 2015/16 rather than 2014/15 (as a reserve funded project this does not impact on the closing surplus/deficit position); and
 4. The value of land and building assets (including housing) has been impacted by market changes.
-

The first three of these have resulted in inconsequential uncorrected misstatements. There are two other uncorrected misstatements related to:

1. Trust funds for State Government levies such as Building Construction Industry Training Fund (BCITF) and Builders Registration Board (BRB) for Building Licenses are receipted through the Municipal Account. These funds are then paid out of Municipal funds with year-end transfers to Trust processed. Council also receives verge bonds that are initially receipted in the Municipal fund to enable individual trusts to be established. The \$139k relates to the balance of funds pending transfer to trust which occurred subsequent to year-end audit.
2. These payments reflect monies paid in advance of services and subscriptions that are prepaid expenditure for the following financial year. Deposits for performers at events (\$118k) such as NAIDOC and REAF are typically required and paid in the prior financial year. Lease rentals (\$36k) are also included along with software and other subscriptions (\$86k). The balance comprises minor accounts with an element of service across financial year end.

Grant Thornton is satisfied all of the uncorrected misstatements, both individually and in aggregate, are not material to the financial report as a whole.

LEVEL OF SIGNIFICANCE

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

COUNCILLOR/OFFICER CONSULTATION

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

COMMUNITY CONSULTATION

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

STATUTORY IMPLICATIONS

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

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no direct financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2015-2016 provided for this activity:

Our Program:	4.d.1.3	Provide transparent and accountable financial information required by the Local Government Act, Code of Accounting Practice, Australian Accounting Standards and Local Government Regulations.
--------------	---------	--

Our Services:	4.d.1.3.1	Prepare the financial statements and reports to Council.
Our Program:	1.f.4.1	Ensure our community has access to up to date information about City's operations and projects.
Our Services:	1.f.4.1.2	Prepare Council publications and corporate documents.

RISK MANAGEMENT CONSIDERATIONS

The annual audit assists Council in minimising risk from a financial management perspective.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

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

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Committee by SIMPLE Majority pursuant to Section 5.54 of the *Local Government Act 1995* RESOLVES to NOT RECEIVE the Audit Opinion from Grant Thornton Audit Pty Ltd for the year ended 30 June 2015 and seek further advice and clarification on the report.

CONCLUSION

The Audit Opinion is unqualified indicating no non-compliance issues identified through the examination of the City's financial affairs. It is recommended that the Audit Opinion and the Annual Financial Report be presented to Council to enable the Annual Elector's Meeting to be convened.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR30**
MOVED : **Cr Long**
SECONDED : **Cr Scott**

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

- 1. NOTE the Audit Findings Report to the Audit & Organisational Risk Committee as provided by Grant Thornton Audit Pty Ltd for the year ended 30 June 2015;**
- 2. ACCEPT the Audit Opinion from Grant Thornton Audit Pty Ltd for 2014/15; and**
- 3. ACCEPT the Annual Financial Report for the Year ended 30 June 2015.**

CARRIED

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



Grant Thornton

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Ratepayers of City of Karratha

We have audited the accompanying financial report of the City of Karratha (the "City"), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Chief Executive Officer.

Council's responsibility for the financial report

The Council of the City is responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error: selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the City's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

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

- i presents fairly, in all material respects, the City's financial position as at 30 June 2015 and of its performance and cash flows for the year then ended;
- ii complies with Australian Accounting Standards and the relevant legislation; and
- iii is prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

Statutory Compliance

I did not, during the course of my audit, become aware of any instance where the City did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 as they relate to financial statements.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Petricevic
Partner - Audit & Assurance

Perth, 9 November 2015

CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Rate Setting Statement	9
Notes to and Forming Part of the Financial Report	10
Independent Audit Report	68
Supplementary Ratio Information	70
Principal place of business: Lot 1083 Welcome Road Karratha, WA 6714	

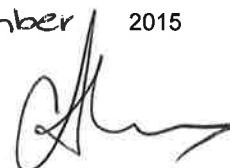
**CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City being the annual financial report and other information for the financial year ended 30 June 2015 are in my opinion properly drawn up to present fairly the financial position of the City at 30th June 2015 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 9th day of November 2015



Chris Adams
Chief Executive Officer

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Rates	21	40,113,563	40,580,172	35,769,877
Operating grants, subsidies and contributions	27	18,473,358	12,647,119	7,410,418
Fees and charges	26	44,143,892	45,085,103	47,162,921
Service charges	23	30,308,739	34,545,605	0
Interest earnings	2(a)	3,576,356	3,398,954	2,445,100
Other revenue	2(a)	2,633,866	555,039	1,482,487
		<u>139,249,774</u>	<u>136,811,992</u>	<u>94,270,803</u>
Expenses				
Employee costs		(33,608,639)	(36,407,290)	(33,353,872)
Materials and contracts		(31,298,849)	(47,197,845)	(23,682,567)
Utility charges		(3,946,511)	(4,175,242)	(4,275,811)
Depreciation on non-current assets	2(a)	(12,711,351)	(11,202,287)	(9,858,361)
Interest expenses	2(a)	0	(47,700)	(10,597)
Insurance expenses		(1,606,064)	(1,753,304)	(1,700,422)
Other expenditure		(3,891,524)	(3,845,795)	(2,321,215)
		<u>(87,062,938)</u>	<u>(104,629,463)</u>	<u>(75,202,845)</u>
		52,186,836	32,182,529	19,067,958
Non-operating grants, subsidies and contributions		11,508,482	6,682,101	16,392,796
Contributions of gifted assets		56,907,796	0	0
Loss on revaluation of artwork assets	6(a)	(57,730)	0	0
Loss on revaluation of infrastructure assets	7(a)	(11,317,387)	0	0
Profit on asset disposals	19	91,172	15,867	46,856
Loss on asset disposals	19	(653,680)	(597,456)	(2,125,558)
Net result		108,665,489	38,283,041	33,382,052
Other comprehensive income				
Changes on revaluation of non-current assets		343,760,723	0	33,154,183
Total other comprehensive income		343,760,723	0	33,154,183
Total comprehensive income		<u>452,426,212</u>	<u>38,283,041</u>	<u>66,536,235</u>

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

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Governance		1,115,882	176,088	1,006,843
General purpose funding		78,500,516	81,710,744	39,619,088
Law, order, public safety		1,451,026	1,138,026	915,039
Health		230,382	182,000	190,193
Education and welfare		58,900	58,900	152,082
Housing		301,999	349,356	246,833
Community amenities		11,349,795	12,658,688	13,330,106
Recreation and culture		20,237,270	11,497,536	8,494,979
Transport		24,215,843	28,024,722	28,600,060
Economic services		529,393	537,040	760,127
Other property and services		1,258,768	478,892	955,453
		<u>139,249,774</u>	<u>136,811,992</u>	<u>94,270,803</u>
Expenses				
Governance		(15,731,793)	(5,862,396)	(3,693,203)
General purpose funding		(10,621,027)	(20,431,500)	178,158
Law, order, public safety		(1,897,764)	(2,192,065)	(1,792,536)
Health		(1,374,758)	(1,343,165)	(1,532,582)
Education and welfare		(212,323)	(183,232)	(261,976)
Housing		(904,796)	(859,507)	(1,067,348)
Community amenities		(13,655,639)	(18,085,599)	(14,172,503)
Recreation and culture		(30,197,904)	(30,471,820)	(27,543,562)
Transport		(21,438,745)	(20,948,645)	(22,451,522)
Economic services		(2,098,247)	(2,255,048)	(2,055,892)
Other property and services		(305,059)	(1,948,786)	(799,282)
		<u>(98,438,055)</u>	<u>(104,581,763)</u>	<u>(75,192,248)</u>
Finance costs				
	2(a)			
General purpose funding		0	0	(10,597)
Economic services		0	(47,700)	0
		<u>0</u>	<u>(47,700)</u>	<u>(10,597)</u>
Non-operating grants, subsidies and contributions				
Law, order, public safety		1,170,048	227,310	314,430
Community amenities		2,540,100	30,000	270,000
Recreation and culture		1,380,274	4,471,419	14,740,116
Transport		63,325,856	1,953,372	1,068,250
	27	<u>68,416,278</u>	<u>6,682,101</u>	<u>16,392,796</u>
Profit/(Loss) on disposal of assets				
Governance		(10,466)	(3,632)	(1,727)
Law, order, public safety		(48,264)	(13,742)	410
Health		567	1,189	8,018
Education and welfare		0	0	(408,909)
Housing		(293,742)	0	0
Community amenities		(67,335)	(377,142)	(80,045)
Recreation and culture		(2,408)	(1,070)	(1,584,358)
Transport		(117,123)	(154,979)	(29,579)
Economic services		0	(3,556)	3,340
Other property and services		(23,737)	(28,657)	14,148
	19	<u>(562,508)</u>	<u>(581,589)</u>	<u>(2,078,702)</u>
Net result		108,665,489	38,283,041	33,382,052

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	2015 \$	2015 Budget \$	2014 \$
Net result		108,665,489	38,283,041	33,382,052
Changes on revaluation of non-current assets		343,760,723	0	33,154,183
Total other comprehensive income		343,760,723	0	33,154,183
Total comprehensive income		452,426,212	38,283,041	66,536,235

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

CITY OF KARRATHA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	3	85,384,687	62,930,475
Trade and other receivables	4	21,022,833	11,944,823
Inventories	5	1,012,437	401,889
TOTAL CURRENT ASSETS		107,419,957	75,277,187
NON-CURRENT ASSETS			
Other receivables	4	6,926,623	50,260
Property, plant and equipment	6	197,959,808	182,214,889
Infrastructure	7	531,091,475	127,062,962
TOTAL NON-CURRENT ASSETS		735,977,906	309,328,111
TOTAL ASSETS		843,397,863	384,605,298
CURRENT LIABILITIES			
Trade and other payables	8	16,458,213	10,690,587
Provisions	9	3,750,143	3,390,759
TOTAL CURRENT LIABILITIES		20,208,356	14,081,346
NON-CURRENT LIABILITIES			
Provisions	9	705,664	1,328,725
TOTAL NON-CURRENT LIABILITIES		705,664	1,328,725
TOTAL LIABILITIES		20,914,020	15,410,071
NET ASSETS		822,483,843	369,195,227
EQUITY			
Retained surplus		345,569,312	257,225,947
Reserves - cash backed	10	84,089,305	62,904,777
Revaluation surplus	11	392,825,226	49,064,503
TOTAL EQUITY		822,483,843	369,195,227

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

**CITY OF KARRATHA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2013		244,064,164	42,684,508	15,910,320	302,658,992
Comprehensive income					
Net result		33,382,052	0	0	33,382,052
Changes on revaluation of non-current assets	11	0	0	33,154,183	33,154,183
Total comprehensive income		33,382,052	0	33,154,183	66,536,235
Transfers from/(to) reserves	10	(20,220,269)	20,220,269	0	0
Balance as at 30 June 2014		257,225,947	62,904,777	49,064,503	369,195,227
Comprehensive income					
Net result		108,665,489	0	0	108,665,489
Adjustments to prior period transactions		(857)	0	0	(857)
Disposal of revalued non-current assets	11	726,866	0	(726,866)	0
Other adjustments to revalued non-current assets	11	136,395	0	(136,395)	0
Impairment to revalued non-current assets	11	0	0	(11,083,247)	(11,083,247)
Changes on revaluation of non-current assets	11	0	0	355,707,231	355,707,231
Rounding	11	0	0	0	0
Total comprehensive income		109,527,893	0	343,760,723	453,288,616
Transfers from/(to) reserves	10	(21,184,528)	21,184,528	0	0
Balance as at 30 June 2015		345,569,312	84,089,305	392,825,226	822,483,843

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

**CITY OF KARRATHA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		40,576,230	38,823,388	35,428,282
Operating grants, subsidies and contributions		58,856,176	12,647,119	5,455,025
Fees and charges		44,143,892	45,085,103	47,162,921
Service charges		30,308,739	34,545,605	0
Interest earnings		3,576,356	3,398,954	2,445,100
Goods and services tax		214,555	0	6,441,587
Other revenue		2,633,866	555,039	1,482,487
		<u>180,309,814</u>	<u>135,055,208</u>	<u>98,415,402</u>
Payments				
Employee costs		(33,009,008)	(36,086,390)	(32,729,430)
Materials and contracts		(25,852,385)	(48,455,721)	(22,980,487)
Utility charges		(3,946,511)	(4,175,242)	(4,275,811)
Interest expenses		0	(47,700)	(11,633)
Insurance expenses		(1,606,064)	(1,753,304)	(1,700,422)
Goods and services tax		0	0	(6,319,619)
Other expenditure		(3,891,524)	(3,845,795)	(2,321,215)
		<u>(68,305,492)</u>	<u>(94,364,152)</u>	<u>(70,338,617)</u>
Net cash provided by (used in) operating activities	12(b)	<u>112,004,322</u>	<u>40,691,056</u>	<u>28,076,785</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land held for resale		(524,251)	0	0
Payments for purchase of property, plant & equipment	6(b)	(33,756,697)	(37,636,271)	(13,314,557)
Payments for construction of infrastructure	7(b)	(66,998,040)	(12,240,227)	(12,062,698)
Non-operating grants, Subsidies and contributions	27	11,508,482	6,682,101	16,392,796
Proceeds from sale of fixed assets	19	958,228	789,850	235,641
Net cash provided by (used in) investment activities		<u>(88,812,278)</u>	<u>(42,404,547)</u>	<u>(8,748,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		0	(354,625)	(56,334)
Proceeds from self supporting loans		(3,143)	3,143	10,431
Advances to community groups		(970,047)	0	0
Proceeds from advances		235,358	221,863	0
Other loan principal income		0	0	0
Proceeds from new debentures		0	8,000,000	0
Net cash provided by (used in) financing activities		<u>(737,832)</u>	<u>7,870,381</u>	<u>(45,903)</u>
Net increase (decrease) in cash held		22,454,212	6,156,890	19,282,064
Cash at beginning of year		62,930,475	69,178,936	43,648,411
Cash and cash equivalents at the end of the year	12(a)	<u><u>85,384,687</u></u>	<u><u>75,335,826</u></u>	<u><u>62,930,475</u></u>

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

**CITY OF KARRATHA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
Revenue				
Governance		1,119,962	176,088	1,006,843
General purpose funding		38,386,953	41,130,572	3,849,211
Law, order, public safety		2,622,400	1,365,336	1,234,912
Health		230,949	183,189	198,211
Education and welfare		58,900	58,900	152,082
Housing		301,999	349,356	246,833
Community amenities		13,905,048	12,688,688	13,600,106
Recreation and culture		21,624,236	15,976,278	23,241,511
Transport		87,600,464	29,985,449	29,677,801
Economic services		529,393	537,040	763,467
Other property and services		1,263,357	478,892	969,601
		<u>167,643,661</u>	<u>102,929,788</u>	<u>74,940,578</u>
Expenses				
Governance		(15,746,339)	(5,866,028)	(3,694,930)
General purpose funding		(10,621,027)	(20,431,500)	167,561
Law, order, public safety		(1,947,354)	(2,205,807)	(1,797,569)
Health		(1,374,758)	(1,343,165)	(1,532,582)
Education and welfare		(212,323)	(183,232)	(670,885)
Housing		(1,198,538)	(859,507)	(1,067,348)
Community amenities		(13,738,127)	(18,462,741)	(14,252,548)
Recreation and culture		(30,207,004)	(30,480,213)	(29,134,336)
Transport		(21,614,633)	(21,110,979)	(22,490,592)
Economic services		(2,098,247)	(2,306,304)	(2,055,892)
Other property and services		(333,385)	(1,977,443)	(799,282)
		<u>(99,091,735)</u>	<u>(105,226,919)</u>	<u>(77,328,403)</u>
Net result excluding rates		68,551,926	(2,297,131)	(2,387,825)
Adjustments for cash budget requirements:				
Non-cash expenditure and revenue				
Initial recognition of assets due to change to regulations				
- Land		0	0	(564,454)
(Profit)/Loss on asset disposals	19	562,508	581,589	2,078,702
Contributions of Gifted Assets		(56,907,796)	0	0
Loss on revaluation of fixed assets		11,375,117	0	0
Movement in Accrued Interest		0	0	(1,036)
Movement in accrued salaries and wages		229,373		486,070
Movement in employee benefit provisions (non-current)		(623,061)	220,900	811,942
Depreciation and amortisation on assets	2(a)	12,711,351	11,202,287	9,858,361
Capital expenditure and revenue				
Purchase land held for resale		(524,251)	0	0
Purchase of land and buildings	6(b)	(1,688,917)	(33,183,371)	(11,382,291)
Purchase equipment (external)	6(b)	(86,404)	0	(188,740)
Purchase furniture & equipment	6(b)	(626,676)	(632,900)	(693,893)
Purchase artwork and sculptures	6(b)	0	0	(132,727)
Purchase plant	6(b)	(2,464,309)	(3,820,000)	(1,074,248)
Purchase infrastructure assets		(5,319,134)	(12,240,227)	(12,062,698)
Purchase works in progress		(33,661,501)	0	0
Advances to community groups		(970,047)	0	0
Repayment of advances to community groups		235,358	0	0
Income Set Aside as Restricted Funds - Expense		(26,823)	0	(4,918)
Proceeds from disposal of fixed assets	19	958,228	789,850	235,641
Repayment of debentures	20(a)	0	(354,625)	(56,334)
Proceeds from new debentures	20(b)	0	8,000,000	0
Proceeds from self supporting loans		0	3,143	10,431
Other Loan Principal Income		0	221,863	0
Transfers to reserves (restricted assets)	10	(55,640,657)	(35,466,456)	(27,040,869)
Transfers from reserves (restricted assets)	10	34,456,129	25,282,386	6,820,600
ADD Estimated surplus/(deficit) July 1 b/fwd	21(b)	1,617,633	1,112,520	1,136,042
LESS Estimated restricted surplus/(deficit) June 30 c/fwd	21(b)	12,208,160	0	0
LESS Estimated unrestricted surplus/(deficit) June 30 c/fwd	21(b)	63,450	0	1,617,633
Total amount raised from general rate	21(a)	<u>(40,113,563)</u>	<u>(40,580,172)</u>	<u>(35,769,877)</u>

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

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

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

The local government reporting entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 18 to these financial statements.

(b) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

(c) Cash and Cash Equivalents

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

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
 - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
 - (i) that are plant and equipment; and
 - (ii) that are -
 - (I) land and buildings; or-
 - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

In 2013, the City commenced the process of adopting Fair Value in accordance with the Regulations.

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

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

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

Land under roads

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

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

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

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

Major depreciation periods used for each class of depreciable asset for the 2014/15 financial year were:

Artwork/sculptures	50 years
Buildings:	
- Buildings	50 years
- Buildings fixtures/fittings	11 years
- Buildings on leased land	21 years
- Transportable building	15 years
Furniture & Internal Equipment:	
- Computers & peripherals	3 years
- Other electronic equipment	4 years
- Furniture	10 years
Plant:	
- Construction plant (e.g. prime movers and trailers)	12 years
- Construction vehicles (e.g. trucks)	8 years
- Light commercial vehicles	5 years
- Passenger vehicles	5 years
- Heavy plant	4 years
Equipment:	
- Heavy usage	2.5 years
- Light usage	5 years
Infrastructure:	
- Roads	28 years
- Paths and cycleways	21 years
- Aerodromes	28 years
- Parks and gardens	100 years
- Hard-court facility - bitumen	28 years
- Hard-court facility - concrete	42 years
- Bridges and culverts	21 years
- Drainage	56 years
- Miscellaneous structures	21 years
- Boat ramps/jetties	51 years

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Through the revaluation of Council's Infrastructure Assets during the year ended 30 June 2015, Council officers also sought recommendations with regards to asset useful lives from the valuation provider. Based on these recommendations, major depreciation periods used for each sub class of depreciable infrastructure assets are as follows:

Infrastructure:

- Access Roads - Seal	20 years
- Airport Sealed Taxiway - Formation	80 years
- Airport Sealed Taxiway - Pavement	50 years
- Airport Water System - Hydrants & Valves	50 years
- Airport Water System - Pipework	80 years
- Airport Water System - Pumps	20 years
- Airport Water System - Tanks	60 years
- Ancillary Assets	30 years
- Boat Ramps/Jetties	50 years
- Bridges & Culverts	80 years
- Building & Structures	30 years
- Car Park Furniture	40 years
- Car Park Payment System	30 years
- Closed Circuit Television	20 years
- Effluent Ponds	60 years
- Effluent Reuse Supply Pipes	50 years
- Fencing - General	30 years
- Fencing - Specialised	40 years
- Footpaths	45 years
- Irrigation	30 years
- Kerbs	40 years
- Landfill Cell	50 years
- Lighting - General	30 years
- Lighting - Low output	30 years
- Lighting - Oval & Carpark	40 years
- Parks & Open Space Furniture	15 years
- Pedestrian Bridge	40 years
- Playground Equipment	15 years
- Pool Structures	40 years
- Power System	60 years
- Roads & Carparks - Surface	30 years
- Roads & Carparks - Pavement	70 years
- Sea Container - Specialised	40 years
- Sea Container - Standard	30 years
- Sealed Taxiways, Runways & Aprons - Seal	20 years
- Settlement Ponds	80 years
- Skate Parks & Courts	40 years
- Sports Courts, Pitches & Tracks	30 years
- Stormwater Network	80 years
- Street Furniture	30 years
- Structures	30 years
- Waste Ancillary Assets	40 years

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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.

When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation threshold

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

(g) Fair Value of Assets and Liabilities

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

Fair Value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly 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.

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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

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

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Amortised cost is calculated as:

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

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

Classification and subsequent measurement (continued)

(i) Financial assets at fair value through profit and loss

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

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

(iii) Held-to-maturity investments

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

Impairment

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

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

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

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

Derecognition

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any 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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits (Continued)

Employee benefits are accrued on the basis of numbers of years employed (continuously) in Local Government as follows:

0-1 years	10% of normal accrual
1-2 years	15% of normal accrual
2-3 years	25% of normal accrual
3-4 years	40% of normal accrual
4-5 years	60% of normal accrual
5-6 years	80% of normal accrual
6-7 years	90% of normal accrual
7-10 years	100% of normal accrual

The City of Karratha's Enterprise Agreement 2012 permits employees to apply to take pro-rata Long Service Leave (6.5 weeks) on completion of each 5 years of continuous service with the City. Where an employee has reached a period of service with the City longer than 5 years but less than 7, employee benefits are accrued on the basis of numbers of years employed (continuously) with the City of Karratha as follows:

0-1 years	20% of normal accrual
1-2 years	30% of normal accrual
2-3 years	50% of normal accrual
3-4 years	70% of normal accrual
4-5 years	90% of normal accrual

(l) Borrowing Costs

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

(m) Provisions

Provisions are recognised when the 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.

(n) Leases

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

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

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

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 15.

(q) Rates, Grants, Donations and Other Contributions

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(r) Superannuation

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

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the City's intentions to release for sale.

(t) Rounding Off Figures

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

(u) Comparative Figures

Where required, comparative figures have been adjusted to conform 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 statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(v) Budget Comparative Figures

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect.
(ii) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	September 2012	1 January 2018	Nil - The revisions embodied in this Standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the City (refer (i) above).
[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]			
(iii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv)	AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments [Operative date: Part C Financial Instruments - 1 January 2015]	December 2013	Refer title column	Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the City.
(v)	AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the City's financial statements.
(vi)	AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the City currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.
(viii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column. It is not anticipated it will have any significant impact on disclosures.
(ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn. It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(x)	AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

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

(x) Adoption of New and Revised Accounting Standards

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

These new and revised Standards were:

AASB 2011-7
AASB 2012-3
AASB 2013-3
AASB 2013-8
AASB 2013-9 Parts A & B

Most of the Standards adopted had a minimal effect on the accounting and reporting practices of the City as they did not have a significant impact on the accounting or reporting practices or were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES	2015	2014
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the annual financial report	36,205	25,000
- Other services	826	13,575
Depreciation		
Buildings	2,630,995	1,908,400
Equipment (External)	129,397	178,257
Furniture & Equipment	784,293	663,118
Artwork and Sculptures	20,220	17,686
Plant	1,872,621	1,723,558
Roads	2,693,304	1,880,250
Footpaths	489,640	266,994
Aerodromes	2,056,395	1,944,710
Parks & Gardens	128,900	118,341
Hardcourt Facilities	147,309	125,916
Bridges & Culverts	277,135	84,508
Drainage	37,646	21,768
Boat Ramps & Jetties	175,480	124,976
Miscellaneous Structures	1,268,016	799,879
	<u>12,711,351</u>	<u>9,858,361</u>
Interest expenses (finance costs)		
Debentures	0	10,597
	<u>0</u>	<u>10,597</u>
Rental charges		
- Operating leases	7,394	97,526
	<u>7,394</u>	<u>97,526</u>
(ii) Crediting as revenue:		
Other revenue		
Other	2,633,866	1,482,487
	<u>2,633,866</u>	<u>1,482,487</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

	2015 Actual \$	2015 Budget \$	2014 Actual \$
Interest earnings			
Earnings on Reserve Funds			
Employee Entitlement Reserve	75,045	74,184	68,128
Aerodrome Reserve	218,368	705,024	416,963
Dampier Drainage Reserve	0	24	657
Walkington Theatre Reserve	915	204	583
Plant Replacement Reserve	70,338	72,756	72,931
Workers Compensation Reserve	21,030	23,328	19,076
Waste Management Reserve	573,975	687,612	519,318
Infrastructure Reserve	657,101	529,056	240,659
Housing Reserve	0	0	1
Aged Persons Unit Reserve	2,404	2,664	2,213
Junior Sport Reserve	0	60	2,246
Public Open Space Reserve	0	0	698
History & Cultural Publications Reserve	1,695	2,028	1,662
Mosquito Control Reserve	180	180	142
Medical Services Assistance Package Reserve	8,677	8,424	7,923
Royalties for Regions Reserve	0	0	0
Community Development Reserve	7,162	32,412	27,162
Carry Forward Budget Reserve	0	0	0
Restricted Funds Reserve	0	0	(28)
Heavy Haulage Reserve	0	0	0
Partnership Reserve	262,056	158,748	0
Pilbara Underground Power Reserve	284,141	522,000	0
Earnings on Municipal Funds			
- Other funds	497,287	430,250	680,313
- Other interest revenue (refer note 25)	895,982	150,000	384,453
	<u>3,576,356</u>	<u>3,398,954</u>	<u>2,445,100</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

The City is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

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

GOVERNANCE

Functions relating to the Councillors and the running of Council. Expenditure includes the running of elections, payments of expenses to Councillors and non statutory donations.

GENERAL PURPOSE FUNDING

Rating (including ex-gratia contributions), interest revenues and general purpose Government grant functions. Includes the Financial Assistance Grant received from the Local Government Grants Commission and all other rate income.

LAW, ORDER, PUBLIC SAFETY

Supervision of various by-laws, fire and emergency services, and animal control. Includes expenditure for the Ranger Services, State Emergency Service and disaster preparation and recovery expenses.

HEALTH

Food control, immunisation services, mosquito control and maintenance of child health centres. Expenditure includes the maintenance of the child health clinic buildings, various health promotions and pest control expenses mainly relating to mosquito control.

EDUCATION AND WELFARE

Maintain preschool facilities and day care centres. This includes expenditure in maintaining the day care centre buildings and also donations to schools for awards etc.

HOUSING

Maintenance and operational expenses associated with the provision of staff housing.

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Rubbish collection services, operation of tip, administration of town planning schemes and operation of cemeteries. Also included are the costs associated with the maintaining and cleaning of public toilets.

RECREATION AND CULTURE

Maintenance of halls, swimming pool, recreation centres, various reserves and operation of libraries. Expenditure includes the cost of the Karratha Leisureplex and other pavilions, ovals and parks maintenance, Roebourne Swimming Pool, coastal rehabilitation, and four libraries. Expenses relating to the historical town of Cossack, the Moonrise Cinema and JJJ radio re-broadcasting are also included in this function.

TRANSPORT

Construction and maintenance of roads, drainage, footpaths, parking facilities, traffic signs and the aerodrome. It includes expenditure for the construction and maintenance of the roads, footpaths and also the expenditure relating to parking control and the operation of the Karratha & Roebourne Airport.

ECONOMIC SERVICES

Tourism and administration of building controls. Expenditure includes Councils contributions to the Karratha and Roebourne Visitor Centres and the Pilbara Tourism Association, and the costs associated with building control.

OTHER PROPERTY AND SERVICES

Private works and other unclassified works. It also includes expenditure relating to plant operations and the Technical Services division however these costs are then reallocated to other functions. The costs associated with financing and administration are allocated direct to the relevant functions.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/13 \$	Received ⁽²⁾ 2013/14 \$	Expended ⁽³⁾ 2013/14 \$	Closing Balance ⁽¹⁾ 30/06/14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance 30/06/15 \$		
Roebourne Community Recreation Assoc Inc	23,024	0	0	23,024	0	0	23,024	(1)	*
PDC Hydrology Grant	40,000	0	0	40,000	0	0	40,000	(1)	*
Walking Paths Network - Landcorp	6,407	0	(6,407)	0	0	0	0		
FESA - BFB Operating Grant funding 11/12	4,312	0	(4,312)	0	0	0	0		
Landcorp Regional Development Assistance Program (RDAP)	75,026	0	(75,026)	0	0	0	0		
Financial Assistance Grant 13/14	1,787,346	0	(1,787,346)	0	0	0	0		
Rio Tinto - Wickham Recreation and Community Facilities Project	132,087	300,000	(246,932)	185,155	0	0	185,155	(1)	*
Rio Tinto - Dampier Community Hub	447,556	4,000,000	(636,350)	3,811,206	6,000,000	(2,142,662)	7,668,544	(2)	*
Woodside Energy Ltd - 2013 Youth Leadership Network Program	17,543	0	(17,543)	0	0	0	0		
Attorney General Dept - CCTV/Graffiti Act	90,000	0	0	90,000	0	(90,000)	0	(3)	
WA Police - Karratha CCTV	25,000	0	0	25,000	0	0	25,000	(1)	*
Community Crime Prevention Grant - Lighting the Park	25,000	0	0	25,000	0	(25,000)	0	(3)	
Rio Tinto - Wickham / Roebourne SES Facility	0	200,000	0	200,000	200,000	(336,184)	63,816	(2)	*
Rio Tinto - Partnership Management Team	0	756,000	(702,949)	53,051	2,793,800	(2,793,191)	53,660	(2)	*
Rio Tinto - Community Development Services	0	0	0	0	1,352,000	(624,714)	727,286	(2)	*
Curtin University - Tobacco Control	0	5,000	(2,880)	2,120	0	(2,120)	0	(3)	
Department Of Health (Mosquito Control) - FIMMWA	0	5,600	(2,802)	2,798	0	(2,798)	0	(3)	
Pilbara Youth Justice Service	0	5,000	0	5,000	0	0	5,000	(1)	*
Woodside Energy Ltd - Cleansweep Taskforce Initiative	0	90,000	(70,000)	20,000	0	(20,000)	0	(3)	
Pilbara Industry Road Safety Alliance	0	88,200	(24,394)	63,806	60,000	(15,446)	108,360	(2)	*
PDC - Roebourne Community Aquatic Centre	0	0	0	0	20,000	0	20,000	(2)	#
Fleetwood Corporation - Searipple Precinct Foreshore Works	0	0	0	0	44,825	0	44,825	(2)	*
Landcorp - Effluent Reuse Scheme	0	0	0	0	1,985,000	0	1,985,000	(2)	*
WaterCorp - Karratha Water Recycling Scheme	0	0	0	0	500,000	0	500,000	(2)	*
PRC - Contribution to Sullage Point	0	0	0	0	11,100	(7,500)	3,600	(2)	#
DSC - VisAbility Grant	0	0	0	0	12,000	(8,777)	3,223	(2)	#
Total	2,673,301	5,449,800	(3,576,941)	4,546,160	12,978,725	(6,068,392)	11,456,493		

Notes:

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

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

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

(*) - Grants/contributions have been received in Municipal cash but have been transferred to Restricted Reserve cash funds in 2014/15

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	Note	2015 \$	2014 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		0	0
- Cash on Hand		18,705	18,455
- Cash at Municipal Bank		1,249,854	2,325
Restricted - Municipal (Unspent Grants/Contributions)		26,823	4,918
Restricted - Reserves		<u>84,089,305</u>	<u>62,904,777</u>
		<u>85,384,687</u>	<u>62,930,475</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlement Reserve	10	3,786,466	2,299,046
Aerodrome Reserve	10	4,703,106	14,722,172
Walkington Theatre Reserve	10	29,500	28,457
Plant Replacement Reserve	10	1,856,646	2,448,687
Workers Compensation Reserve	10	487,806	644,269
Waste Management Reserve	10	18,491,943	18,552,708
Infrastructure Reserve	10	27,101,159	18,132,785
Housing Reserve	10	315,000	0
Aged Persons Unit Reserve	10	76,384	73,651
Public Open Space Reserve	10	0	730
History & Cultural Publications Reserve	10	0	55,919
Mosquito Control Reserve	10	6,234	5,462
Medical Services Assistance Package Reserve	10	275,666	265,803
Community Development Reserve	10	549,449	1,149,692
Carry Forward Budget Reserve	10	4,223,638	0
Restricted Funds Reserve	10	275,982	275,982
Partnership Reserve	10	11,932,058	4,249,414
Pilbara Underground Power Reserve	10	9,978,268	0
Unspent grants	2(c)	<u>26,823</u>	<u>4,918</u>
		<u>84,116,128</u>	<u>62,909,695</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	Note	2015 \$	2014 \$
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates Outstanding		2,100,461	2,597,895
- Service Charge		5,829,349	0
- Rubbish		1,020,799	1,158,350
- Fees and Charges for Services		425,360	62,510
- Private Works		3,487	3,487
- Income from Property		55,153	56,641
- Aerodrome		5,421,862	6,063,358
- Grants and Contributions		5,501,758	1,171,183
- Reimbursements and General		(476,407)	53,813
- Excess Rates Receipts		(413,592)	(1,410,616)
Staff Housing Bonds		67,085	129,961
Self Supporting Loans		0	3,143
Pensioner Rebates Unclaimed		34,767	0
Accrued Income		1,574,633	1,343,336
Prepayments		106,245	333,855
Less Provision for Doubtful Debts		(703,254)	(68,352)
GST receivable		231,704	446,259
Loans - clubs/institutions		243,423	0
		<u>21,022,833</u>	<u>11,944,823</u>
Non-current			
Loans - clubs/institutions		547,812	50,260
Service Charge		6,378,811	0
		<u>6,926,623</u>	<u>50,260</u>
5. INVENTORIES			
Current			
Fuel and materials		480,173	391,802
Food, Drinks & Merchandise Roebourne Aquatic Centre		876	1,267
Food, Drinks & Merchandise Youth Shed		3,356	2,584
Food, Drinks & Merchandise Wickham Recreation Precinct		606	0
Food, Drinks & Merchandise Karratha Leisureplex		3,175	6,236
Land held for resale - cost			
Cost of acquisition		524,251	0
		<u>1,012,437</u>	<u>401,889</u>
Non-current			
Land held for resale - cost			
Cost of acquisition		0	0
Development costs		0	0
		<u>0</u>	<u>0</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2014 \$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Freehold land at:		
- Independent valuation 2013 - level 2	29,782,661	34,009,000
- Additions after valuation - cost	1,574	615,000
	<u>29,784,235</u>	<u>34,624,000</u>
Land vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	395,000	395,000
- Management Valuation 2014	169,454	169,454
	<u>564,454</u>	<u>564,454</u>
Total Land	<u>30,348,689</u>	<u>35,188,454</u>
Buildings at:		
- Independent valuation 2013 - level 2	119,791,141	75,603,000
- Additions after valuation - cost	1,643,435	51,171,846
Less: accumulated depreciation	(4,442,194)	(1,908,400)
	<u>116,992,382</u>	<u>124,866,446</u>
Equipment (External) at:		
- Management valuation 2013 - level 3 at:	3,253,968	3,100,507
- Additions after valuation - cost at:	86,404	220,628
Less accumulated depreciation	(3,019,491)	(2,957,263)
	<u>320,881</u>	<u>363,872</u>
Furniture & Equipment at:		
- Management valuation 2013 - level 2	6,372,496	5,412,538
- Additions after valuation - cost	626,676	1,059,580
Less accumulated depreciation	(4,425,054)	(3,716,603)
	<u>2,574,118</u>	<u>2,755,515</u>
Artwork and Sculptures at:		
- Management valuation 2015 - level 3	865,250	0
- Cost	0	1,019,235
Less accumulated depreciation	0	(54,566)
	<u>865,250</u>	<u>964,669</u>
Plant at:		
- Management valuation 2013 - level 1	13,065,126	13,747,353
- Additions after valuation - cost	2,464,309	1,074,248
Less accumulated depreciation	(6,289,814)	(5,428,738)
	<u>9,239,621</u>	<u>9,392,863</u>
Works in Progress	37,618,867	8,683,070
	<u>197,959,808</u>	<u>182,214,889</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) 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.

	Fair Value Hierarchy	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Freehold land	Level 2	34,624,000	1,574	(450,000)	0	(4,389,765)	0	(1,574)	29,784,235
Land vested in and under the control of Council	Level 3	564,454	0	0	0	0	0	0	564,454
Total land		35,188,454	1,574	(450,000)	0	(4,389,765)	0	(1,574)	30,348,689
Buildings	Level 2	124,866,446	1,687,343	(193,096)	0	(6,693,482)	(2,630,995)	(43,834)	116,992,382
Total buildings		124,866,446	1,687,343	(193,096)	0	(6,693,482)	(2,630,995)	(43,834)	116,992,382
Total land and buildings		160,054,900	1,688,917	(643,096)	0	(11,083,247)	(2,630,995)	(45,408)	147,341,071
Equipment (External)	Level 3	363,872	86,404	0	0	0	(129,397)	2	320,881
Furniture & Equipment	Level 2	2,755,515	626,676	(23,777)	0	0	(784,293)	(3)	2,574,118
Artwork and Sculptures	Level 3	964,669	0	(21,469)	(57,730)	0	(20,220)	0	865,250
Plant	Level 1	9,392,863	2,464,309	(744,930)	0	0	(1,872,621)	0	9,239,621
Works in Progress		8,683,070	28,890,391	0	0	0	0	45,406	37,618,867
Rounding		0	0	0	0	0	0	3	3
Total property, plant and equipment		182,214,889	33,756,697	(1,433,272)	(57,730)	(11,083,247)	(5,437,526)	0	197,959,811

The revaluation of artwork assets resulted in a decrease on revaluation of \$57,730 in the net value of artworks. All of this decrease was recognised as fair value adjustments to financial assets at fair value through profit or loss in the Statement of Comprehensive Income.

The impairment of land and building marketable assets resulted in an impairment of \$11,083,247 in the net value of land and buildings. This impairment was debited to the revaluation surplus in the City's equity (refer Note 11).

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2014 \$
7 (a). INFRASTRUCTURE		
Roads		
- Management valuation 2015 - level 3	357,077,603	0
- Cost	0	73,120,984
Less accumulated depreciation	<u>0</u>	<u>(50,899,587)</u>
	357,077,603	22,221,397
Footpaths		
- Management valuation 2015 - level 3	30,813,725	0
- Cost	0	10,048,633
Less accumulated depreciation	<u>0</u>	<u>(4,351,582)</u>
	30,813,725	5,697,051
Aerodromes		
- Independent valuation 2015 - level 3	63,697,864	0
- Management valuation 2015 - level 3	136,564	0
- Cost	0	57,337,795
Less accumulated depreciation	<u>0</u>	<u>(12,858,759)</u>
	63,834,428	44,479,036
Parks & Gardens		
- Independent valuation 2015 - level 3	5,197,030	0
- Cost	0	12,899,586
Less accumulated depreciation	<u>0</u>	<u>(1,246,275)</u>
	5,197,030	11,653,311
Hardcourt Facilities		
- Independent valuation 2015 - level 3	7,957,736	0
- User defined	0	7,460,595
Less accumulated depreciation	<u>0</u>	<u>(1,268,542)</u>
	7,957,736	6,192,053
Bridges & Culverts		
- Independent valuation 2015 - level 3	28,509,920	0
- Cost	0	5,141,228
Less accumulated depreciation	<u>0</u>	<u>(4,284,366)</u>
	28,509,920	856,862
Drainage		
- Independent valuation 2015 - level 3	1,576,431	0
- Cost	0	2,850,394
Less accumulated depreciation	<u>0</u>	<u>(564,428)</u>
	1,576,431	2,285,966
Boat Ramps & Jetties		
- Independent valuation 2015 - level 3	4,009,768	0
- Cost	0	2,415,002
Less accumulated depreciation	<u>0</u>	<u>(1,804,486)</u>
	4,009,768	610,516
Miscellaneous Structures		
- Independent valuation 2015 - level 3	16,935,083	0
- Management valuation 2015 - level 3	2,350	0
- Cost	0	26,141,830
Less accumulated depreciation	<u>0</u>	<u>(3,564,441)</u>
	16,937,433	22,577,389

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
7 (a). INFRASTRUCTURE (Continued)		
Works in Progress	15,177,401	10,489,381
	<u>531,091,475</u>	<u>127,062,962</u>

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions.

This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires infrastructure to be shown at fair value.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of the Year \$
Roads	22,221,397	57,255,952	0	272,265,766	0	(2,693,304)	8,027,792	357,077,603
Footpaths	5,697,051	1,947,781	0	24,543,432	0	(489,640)	(884,899)	30,813,725
Aerodromes	44,479,036	580,384	0	22,340,114	0	(2,056,395)	(1,508,711)	63,834,428
Parks & Gardens	11,653,311	1,019,012	0	(11,317,387)	0	(128,900)	3,970,994	5,197,030
Hardcourt Facilities	6,192,053	174,098	0	616,856	0	(147,309)	1,122,038	7,957,736
Bridges & Culverts	856,862	104,782	(85,546)	27,654,868	0	(277,135)	256,089	28,509,920
Drainage	2,285,966	0	0	113,738	0	(37,646)	(785,627)	1,576,431
Boat Ramps & Jetties	610,516	406,537	0	3,662,964	0	(175,480)	(494,769)	4,009,768
Miscellaneous Structures	22,577,389	738,384	0	4,509,493	0	(1,268,016)	(9,619,817)	16,937,433
Transfers to/ (from) WIP	10,489,381	4,771,110	0	0	0	0	(83,090)	15,177,401
Rounding	0	0	0	0	0	0	0	0
Total infrastructure	127,062,962	66,998,040	(85,546)	344,389,844	0	(7,273,825)	0	531,091,475

The revaluation of infrastructure assets resulted in an increase on revaluation of \$344,389,844 in the net value of infrastructure.

Increases totalling \$355,707,232 were credited to the revaluation surplus in the City's equity (refer Note 11) and were recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income. Decreases in value totalling (\$11,317,387) for Parks & Gardens were recognised in profit and loss.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Roads	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Footpaths	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Aerodromes	Level 3	Cost approach using depreciated replacement cost	Independent and Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Parks & Gardens	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Hardcourt Facilities	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Bridges & Culverts	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Drainage	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Boat Ramps & Jetties	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Miscellaneous Structures	Level 3	Cost approach using depreciated replacement cost	Independent and Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	8,882,020	8,831,597
Other Liabilities	46,155	(17,008)
Retention Monies	248,402	261,915
Accrued Expenses	395,315	(23,038)
Accrued salaries and wages	1,078,772	849,399
ATO liabilities	(77)	33
Income Received in Advance	5,668,528	777,896
Net Trust Liabilities	139,098	9,793
	<u>16,458,213</u>	<u>10,690,587</u>

The City did not have any long term borrowings at the reporting date.

9. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2014	2,358,354	1,032,405	3,390,759
Non-current provisions	<u>0</u>	<u>1,328,725</u>	<u>1,328,725</u>
	2,358,354	2,361,130	4,719,484
Additional provision	2,999,362	(458,984)	2,540,378
Amounts used	(2,748,254)	(175,245)	(2,923,499)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	<u>20,852</u>	<u>98,592</u>	<u>119,444</u>
Balance at 30 June 2015	<u>2,630,314</u>	<u>1,825,493</u>	<u>4,455,807</u>
Comprises			
Current	2,630,314	1,119,829	3,750,143
Non-current	<u>0</u>	<u>705,664</u>	<u>705,664</u>
	<u>2,630,314</u>	<u>1,825,493</u>	<u>4,455,807</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2015 Budget \$	2014 \$
10. RESERVES - CASH BACKED			
(a) Employee Entitlement Reserve			
Opening balance	2,299,046	2,060,821	2,240,849
Amount set aside / transfer to reserve	1,487,420	74,184	58,197
Amount used / transfer from reserve	0	0	0
	<u>3,786,466</u>	<u>2,135,005</u>	<u>2,299,046</u>
(b) Aerodrome Reserve			
Opening balance	14,722,172	19,584,133	12,997,991
Amount set aside / transfer to reserve	780,883	705,024	1,724,181
Amount used / transfer from reserve	(10,799,949)	(9,492,459)	0
	<u>4,703,106</u>	<u>10,796,698</u>	<u>14,722,172</u>
(c) Dampier Drainage Reserve			
Opening balance	0	529	26,765
Amount set aside / transfer to reserve	0	24	661
Amount used / transfer from reserve	0	0	(27,426)
	<u>0</u>	<u>553</u>	<u>0</u>
(d) Walkington Theatre Reserve			
Opening balance	28,457	5,639	5,087
Amount set aside / transfer to reserve	1,043	204	23,370
Amount used / transfer from reserve	0	0	0
	<u>29,500</u>	<u>5,843</u>	<u>28,457</u>
(e) Plant Replacement Reserve			
Opening balance	2,448,687	2,020,917	2,384,844
Amount set aside / transfer to reserve	81,265	1,774,056	63,843
Amount used / transfer from reserve	(673,306)	(1,192,000)	0
	<u>1,856,646</u>	<u>2,602,973</u>	<u>2,448,687</u>
(f) Workers Compensation Reserve			
Opening balance	644,269	647,993	627,977
Amount set aside / transfer to reserve	23,908	23,328	16,292
Amount used / transfer from reserve	(180,371)	0	0
	<u>487,806</u>	<u>671,321</u>	<u>644,269</u>
(g) Waste Management Reserve			
Opening balance	18,552,708	19,100,332	17,323,878
Amount set aside / transfer to reserve	1,271,224	6,144,849	1,228,830
Amount used / transfer from reserve	(1,331,989)	(6,110,466)	0
	<u>18,491,943</u>	<u>19,134,715</u>	<u>18,552,708</u>
(h) Infrastructure Reserve			
Opening balance	18,132,785	14,696,573	2,880,775
Amount set aside / transfer to reserve	11,412,165	7,343,491	17,593,647
Amount used / transfer from reserve	(2,443,791)	(4,836,588)	(2,341,637)
	<u>27,101,159</u>	<u>17,203,476</u>	<u>18,132,785</u>
(i) Housing Reserve			
Opening balance	0	0	0
Amount set aside / transfer to reserve	315,000	0	0
Amount used / transfer from reserve	0	0	0
	<u>315,000</u>	<u>0</u>	<u>0</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2015 Budget \$	2014 \$
10. RESERVES - CASH BACKED (CONTINUED)			
(j) Aged Persons Unit Reserve			
Opening balance	73,651	74,077	71,756
Amount set aside / transfer to reserve	2,733	2,664	1,895
Amount used / transfer from reserve	0	0	0
	<u>76,384</u>	<u>76,741</u>	<u>73,651</u>
(k) Junior Sport Reserve			
Opening balance	0	1,800	93,363
Amount set aside / transfer to reserve	0	60	2,260
Amount used / transfer from reserve	0	(1,800)	(95,623)
	<u>0</u>	<u>60</u>	<u>0</u>
(l) Public Open Space Reserve			
Opening balance	730	698	0
Amount set aside / transfer to reserve	0	0	730
Amount used / transfer from reserve	(730)	0	0
	<u>0</u>	<u>698</u>	<u>730</u>
(m) History & Cultural Publications Reserve			
Opening balance	55,919	56,244	54,498
Amount set aside / transfer to reserve	0	2,028	1,421
Amount used / transfer from reserve	(55,919)	(56,244)	0
	<u>0</u>	<u>2,028</u>	<u>55,919</u>
(n) Mosquito Control Reserve			
Opening balance	5,462	4,939	4,792
Amount set aside / transfer to reserve	772	180	670
Amount used / transfer from reserve	0	0	0
	<u>6,234</u>	<u>5,119</u>	<u>5,462</u>
(o) Medical Services Assistance Package Reserve			
Opening balance	265,803	234,005	259,026
Amount set aside / transfer to reserve	9,863	8,424	6,777
Amount used / transfer from reserve	0	(56,000)	0
	<u>275,666</u>	<u>186,429</u>	<u>265,803</u>
(p) Royalties for Regions Reserve			
Opening balance	0	0	630
Amount set aside / transfer to reserve	0	0	0
Amount used / transfer from reserve	0	0	(630)
	<u>0</u>	<u>0</u>	<u>0</u>
(q) Community Development Reserve			
Opening balance	1,149,692	900,251	871,775
Amount set aside / transfer to reserve	314,365	563,912	1,975,739
Amount used / transfer from reserve	(914,608)	(531,500)	(1,697,822)
	<u>549,449</u>	<u>932,663</u>	<u>1,149,692</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2015 Budget \$	2014 \$
10. RESERVES - CASH BACKED (CONTINUED)			
(r) Carry Forward Budget Reserve			
Opening balance	0	0	1,787,346
Amount set aside / transfer to reserve	4,223,638	0	0
Amount used / transfer from reserve	<u>0</u>	<u>0</u>	<u>(1,787,346)</u>
	<u>4,223,638</u>	<u>0</u>	<u>0</u>
(s) Restricted Funds Reserve			
Opening balance	275,982	183,040	1,053,156
Amount set aside / transfer to reserve	0	0	92,942
Amount used / transfer from reserve	<u>0</u>	<u>0</u>	<u>(870,116)</u>
	<u>275,982</u>	<u>183,040</u>	<u>275,982</u>
(t) Partnership Reserve			
Opening balance	4,249,414	4,409,765	0
Amount set aside / transfer to reserve	16,594,259	158,748	4,249,414
Amount used / transfer from reserve	<u>(8,911,615)</u>	<u>(3,005,329)</u>	<u>0</u>
	<u>11,932,058</u>	<u>1,563,184</u>	<u>4,249,414</u>
(u) Pilbara Underground Power Reserve			
Opening balance	0	0	0
Amount set aside / transfer to reserve	19,122,119	18,665,280	0
Amount used / transfer from reserve	<u>(9,143,851)</u>	<u>0</u>	<u>0</u>
	<u>9,978,268</u>	<u>18,665,280</u>	<u>0</u>
TOTAL RESERVES	<u>84,089,305</u>	<u>74,165,826</u>	<u>62,904,777</u>
Total Opening balance	62,904,777	63,981,756	42,684,508
Total Amount set aside / transfer to reserve	55,640,657	35,466,456	27,040,869
Total Amount used / transfer from reserve	<u>(34,456,129)</u>	<u>(25,282,386)</u>	<u>(6,820,600)</u>
TOTAL RESERVES	<u>84,089,305</u>	<u>74,165,826</u>	<u>62,904,777</u>

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

10. Amount used / transfer from reserve (CONTINUED)

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

(a) Employee Entitlement Reserve

To fund employee leave entitlements when on extended leave, including long service leave as well as periods of Annual Leave for periods greater than 4 weeks duration thereby retaining salary and wages budgets for the funding of replacement staffing during extended periods of leave.

(b) Aerodrome Reserve

The purpose of this reserve is to fund the development, operation and maintenance of the Karratha Airport, inclusive of any repayments of borrowings and the funding of employee entitlements.

(c) Dampier Drainage Reserve

This reserve is maintained as part of an agreement between the Council and Hamersley Iron. The purpose of the reserve is to ensure funds are available for the maintenance of drainage in Dampier. Hamersley Iron pay to the Council each year a \$10,000 contribution towards this maintenance with any additional works required being drawn from this reserve and similarly, any funds remaining unspent being transferred to this reserve.

(d) Walkington Theatre Reserve

The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.

(e) Plant Replacement Reserve

The purposes of this reserve is to fund the capital purchase of plant and equipment.

(f) Workers Compensation Reserve

The purpose of this reserve is to provide Council with sufficient funds to cover its potential liability in regard to the performance based workers compensation scheme of Local Government Insurance Services of which the City of Karratha is a member. Funds within the Reserve that become surplus to requirements will be transferred to Council's Employee Entitlements Reserve via way of Council's Annual Budget.

(g) Waste Management Reserve

The purpose of this reserve is to fund development, operation and maintenance of the Council's Waste Management facilities inclusive of repayments of borrowings and the funding of employee entitlements.

(h) Infrastructure Reserve

The purpose of this reserve is to allow for the use of these reserve funds for the enhancement, replacement, refurbishment and purchase of infrastructure assets or project works of the City of Karratha inclusive of the associated repayment of borrowings on infrastructure. Project works funded from this Reserve may not necessarily belong to the City of Karratha but must be carried out for the benefit of the City of Karratha.

(i) Housing Reserve

The purpose of this reserve is to fund the maintenance, refurbishment, replacement and construction of staff housing inclusive of the purchase. This reserve is funded by annual allocations from the Municipal Fund and from sale of Staff Housing.

(j) Aged Persons Unit Reserve

The purposes of this reserve is to assist in the transfer of Seniors from the current senior's village on Welcome Road to the new village provisioned by the State Government. As this project has been finalised, the remainder of these funds will be transferred to municipal funds in the 2015/16 year.

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

10. Amount used / transfer from reserve (CONTINUED)

(k) Junior Sport Reserve

The purpose of this Reserve is to fund the development of junior sport within the City of Karratha including infrastructure.

This Reserve was budgeted to be closed in the 2014/15 Financial Year.

(l) Public Open Space Reserve

The purpose of this Reserve is to fund future developments of public open spaces funded by proceeds from the undertaking of Land Transactions and Community Contributions received for the purpose of Public Open Space.

This Reserve was budgeted to be closed in the 2014/15 Financial Year.

(m) History & Cultural Publications Reserve

The purpose of this Reserve is to fund future history and cultural publications. The income is generated from the sale of these publications.

This Reserve was budgeted to be closed in the 2014/15 Financial Year.

(n) Mosquito Control Reserve

The purpose of this Reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.

(o) Medical Services Assistance Package Reserve

The purpose of this Reserve is to fund future assistance to Medical Services in accordance with Council's participation in the Medical Services Incentive Scheme. This is inclusive of retention payments to General Practitioner's in accordance with the Medical Services Incentive Scheme.

(p) Royalties for Regions Reserve

The purpose of this reserve is to hold unexpended grant revenues, and associated interest, from the State Government's Royalties for Regions programme.

(q) Community Development Reserve

The purpose of this Reserve is to hold Annual Community Association Grant Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Grant Scheme.

(r) Carry Forward Budget Reserve

This reserve is for the purpose of preserving projects funds carried over.

(s) Restricted Funds Reserve

This reserve is for the purpose of holding Unexpended or prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.

(t) Heavy Haulage Reserve

This reserve is for the purpose of funding the maintenance of Heavy Haulage Roads

Please note that not funds have been received to date.

(t) Partnership Reserve

This reserve is maintained as part of the Community Infrastructure and Services Partnership (the Partnership) and the related funding agreements between the Council and Rio Tinto Iron Ore. The purpose of the reserve is to preserve funds received under each funding agreement under the Partnership and restrict the funds for the purpose of each funding agreement.

(u) Pilbara Underground Power Reserve

The purpose of this reserve is to secure the unspent portions pertaining to the City of Karratha's share of costs in relation to the Pilbara Underground Power Project.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

11. REVALUATION SURPLUS	2015	2014
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
(a) Land and buildings		
Opening balance	48,927,908	15,910,120
Revaluation increment	(2)	34,843,598
Disposal of Revalued Assets	(726,866)	(1,825,810)
Impairment of Revalued Assets	(11,083,247)	0
Rounding	1	0
	<u>37,117,794</u>	<u>48,927,908</u>
(b) Infrastructure		
Opening balance	136,395	0
Revaluation increment	355,707,232	136,395
Disposal Of Revalued Assets	(136,395)	0
	<u>355,707,232</u>	<u>136,395</u>
(c) Other Infrastructure		
Opening balance	200	0
Revaluation increment	0	200
Revaluation decrement	0	0
	<u>200</u>	<u>200</u>
TOTAL ASSET REVALUATION SURPLUS	<u><u>392,825,226</u></u>	<u><u>49,064,503</u></u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

12. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	2015 \$	2015 Budget \$	2014 \$
Cash and cash equivalents	<u>85,384,687</u>	<u>75,335,826</u>	<u>62,930,475</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	108,665,489	38,283,041	33,382,052
Non-cash flows in Net result:			
Depreciation	12,711,351	11,202,287	9,858,361
(Profit)/Loss on sale of asset	562,508	581,589	2,078,702
Loss on revaluation of fixed assets	11,375,117	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(15,216,541)	(2,000,000)	(2,175,020)
(Increase)/Decrease in inventories	(86,297)	0	47,372
Increase/(Decrease) in payables	5,764,854	(1,207,876)	1,139,744
Increase/(Decrease) in provisions	(263,677)	514,116	138,370
Grants contributions for the development of assets	(11,508,482)	(6,682,101)	(16,392,796)
Net cash from operating activities	<u>112,004,322</u>	<u>40,691,056</u>	<u>28,076,785</u>

	2015 \$	2014 \$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	0	0
Credit card limit	185,000	200,000
Credit card balance at balance date	(57,456)	(60,625)
Total amount of credit unused	<u>1,127,544</u>	<u>1,139,375</u>
Loan facilities		
Loan facilities - current	0	0
Loan facilities - non-current	0	0
Total facilities in use at balance date	<u>0</u>	<u>0</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

13. CONTINGENT LIABILITIES

In late June, Council received notification of mediation between the property owners of a property rated as Transient Workforce Accommodation and the Valuer General. At the time of production of this document, the financial impact of this mediation remained yet to be determined.

As part of the Pilbara Underground Power Project, Council entered into a funding agreement with Horizon Power for the purpose of managing and implementing the program. The funding agreement was for the lesser of 25% of the total expended amount and \$34,550,000, with associated expenses to be recognised as incurred. At the time of production of this document the project was ongoing and therefore the final amount is unable to be determined.

	2015	2014
	\$	\$
14. CAPITAL AND LEASING COMMITMENTS		
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but		
Payable:		
- not later than one year	231,823	130,400
- later than one year but not later than five years	0	1,057,530
- later than five years	0	0
	<u>231,823</u>	<u>1,187,930</u>
(b) Capital Expenditure Commitments		
Karratha Arts & Community Precinct	1,613,917	342,265
Karratha Leisureplex	0	5,000
Karratha/Wickham/Roebourne SES	0	311,178
Karratha Youth Shed	0	8,084
Karratha Water Infrastructure Upgrade	0	115,130
Effluent Systems Upgrade	7,603,765	72,538
Dampier Community Hub	11,036,338	212,366
Karratha Airport Terminal	3,647,251	26,111,903
Road Reseals & Upgrades	2,358,003	0
Wickham Community Hub	883,362	0
Plant Purchases	759,190	0
7 Mile Building Improvements	0	95,239
Skate park Program	302,815	20,000
Roebourne Skate Park	0	91,673
Various Outstanding Purchase Orders	696,296	0
	<u>28,900,937</u>	<u>27,385,376</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

15. JOINT VENTURE ARRANGEMENTS

The City is not involved in any joint venture arrangements.

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2015	2014
	\$	\$
Governance	100,613,591	559
General purpose funding	10,613,209	10,613,209
Law, order, public safety	1,146,634	1,621,457
Health	983,170	983,170
Education and welfare	2,593,500	2,593,500
Housing	43,230,327	42,849,568
Community amenities	38,004,311	10,944,176
Recreation and culture	139,152,141	129,817,772
Transport	432,581,524	100,703,177
Economic services	494,340	448,224
Other property and services	9,479,226	8,703,037
Unallocated	64,505,890	75,327,449
	<u>843,397,863</u>	<u>384,605,298</u>

17. FINANCIAL RATIOS

	2015	2014	2013
Current ratio	1.45	1.09	1.01
Asset sustainability ratio	0.71	1.22	1.79
Debt service cover ratio	N/A*	401.28	1.94
Operating surplus ratio	0.82	0.20	0.26
Own source revenue coverage ratio	1.19	1.10	1.12

* Due to Council having nil debt, the debt service cover ratio is not applicable

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 sustainability ratio
$$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$$

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

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 59 of this document.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

18. TRUST FUNDS

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

	Balance 1 July 2014 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2015 \$
Building/Kerb Deposits	7,450	0	0	7,450
Hall Hire Bonds	11,555	3,501	(4,001)	11,055
Verge Bonds	431,000	169,050	(143,000)	457,050
Retention Funds	21,860	0	0	21,860
Staff Housing Bonds	1,392	4,647	(6,039)	0
Staff Airport Parking Cards	650	1,450	0	2,100
Staff Travel Allowances	68,893	37,480	(38,789)	67,584
Other Deposits				
Bonds & Guarantees	2,536,859	74,373	(418,658)	2,192,574
Airport ASIC Cards	3,550	1,300	(250)	4,600
Bonds & Guarantees (old)	2,520	0	0	2,520
Kerb Deposits (old)	2,800	0	0	2,800
Stale Cheques	3,915	0	0	3,915
ATM Monies	820	0	0	820
Unclaimed Wages	37	0	0	37
NADC Research Funds	805	0	0	805
	<u>3,094,106</u>			<u>2,775,170</u>

19. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Artwork						
Governance						
30000041 Artwork/Sculpture	563	0	0	0	(563)	0
80000003 Reproduction Photo	111	0	0	0	(111)	0
80000004 Reproduction Photo	111	0	0	0	(111)	0
80000005 Reproduction Photo	296	0	0	0	(296)	0
80000006 Reproduction Photo	296	0	0	0	(296)	0
80000007 Reproduction Photo	296	0	0	0	(296)	0
80000008 Reproduction Photo	296	0	0	0	(296)	0
80000009 Reproduction Photo	296	0	0	0	(296)	0
80000010 Reproduction Photo	296	0	0	0	(296)	0
80000011 Reproduction Photo	296	0	0	0	(296)	0
80000012 Reproduction Photo	445	0	0	0	(445)	0
80000023 Artwork/Sculpture	2,960	0	0	0	(2,960)	0
80000025 Artwork/Sculpture	89	0	0	0	(89)	0
80000026 Artwork/Sculpture	185	0	0	0	(185)	0
80000027 Reproduction Photo	296	0	0	0	(296)	0
80000028 Reproduction Photo	296	0	0	0	(296)	0

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

19. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR (Continued)

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
80000029 Reproduction Photo	296	0	0	0	(296)	0
80000030 Reproduction Photo	296	0	0	0	(296)	0
80000031 Reproduction Photo	296	0	0	0	(296)	0
80000032 Reproduction Photo	296	0	0	0	(296)	0
80000033 Reproduction Photo	296	0	0	0	(296)	0
80000034 Reproduction Photo	296	0	0	0	(296)	0
80000035 Reproduction Photo	296	0	0	0	(296)	0
80000036 Reproduction Photo	185	0	0	0	(185)	0
80000037 Reproduction Photo	185	0	0	0	(185)	0
80000038 Reproduction Object	3,700	0	0	0	(3,700)	0
80000043 Artwork/Sculpture	994	0	0	0	(994)	0
80000054 Artwork/Sculpture	282	0	0	0	(282)	0
Recreation and culture						
80000039 Didactic boards	667	0	0	0	(667)	0
80000040 Didactic boards	1,184	0	0	0	(1,184)	0
Transport						
80000041 Aboriginal Artefacts	3,246	0	0	0	(3,246)	0
80000060 Artwork/Sculpture	536	0	0	0	(536)	0
80000061 Artwork/Sculpture	1,283	0	0	0	(1,283)	0
Land						
Housing						
212 Richardson Way	450,000	0	238,938		(211,062)	0
Buildings						
Housing						
212 Richardson Way	143,398	0	76,062	0	(67,336)	0
8 McRae Court (Partial)	0	0	0	0	0	0
54 Sholl Street (Partial)	0	0	0	0	0	0
5A Leonard Way (Partial)	7,441	0	0	0	(7,441)	0
7A Leonard Way (Partial)	7,164	0	0	0	(7,164)	0
7B Leonard Way (Partial)	0	0	0	0	0	0
7B Peterson Court (Partial)	739	0	0	0	(739)	0
Community amenities						
Weigbridge Office	11,545	0	2,431	0	(9,114)	0
Weigbridge	0	0	7,294	0	7,294	0
Other property and services						
Roebourne Depot Workshop	23,946	0	0	0	(23,946)	0
Roebourne Depot Office	958	0	0	0	(958)	0
Equipment						
Recreation and culture						
20000526 (P7503)	0	0	2,610	0	2,610	0
20000561 (P7002)	0	0	3,240	0	3,240	0

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

19. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR (Continued)

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Furniture						
Recreation and culture						
30000716 Treadmill	0	0	500	0	500	0
30000202 Gym Equipment	0	0	200	0	200	0
30001390 Thermal Printer	125	0	0	0	(125)	0
30001389 Thermal Printer	125	0	0	0	(125)	0
30000122 Gym Equipment	0	0	100	0	100	0
30000247 Bench	0	0	30	0	30	0
30001413 Dishwasher	1,318	0	0	0	(1,318)	0
56391612 Fan	0	0	4	0	4	0
56392602 Pin Board	0	0	8	0	8	0
Transport						
30001363 Freezer	6,268	0	3,072	0	(3,196)	0
30001496 TV	987	0	0	0	(987)	0
30001502 Chiller	3,871	0	660	0	(3,211)	0
30000881 Umbrellas	3,716	0	0	0	(3,716)	0
30001501 Oven	2,092	0	1,042	0	(1,050)	0
30001572 Dishwasher	3,999	0	1,927	0	(2,072)	0
30001340 Glass Washer	1,276	0	0	0	(1,276)	0
Plant and Equipment						
Governance						
20000616 (P4024)	0	0	248	0	248	0
40000329 (P1001)	15,406	13,408	19,238	11,500	3,832	(1,908)
40000327 (P1003)	0	26,724	0	25,000	0	(1,724)
Law, order, public safety						
40000394 (P1008)	16,012	16,019	17,338	11,500	1,326	(4,519)
40000395 (P1017)	0	20,723	0	11,500	0	(9,223)
40000187 (P294)	41,235	0	0	0	(41,235)	0
40000502 (P502)	8,355	0	0	0	(8,355)	0
	0		0		0	0
Health						
40000323 (P105)	16,058	10,311	16,625	11,500	567	1,189
	0	0	0	0	0	0
Community amenities						
40000332 (P2003)	0	14,760	0	11,500	0	(3,260)
40000339 (P8802)	0	130,819	0	45,000	0	(85,819)
40000334 (P8000)	0	116,577	0	70,000	0	(46,577)
40000404 (P8811)	0	181,632	0	105,000	0	(76,632)
40000336 (P8002)	273,374	311,566	200,000	150,000	(73,374)	(161,566)
40000333 (P2004)	0	13,023	0	11,500	0	(1,523)
40000330 (P1004)	22,505	26,765	30,364	25,000	7,859	(1,765)
Recreation and culture						
40000307 (P050)	13,359	8,160	9,738	11,000	(3,621)	2,840
20000526 (P7503)	0	0	0	750	0	750
40000344 (P2000)	0	10,729	0	10,000	0	(729)
40000345 (P2001)	13,002	13,107	11,875	10,000	(1,127)	(3,107)

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

19. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR (Continued)

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation and culture						
40000346 (P2009)	0	11,691	0	10,000	0	(1,691)
40000347 (P2010)	0	14,366	0	11,500	0	(2,866)
20000561 (P7002)	0	0	0	3,500	0	3,500
40000353 (P7501)	8,771	4,767	7,838	5,000	(933)	233
Transport						
40000418 (P8009)	0	182,694	0	30,000	0	(152,694)
40000370 (P8805)	0	24,437	0	17,000	0	(7,437)
40000361 (P8807)	0	33,735	0	40,000	0	6,265
40000171 (P897)	41,961	23,910	37,375	25,000	(4,586)	1,090
40000326 (P1002)	24,588	25,364	28,738	25,000	4,150	(364)
40000372 (P2012)	9,614	7,439	7,790	5,600	(1,824)	(1,839)
40000128 (P952)	1,446	0	713	0	(733)	0
40000364 (P8006)	79,035	0	16,409	0	(62,626)	0
40000408 (P8812)	104,519	0	141,698	0	37,179	0
40000328 (P2008)	22,530	0	30,875	0	8,345	0
27500036 Power Supply	0	0	9,091	0	9,091	0
Economic services						
40000379 (P1007)	0	12,556	0	9,000	0	(3,556)
	0	0	0	0	0	0
Other property and services						
40000378 (P1006)	10,504	12,398	7,082	9,000	(3,422)	(3,398)
40000349 (P2002)	0	13,326	0	11,500	0	(1,826)
40000374 (P2006)	0	13,499	0	9,500	0	(3,999)
40000367 (P2005)	0	14,225	0	11,500	0	(2,725)
40000375 (P2007)	0	15,753	0	11,500	0	(4,253)
40000327 (P2008)	22,486	25,771	27,075	25,000	4,589	(771)
40000455 (P2025)	0	21,185	0	9,500	0	(11,685)
Infrastructure						
Recreation and culture						
Various Culverts	22,763	0	0	0	(22,763)	0
Transport						
Various Bridges	62,783	0	0		(62,783)	0
	1,520,736	1,371,439	958,228	789,850	(562,508)	(581,589)

Profit	91,172	15,867
Loss	(653,680)	(597,456)
	<u>(562,508)</u>	<u>(581,589)</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

20. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2014 \$	New Loans \$	Principal Repayments		Principal 30 June 2015		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
General purpose funding								
Pilbara Underground Power	0	0	0	354,625	0	2,645,375	0	47,700
Transport								
Karratha Airport Terminal	0	0	0	0	0	5,000,000	0	0
	0	0	0	354,625	0	7,645,375	0	47,700

(*) Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

20. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2014/15

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Pilbara Underground Power	0	3,000,000				0		0	3,000,000	0
Karratha Airport Terminal	0	5,000,000				0		0	5,000,000	0
	0	8,000,000				0		0	8,000,000	0

(c) Unspent Debentures

The City did not have any unspent debentures as at 30 June 2015.

(d) Overdraft

Council established an overdraft facility of \$1,000,000 with Westpac Banking Corporation to assist with short term liquidity requirements. The balance of the bank overdraft at 30 June 2015 was \$0 (2014 was \$0). The facility was renewed for 12 months.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

21. RATING INFORMATION - 2014/15 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV Residential	0.028832	6,457	488,761,411	14,091,969	208,181	18,002	14,318,152	14,111,170	450,000	28,800	14,589,970
GRV Commercial/Tourism/Town Centre/Industry/Mixed Business	0.057664	724	111,368,254	6,421,939	8,942	(11,967)	6,418,914	6,054,416	150,000	9,600	6,214,016
GRV Airport/Workforce Accommodation/Strategic Industry	0.100911	16	11,745,172	1,185,217	0	0	1,185,217	1,185,217	0	0	1,185,217
GRV Transient Workforce Accommodation	0.115328	24	68,872,772	7,942,959	(68,442)	9,745	7,884,262	8,210,401	0	0	8,210,401
Interim Rates			0	0	0	0	0	0	0	0	0
Back Rates			0	0	0	0	0	0	0	0	0
Unimproved Value Valuations											
UV Pastoral	0.065918	11	4,089,600	269,578	(78)	(939)	268,561	269,578	0	0	269,578
UV General Unimproved (Mining & Other)	0.131836	190	7,965,461	1,050,135	44,928	9,465	1,104,528	859,440	0	0	859,440
UV General Unimproved (UV Strategic Industry)	0.164795	28	25,473,380	4,197,886	1,104,127	76,598	5,378,611	5,306,379	0	0	5,306,379
Interim Rates			0	0	0	0	0	0	150,000	0	150,000
Back Rates			0	0	0	0	0	0	0	9,600	9,600
Sub-Totals		7,450	718,276,050	35,159,683	1,297,658	100,904	36,558,245	35,996,601	750,000	48,000	36,794,601
Minimum payment	Minimum \$										
Gross rental value valuations											
Minimum Payment											
GRV Residential	1,400	1,931	0	2,703,400	0	0	2,703,400	2,692,200	0	0	2,692,200
GRV Commercial/Tourism/Town Centre/Industry/Mixed Business	1,400	329	0	460,600	0	0	460,600	469,000	0	0	469,000
GRV Airport/Workforce Accommodation/Strategic Industry	1,400	1	0	1,400	0	0	1,400	1,400	0	0	1,400
GRV Transient Workforce Accommodation	1,400	0	0	0	0	0	0	0	0	0	0
Interim Rates			0	0	0	0	0	0	0	0	0
Unimproved value valuations											
UV Pastoral	312	0	0	0	0	0	0	0	0	0	0
UV General Unimproved (Mining & Other)	312	189	0	58,968	0	0	58,968	58,968	0	0	58,968
UV General Unimproved (UV Strategic Industry)	1,400	19	0	26,600	0	0	26,600	26,600	0	0	26,600
Interim Rates			0	0	0	0	0	0	0	0	0
Back Rates			0	0	0	0	0	0	0	0	0
Sub-Totals		2,469	0	3,250,968	0	0	3,250,968	3,248,168	0	0	3,248,168
Ex-gratia rates							39,809,213				40,042,769
Discounts/concessions (refer note 24)							330,000				567,500
Total amount raised from general rate							(25,650)				(30,097)
Total amount raised from general rate							40,113,563				40,580,172
Specified Area Rate (refer note 22)							0				0
Totals							40,113,563				40,580,172

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

21. RATING INFORMATION - 2014/15 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

	2015 (30 June 2015 Carried Forward) \$	2015 (1 July 2014 Brought Forward) \$	2014 (30 June 2014 Carried Forward) \$
Surplus/(Deficit) 1 July 14 brought forward	<u>63,450</u>	<u>1,617,633</u>	<u>1,617,633</u>
<u>Comprises:</u>			
Cash and cash equivalents			
Unrestricted	1,268,559	20,780	20,780
Restricted - Municipal (Unspent Grants/Contributions)	26,823	4,918	4,918
Restricted - Reserves	84,089,305	62,904,777	62,904,777
Receivables			
Rates Outstanding	2,100,461	2,597,895	2,597,895
Sundry Debtors	24,826,056	8,897,526	8,897,526
GST receivable	231,704	446,259	446,259
Loans - clubs/institutions	243,423	3,143	3,143
Inventories			
Fuel and materials	488,186	401,889	401,889
Land held for resale - cost			
Cost of acquisition	524,251	0	0
<u>Less:</u>			
Trade and other payables			
Sundry creditors	(8,882,020)	(8,831,597)	(8,831,597)
Other Liabilities	(46,155)	17,008	17,008
Retention Monies	(248,402)	(261,915)	(261,915)
Accrued Expenses	(395,315)	23,038	23,038
Accrued interest on debentures	0	0	0
Accrued salaries and wages	(1,078,772)	(849,399)	(849,399)
ATO liabilities	77	(33)	(33)
Income Received in Advance	(5,668,528)	(777,896)	(777,896)
Net Trust Liabilities	(139,098)	(9,793)	(9,793)
Provisions			
Provision for annual leave	(2,630,314)	(2,358,354)	(2,358,354)
Provision for long service leave	(1,119,829)	(1,032,405)	(1,032,405)
Net current assets	<u>93,590,412</u>	<u>61,195,841</u>	<u>61,195,841</u>
<u>Less:</u>			
Reserves - restricted cash	(84,089,305)	(62,904,777)	(62,904,777)
Land held for resale - cost			
Cost of acquisition	(524,251)	0	0
Loans - Clubs/Institutions	(243,423)	(3,143)	(3,143)
Movement in Accruals	229,373	485,034	485,034
Cash - Restricted Unspent Grants	26,823	4,918	4,918
Gifted Assets		0	0
<u>Add:</u>			
Cash Backed employee provisions	3,281,981	2,302,189	2,302,189
Current Provisions funded through salaries budget	0	537,571	537,571
 Restricted Surplus/(deficit)	 12,208,160	 0	 0
 Unrestricted Surplus/(deficit)	 <u>63,450</u>	 <u>1,617,633</u>	 <u>1,617,633</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2014 brought forward position used in the 2015 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2014 audited financial report.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

22. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR

The City did not impose any Specified Area Rates.

23. SERVICE CHARGES - 2014/15 FINANCIAL YEAR

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Applied to Service Costs \$	Budget Applied to Costs \$
High Voltage Service Charge (per kVa)	48.26	7,607,584	7,945,489	2,162,000	4,600,000
Low Voltage Service Charge (per kVa)	196.38	18,962,058	21,625,549	5,884,400	12,520,000
Connection Charge (per connection)	1,022.17	3,739,097	4,974,567	1,353,600	2,880,000
		30,308,739	34,545,605	9,400,000	20,000,000

The City of Karratha introduced a service charge for the 2014/15 financial year in relation to the Pilbara Underground Power Project.

The proceeds of the service charge were to be applied in full to the costs of implementation over the life of the project. Service charges paid prior to the end of the 2014/15 financial year were to be transferred to the Pilbara Underground Power Reserve to fund expenditure over the remaining years of the project.

Service charge amounts remaining unpaid at the end of the 2014/15 financial year are unable to be transferred to the Pilbara Underground Power Reserve and therefore represent a restricted surplus amount.

An instalment interest rate of 5.5% was incurred where property owners elect to make payment via the instalment options provided of up to four years. Penalty Interest of 11% is incurred on overdue service charges.

At a Special Council Meeting held on the 24 September 2014, Council resolved (Resolution No. 152961) to reduce the interest rate for payment of service charges by instalments from 5.5% to 4.5%. Council also resolved to offer non-residential properties (excluding those owned by Government organisations) with a power capacity of greater than 10 kVA and less than 200 kVA the option of payment by 40 instalments over ten years rather than 16 instalments over four years.

As part of the Project, Council entered into a funding agreement with Horizon Power for the purpose of managing and implementing the program. This funding agreement is included as a contingent liability in Note 13 of this document.

24. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2014/15 FINANCIAL YEAR

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Cossack Rate Concession	Concession	N/A	25,650	30,097
			0	0
			0	0
			25,650	30,097

No discount on rates were granted to rate payers in the 2014/15 financial year.

The above concessions & rates write-offs were granted to rate payers in the 2014/15 financial year as per Council Resolution 152891.

Rate payers who paid their rates and rubbish collection charges in full by the due date (35 days from date of issue) were eligible for the rates incentive scheme as outlined in our 2014/15 Budget Note 12.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

25. INTEREST CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Rates Instalment Charges		\$10.00	0	120,000
Rates Instalment Interest	4.50%		186,398	30,000
Rates Penalty Interest	11.00%		418,030	0
PUPP Instalment Charges		\$10.00	56,250	0
PUPP Instalment Interest	5.50%		22,346	0
PUPP Penalty Interest	11.00%		360,324	0
Sundry Debtors Penalty Interest	11.00%		117,628	162,000
			1,160,976	312,000

26. FEES & CHARGES	2015 \$	2014 \$
Governance	115,135	122,343
General purpose funding	100,628	211,262
Law, order, public safety	88,857	89,260
Health	122,660	120,247
Education and welfare	58,900	58,900
Housing	301,569	246,833
Community amenities	9,927,202	13,039,161
Recreation and culture	4,217,471	4,268,018
Transport	28,698,793	27,683,609
Economic services	459,935	725,740
Other property and services	52,742	597,548
	44,143,892	47,162,921

During the financial year ended 30th June 2015, Council resolved (Res No: 153023) to amend the 2014/15 Adopted Fees and charges for the following Waste Services Fees and Charges:

	Effective July 2014	Effective January 2015
Commercial and Industrial General Waste (Per tonne, Minimum charge one tonne)	\$79.00 (GST incl)	\$90.00 (GST incl)
Commercial Biological Liquid Waste - Septage etc. (Per tonne, Minimum charge one tonne)	\$86.00 (GST incl)	\$66.00 (GST incl)

During the financial year ended 30th June 2015, Council also resolved (Res No: 152896) to impose a new fee for the "K" local authority plates with effect from 1 August 2014 whereby \$80 is to be set aside to fund a cenotaph at the new Arts and Community Precinct.

	Effective July 2014	Effective August 2015
Contribution to War Memorial	NIL	\$80.00

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

27. GRANT REVENUE

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

	2015	2014
	\$	\$
By Nature or Type:		
Operating grants, subsidies and contributions	18,473,358	7,410,418
Non-operating grants, subsidies and contributions	68,416,278	16,392,796
	<u>86,889,636</u>	<u>23,803,214</u>
By Program:		
Governance	35,980	15,760
General purpose funding	4,313,824	1,239,562
Law, order, public safety	2,507,317	1,131,023
Health	107,722	69,946
Education and welfare	0	93,182
Community amenities	3,757,317	480,202
Recreation and culture	17,278,831	18,946,384
Transport	58,856,999	1,801,737
Economic services	31,646	25,418
	<u>86,889,636</u>	<u>23,803,214</u>

28. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>283</u>	<u>260</u>
------------	------------

29. ELECTED MEMBERS REMUNERATION

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

	2015	2015	2014
	\$	Budget	\$
		\$	
Mayor at \$45,000 per year	45,000	45,000	45,195
Deputy Mayor at \$30,000 per year	30,000	30,000	28,404
9 Councillors at \$30,000 per year	256,973	270,000	260,707

Local Government Allowance

Mayor at \$85,000 per year	85,000	85,000	85,194
Deputy Mayor at \$21,250 per year (25% of President's Allowance)	21,250	21,250	21,226

ICT Allowance

10 Councillors at \$3,500 per year	36,381	37,500	36,927
------------------------------------	--------	--------	--------

Other Expenses

Childcare (actual costs or \$20/hour whichever is lower)	0	0	0
Travelling expenses (as per Local Govt Officers Award)	0	30,000	14,271
Training Expenses (11 Councillors at \$5,000 per year)	11,236	55,000	0

Councillors receive a Professional Development Allowance of \$5,500 which covers costs associated with Conferences

11,724	60,500	21,612
--------	--------	--------

President's Discretionary Fund (Council Related Expenses)

1,722	4,000	2,366
-------	-------	-------

<u>499,286</u>	<u>638,250</u>	<u>515,902</u>
----------------	----------------	----------------

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

30. MAJOR LAND TRANSACTIONS

Karratha LazyLands

(a) Details

Council commenced in 2013/14 the development phase of a Major Land Transaction associated with the Lazy Lands initiative for future residential infill development within the Karratha townsite.

Five (5) Lots are under consideration being:

Site	Legal and general land description	Reserve Status	Lot Area
1	Lot 602 on Deposited Plan 70632 and wholly contained within Certificate of Crown Land Volume LR3161, Folio 550 Lot 602 Pelusey Way, Nickol	Parklands & Drainage	913m2
2	Lot 611 on Deposited Plan 70632 and wholly contained within Certificate of Crown Land Volume LR3161, Folio 551 Lot 611 Mayo Court, Nickol	Parklands & Drainage	2,389m2
3	Lot 612 on Deposited Plan 70632 and wholly contained within Certificate of Crown Land Volume LR3161 Lot 612 Boyd Close, Nickol	Parklands & Drainage	767m2
5	Lot 683 on Deposited Plan 71342 and wholly contained within Certificate of Crown Land Volume LR3161, Folio 575 683 Gregory Way, Bulgarra	Parkland, Recreation, Drainage & Public Infrastructure	1.4ha
7	Lot 651 on Deposited Plan 71341 and wholly contained within Certificate of Crown Land Volume LR3161 L651 Hancock Way, Bulgarra	Parkland, Recreation, Drainage & Public Infrastructure	1.11ha

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

30. MAJOR LAND TRANSACTIONS (Continued)

	2015 \$	2015 Budget \$	2014 \$
(b) Current year transactions			
Operating income			
- Profit on sale	0	0	0
- Funding from 3rd Parties	0	0	0
Capital income			
- Sale proceeds	0	0	0
- Transfer from Reserve	561,590	199,287	193,651
Capital expenditure			
- Purchase of land	(524,251)	0	0
- Reserve Reimbursement	0		
- Development costs	(12,515)	(199,287)	(193,651)
	<u>24,824</u>	<u>0</u>	<u>0</u>

Projected profit of \$610,685 are anticipated to be received in the 2015/16 for the sale of lots 1, 2 & 3. Council resolved in June via resolution #153173 to develop sites 1,2 & 3 subject to funding application and to consider the future development of lots 5 & 7 in response to satisfactory changes in market conditions. Infrastructure Reserve funds utilised will be returned to Reserve from sale proceeds. Any profit derived from the sale of land is required to be placed in Trust for the purpose of capital improvements to other Recreation Reserves in the locality.

(c) Expected Future Cash Flows

	2016 \$	2017 \$	2018 \$	2019 \$	Total \$
Cash outflows					
- Development costs	(831,491)	0	0	0	(831,491)
- Reserve reimbursement	(565,993)	0	0	0	(565,993)
	<u>(1,397,484)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,397,484)</u>
Cash inflows					
- Reserve funding	10,988	0	0	0	10,988
- External funding	820,503	0	0	0	820,503
- Sale proceeds	610,685	0	0	0	610,685
	<u>1,442,176</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,442,176</u>
Net cash flows	<u>44,692</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,692</u>

31. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

32. FINANCIAL RISK MANAGEMENT

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

The City does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council.

The City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	85,384,687	62,930,475	85,384,687	62,930,475
Receivables	27,949,456	11,995,083	27,949,456	11,995,083
	<u>113,334,143</u>	<u>74,925,558</u>	<u>113,334,143</u>	<u>74,925,558</u>
Financial liabilities				
Payables	16,458,213	10,690,587	16,458,213	10,690,587
Borrowings	0	0	0	0
	<u>16,458,213</u>	<u>10,690,587</u>	<u>16,458,213</u>	<u>10,690,587</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

32. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

The City's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

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

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

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

	2015	2014
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	8,713,383	6,646,915
- Statement of Comprehensive Income	8,713,383	6,646,915
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	853,847	629,305
- Statement of Comprehensive Income	853,847	629,305

Notes:

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

32. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

Credit risk on rates and annual charges and Pilbara Underground Power Project service 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 and Pilbara Underground Power Project service 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 makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

Payment instalment options for either 4 or 10 years were offered to property owners for payment of their Pilbara Underground Power Project service charges. Where property owners are up to date with their instalment payments, the remaining balance is considered current. Where property owners have not opted to pay by instalments the full outstanding balance is considered overdue.

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

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

	2015	2014
Percentage of rates and annual charges		
- Current	0%	16%
- Overdue	100%	84%
Percentage of Pilbara Underground Power Project service charges		
- Current	70%	-
- Overdue	30%	-
Percentage of other receivables		
- Current	95%	90%
- Overdue	5%	10%

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

32. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2015</u>					
Payables	16,458,213	0	0	16,458,213	16,458,213
Borrowings	0	0	0	0	0
	<u>16,458,213</u>	<u>0</u>	<u>0</u>	<u>16,458,213</u>	<u>16,458,213</u>
<u>2014</u>					
Payables	10,690,587	0	0	10,690,587	10,690,587
Borrowings	0	0	0	0	0
	<u>10,690,587</u>	<u>0</u>	<u>0</u>	<u>10,690,587</u>	<u>10,690,587</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

32. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (continued)

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	0	0	0	0	0	0	0	0.00%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
<u>Year ended 30 June 2014</u>								
Borrowings								
Fixed rate								
Debentures	0	0	0	0	0	0	0	0.00%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		



Grant Thornton

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Ratepayers of City of Karratha

We have audited the accompanying financial report of the City of Karratha (the "City"), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Chief Executive Officer.

Council's responsibility for the financial report

The Council of the City is responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error: selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the City's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

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

- i presents fairly, in all material respects, the City's financial position as at 30 June 2015 and of its performance and cash flows for the year then ended;
- ii complies with Australian Accounting Standards and the relevant legislation; and
- iii is prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

Statutory Compliance

I did not, during the course of my audit, become aware of any instance where the City did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 as they relate to financial statements.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Petricevic
Partner - Audit & Assurance

Perth, 9 November 2015

**CITY OF KARRATHA
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2015**

RATIO INFORMATION

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

	2015	2014	2013
Asset consumption ratio	0.797	0.765	0.644

The asset consumption ratio is calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
-------------------------	--

The asset consumption ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. A ratio in excess of 0.50 indicates that a Local Government has met the standard recommended by the Department of Local Government and Communities. A ratio between 0.60 and 0.75 indicates that a Local Government is improving upon the standard recommended by the Department of Local Government and Communities.

The City's asset consumption ratio of 0.797 reflects an increased level of expenditure on new assets as well as upgrades on existing assets in accordance with planned capital expenditure in the City's Long Term Financial Plan. The result is also reflective of infrastructure assets revalued to fair value in accordance with Local Government (Financial Management) Regulation 17A (2). Future Annual Financial Statements will include depreciation based on the Fair Value of Infrastructure assets. Council maintains an Infrastructure Reserve in order to fund future capital maintenance and renewal requirements.

Asset renewal funding ratio	1	1	1
------------------------------------	---	---	---

The asset renewal funding ratio is calculated as follows:

Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
-----------------------------	---

The asset renewal funding ratio measures the ability of a Local Government to fund its projected asset renewal and replacements in the future. A ratio between 0.75 and 0.95 indicates that a Local Government has met the standard recommended by the Department of Local Government and Communities. A ratio between 0.95 and 1.05, with a asset sustainability ratio of between 0.90 and 1.10, and an asset consumption ratio of between 0.50 and 0.75, indicates that a Local Government is improving upon the standard recommended by the Department of Local Government and Communities.

The City's asset renewal funding ratio of 1 demonstrates a level of planned capital renewal expenditure equal to the level of capital expenditure required to maintain its existing assets. The capital expenditure program included in the City's Long Term Financial Plan also includes a number of new facilities as well as upgrades to existing facilities which will require maintenance in future periods.

6.2 RISK MANAGEMENT REVIEW

File No:	RM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance and Organisational Strategy
Date of Report:	10 November 2015
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Risk Management Report

PURPOSE

To consider additional detail requested from the previous Audit & Organisational Risk Committee of 15 August 2015 related to the City's internal controls and risk management systems.

BACKGROUND

At the last Audit & Organisational Risk Committee meeting of 15 August 2015 it was resolved [AOR27]:

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to:

1. ENDORSE the outcomes of the review of the Operational Risks of the City of Karratha; and
2. REQUEST additional detail regarding high level risks and internal controls be reported to the next Audit and Organisational Risk Committee Meeting.

The attached report provides the detail behind the abbreviated risk report provided to the Committee in August 2015. Each theme identifies causes, ratings, key internal controls to manage the risks, key indicators and actions/treatments to provide assurance to proper risk management practices.

LEVEL OF SIGNIFICANCE

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

COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place with officers across the City in the conduct of the review initially through a series of workshops. Follow up meetings were held to clarify feedback and perspectives offered.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996* applies.

POLICY IMPLICATIONS

The review was conducted in accordance with principles indicated within the CG-01 Risk Management Policy.

FINANCIAL IMPLICATIONS

The original Risk Management project was funded through the LGIS Member's Experience Account.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2015-2016 provided for this activity:

Our Program:	4.c.2.1	Maintain corporate information to enhance accountability and compliance
Our Services:	4.c.2.1.1	Review and maintain corporate registers

RISK MANAGEMENT CONSIDERATIONS

The level of risk is considered to be Low to the City in terms of Compliance. Risks need to be reviewed to ensure that they fall within acceptable parameters that can be managed accordingly.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

There are no relevant precedents related to this matter.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of this matter to the next Audit & Organisational Risk Committee Meeting.

CONCLUSION

Existing risk management systems and practices have been reviewed in consultation with all work areas across the organisation. The review confirms that there are adequate controls in place across all risk themes.

OFFICER'S RECOMMENDATION

That the Audit & Organisational Risk Committee by **SIMPLE** Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* **RESOLVES** to **ENDORSE** the report on risk management controls, indicators and treatments related to the review of the Operational Risks of the City of Karratha.

COMMITTEE RESOLUTION

Res No : AOR31
MOVED : Cr Long
SECONDED : Cr Cucel

That the Audit & Organisational Risk Committee by **SIMPLE** Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* **RESOLVES** to:

1. **ENDORSE** the report on risk management controls, indicators and treatments related to the review of the Operational Risks of the City of Karratha; and
2. **REQUEST** an update every six months on medium and high risks where controls are found to be inadequate.

CARRIED

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

REASON : The Committee modified the Officer's Recommendation to request an update every six months on medium and high risks where controls are found to be inadequate to enable Members to monitor and review the City's internal control and risk management systems to provide assurance to risk management practices.

City of Karratha Report - June 2015

Executive Summary

Being the initial Annual Risk Report, this Report is focussing on driving the framework for ensuring that future Risk Reports will continue to provide relevant insight and recommendations to assist the City Executive in managing risks. This Risk Report is provided in full (a Dashboard on the first tab and individual Risk Profiles on the remaining tabs) to allow the City Executive an opportunity to review and confirm the current risk landscape of the City. It is envisaged that future Risk Reports will only be in a dashboard format, highlighting current trends in Key Indicators and progress of any Issues / Actions / Treatments.

As risk reporting mechanisms are still being confirmed, this Risk Report does not contain current performance on Key Indicators or Actions underway. It is envisaged that this aspect will be provided in the next Annual Report.

Recommendations

Risk Framework

1. Ensure that the Risk Management Procedures Manual is approved by Executive Management Team.

Risk Profiles

1. Review and approve all Risk Profiles (from a Risk & Control perspective).
2. Confirm Key Indicator usage and set targets for ongoing reporting purposes.
3. Confirm Current Issues / Actions / Treatments (Responsibility & Due Date).

Misconduct		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
Compliant Purchase Orders (Checks)	90%	Ongoing	Adequate
IT Auditing	100%	Ongoing	Adequate
# Incidents (Misconduct)	0	As occur	Adequate
# incidents of inappropriate access to HR Synergy	0	Fortnightly	Adequate
Recording/Reporting of the exercise of Delegated Authority	100%	Ongoing	Adequate
<u>Comments:</u> Corporate Compliance provides training in procurement and general compliance to ensure staff are aware of their duties and responsibilities and how to conduct themselves appropriately as council officers within the legal and policy framework.			

Damage to Physical Assets		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
# Graffiti removal kits provided	0	Ongoing	Adequate
Response to removal of Offensive Graffiti within 48 hours	100%	Ongoing	Adequate
# Insurance Claims	0	As Occur	Adequate
Routine Inspections	100%	Ongoing	Adequate
<u>Comments:</u> Even though the City of Karratha is located in a cyclone prone area, the risk of Damage to Physical Assets is rated as low. Although the consequences of a cyclone could be major or catastrophic, the likelihood of such consequences are rare, occurring in exceptional circumstances.			

Business Disruption		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
Annual Inspection Regime (City Buildings)	100%	Annual	Adequate
Annual Desktop Exercises (Business Continuity Management)	100%	Annual	Inadequate
Actual appropriate recovery after event	100%	As occurs	Adequate
<u>Comments:</u> A Business Continuity Plan has been developed, however, is yet to be fully implemented. Once fully implemented (December 2015), it will become an adequate Key Control to address the risk of Business Disruption. Additionally, the implementation of the Business Continuity Plan will include Annual Desktop Exercises, which will then become an adequate Key Indicator.			
Strategic Projects and Infrastructure identified that the Fire Management Systems at the Depot were inadequate. The Depot upgrade master plan will incorporate Fire Management Systems to address this issue.			

Errors, Omissions, Delays and Providing Inaccurate Advice / Information		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
# discrepancies identified by Internal Audits	0	Ongoing	Adequate
# Complaints	0	As occur	Adequate
Community Satisfaction Survey	N/A	Annual	Adequate
Media Monitoring	N/A	Ongoing	Adequate
<u>Comments:</u> There are currently 13 adequate Key Controls addressing the risk of Errors, Omissions, Delays and Providing Inaccurate Advice/Information. As the above Key Indicators are also adequate, it confirms that the Key Controls are effective for managing this risk.			

City of Karratha Report - June 2015

External Theft & Fraud (incl. Cyber Crime)		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
# Referrals to Police/CCC	0	As occur	Adequate
# discrepancies identified through reconciliation of cash / equipment	0	Daily	Adequate
# Insurance Claims	0	As occur	Adequate
<u>Comments:</u> It was identified by the Community Directorate that the Key Control of Reconciliation of Stock/Stock Control was inadequate as it is only conducted on an annual basis. Commencing in September 2015, Facility Coordinators and the Youth Services Coordinator will undertake monthly stock takes instead of annual.			

Failure of IT &/or Communications Systems and Infrastructure		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
# of incidents breaching agreed service level agreements	0	Quarterly	Adequate
Unscheduled down time	0	Quarterly	Adequate
<u>Comments:</u> IT Disaster Recovery Plans are in the process of being reviewed and further developed. Incident response Service Level Agreements and processes are also being developed.			

Failure to Fulfil Statutory, Regulatory or Compliance Requirements		Risk	Controls
		Moderate	Adequate
Key Indicators	Target	Date	Result
# discrepancies identified through Internal / External Audit	0	Ongoing	Adequate
# discrepancies identified through DER Audit (3 Yearly)	0	3 yearly	Adequate
# Incidents (Compliance Based)	0	As Occur	Adequate
CASA non-compliance items (Annual Audit)	0	Annual	Adequate
OTS non-compliance items (Annual Audit)	0	Annual	Adequate
# FOI Applications completed within 45 days	100%	As Occur	Adequate
# Notices of non-compliance received from external agencies	0	As Occur	Adequate
<u>Comments:</u> One of the Key Controls for addressing this risk is having Policies, Procedures, Processes and Templates. The introduction of Promapp and the continual development and capture of processes in Promapp has helped to consolidate and strengthen this Key Control for preventing the Failure to Fulfil Statutory, Regulatory or Compliance Requirements.			

Inadequate Safety and Security (Staff, Visitors and Community)		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
Lost time injury frequency rate (LTIFR)	<5%	Annual	Adequate
# discrepancies identified through OSH Audit Results	0	Annual	Adequate
# discrepancies identified through Worksafe Audit Results	0	As Occur	Adequate
# Incidents Reported	0	As Occur	Adequate
# Public Liability Insurance Claims made against the City	0	As Occur	Adequate
<u>Comments:</u> OSH Audits are undertaken every 3 years with LGIS, but in addition, internal OSH Audits are undertaken annually.			

Ineffective Management of Facilities / Venues		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
Maintaining Operational Hours	100%	Ongoing	Adequate
Community Survey Results	N/A	Annual	Adequate
Facilities Scorecard (meeting specific targets)	TBA	Ongoing	Adequate
Leisureplex Water Use (volume)	TBA	Annual	Adequate
Number of Complaints (Facility / Venue)	0	Ongoing	Adequate
Media Monitoring	N/A	Ongoing	Adequate
<u>Comments:</u> Currently the most significant facilities/venues project is the Karratha Airport Terminal Upgrade which is due for completion in August 2015. The risk of Ineffective Management of Facilities/Venues needs to be considered for existing facilities/venues and considered in advance for all new facilities/venues that are intended to be built.			

Inadequate Emergency Management		Risk	Controls
		Moderate	Adequate
Key Indicators	Target	Date	Result
# Injuries or assets damaged as a result of bushfire	0	As Occur	Adequate
# Plans out of date by more than 12 months	0	Annual	Adequate
Performance on Emergency Practice Drills	100%	Ongoing	Adequate
Airport Emergency Drills	100%	Bi-Annual	Adequate
Quarterly LEMC Meetings	4	Quarterly	Adequate
<u>Comments:</u> The Key Indicators and Key Controls addressing the risk of Inadequate Emergency Management are all rated as adequate. There are currently no issues, actions or treatments required for this Risk Theme.			

City of Karratha Report - June 2015

Inadequate Document Management Processes		Risk	Controls
		Moderate	Adequate
Key Indicators	Target	Date	Result
CASA Annual inspections (non-compliance specific to Document management)	<5%	Annual	Adequate
Freedom of Information Applications - non-fulfillment due to documents not being located	0	As occurs	Adequate
Reporting of outstanding Synergy Records	<10%	Monthly	Adequate
<u>Comments:</u> The Corporate Services Directorate has identified that the Vital Records Register developed by the Records Team is an excellent Key Control of the risk of Inadequate Document Management Processes. The Vital Records Register captures organisational documents such as contracts, agreements, leases etc and ensures they are kept in the safe.			

Inadequate Change Management (Internal)		Risk	Controls
		Moderate	Adequate
Key Indicators	Target	Date	Result
Staff satisfaction surveys	100%	Ongoing	Adequate
Time taken for takeup of new Technologies	TBA	Ongoing	Adequate
Time taken for takeup of new Processes	TBA	Ongoing	Adequate
<u>Comments:</u> Human Resources have been tasked with developing a Change Management Framework due for completion in July 2016. This will become an additional Key Control to help address this risk.			

Inadequate Relationships with the Community		Risk	Controls
		Moderate	Adequate
Key Indicators	Target	Date	Result
Media Monitoring	N/A	Ongoing	Adequate
Community Survey Results	N/A	Annual	Adequate
# Complaints received	0	Ongoing	Adequate
# Council Reports detailing level of consultation undertaken	100%	Monthly	Adequate
# Enquiries resolved FPOC (first point of contact)	90%	Ongoing	Adequate
Meeting Operational Business Plan Targets	95%	Quarterly	Adequate
Meeting Department Operational Plans Targets / KPIs	95%	Quarterly	Adequate
<u>Comments:</u> There are currently 13 adequate Key Controls addressing the risk of Inadequate Relationships with the Community. As the above Key Indicators are also adequate, it confirms that the Key Controls are effective for managing this risk.			

Inadequate Procurement, Disposal or Tender Practices		Risk	Controls
		Moderate	Adequate
Key Indicators	Target	Date	Result
# Justifiable Complaints (Procurement, Disposal & Tender)	0	As occur	Adequate
Compliance Audit Return	90%	Annual	Adequate
# discrepancies identified through Spot checks by Finance Team	0	Ongoing	Adequate
<u>Comments:</u> An internal audit on the City's tendering process is in progress and due for completion in December 2015. The accepted findings of the internal audit will be incorporated as appropriate into the tender policies, processes and procedures and the procurement training.			

City of Karratha Report - June 2015

Inadequate Asset Management		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
# Complaints (Community Infrastructure)	0	As Occur	Adequate
Maintenance Budget Overrun	0	As Occur	Adequate
Fuel Usage / Utilisation Hours (optimum usage)	100%	Ongoing	Adequate
Significant Write-Downs of Fair Value	0	Annual	Adequate
Asset Renewal Ratio	>1	Annual	Excellent
Asset Failure Reporting	0	Ongoing	Adequate
<u>Comments:</u> The Community Directorate identified that Preventative Maintenance Schedules are inadequate as a Key Control. There is a lack of awareness of what is contained within the Preventative Maintenance Schedules as they are prepared by another Department (Building Maintenance). The Manager Recreation Facilities, the Building Maintenance Coordinator and the Youth Services Coordinator are working together on an ongoing basis to provide/obtain copies of the relevant Preventative Maintenance Schedules and make any required additions.			

Inadequate Stock Management		Risk	Controls
		Low	Adequate
Key Indicators	Target	Date	Result
# Inter-Library loan requests	10 per mth	Ongoing	Adequate
Inventory Turnover reports	Predetermined levels	Ongoing	Adequate
Inventory Service Levels	Predetermined levels	Ongoing	Adequate
Annual stocktakes	Predetermined levels	Ongoing	Adequate
<u>Comments:</u> It was identified by the Community Directorate that the Key Control of Stocktake Program was inadequate as it is only conducted on an annual basis. Commencing in September 2015, Facility Coordinators and the Youth Services Coordinator will undertake monthly stock takes instead of annual.			

Inadequate Project Management		Risk	Controls
		Moderate	Adequate
Key Indicators	Target	Date	Result
Projects coming within budget	100%	Ongoing	Adequate
Not achieving milestones / KPIs within agreed timeframes	0%	Ongoing	Adequate
Unresolved issues (contract related)	0%	Ongoing	Adequate
Contracts yet to be renewed	0%	Ongoing	Adequate
<u>Comments:</u> Strategic Projects and Infrastructure rated the Tender Management Program (Tenderlink) and the PIIG Framework (Project Management) as excellent Key Controls of the risk of Inadequate Project Management. From the perspective of Strategic Projects and Infrastructure, these Key Controls are fully in place, are being well addressed/complied with, are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.			

Ineffective People Management		Risk	Controls
		Moderate	Adequate
Key Indicators	Target	Date	Result
Staff Turnover	<25%	Ongoing	Adequate
Performance Reviews Completed on Time	100%	Annual	Adequate
Staff Survey Results	+ 5%	May-15	Adequate
Absenteeism (unplanned leave)	<5%	Ongoing	Adequate
<u>Comments:</u> It has been identified that there is currently inadequate HR Succession Planning across all Directorates. The Manager Human Resources has been tasked with completing the the HR Succession Planning Program by June 2016. HR Succession Planning will then become an adequate Key Control to address the risk of Ineffective People Management, by reducing single person dependencies.			

Misconduct

Jun-15

This Risk Theme is defined as:

Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of:

- Relevant authorisations not obtained
- Distributing confidential information
- Accessing systems and / or applications without correct authority to do so
- Misrepresenting data in reports
- Theft by an employee
- Collusion between Internal & External parties.

This does not include instances where it was not an intentional breach - refer "Errors, Omissions, Delays and Providing Inaccurate Advice / Information."

Potential causes include:

Lack of training	Lack of understanding
Changing of job titles	Poor internal checks (PO's and delegated authority)
Delegated authority process inadequately implemented	Password sharing
Disgruntled employees	

Key Controls	Type	Date	City Rating
Delegations and Authorisations Register	Detective	Ongoing	Adequate
Segregation of Duties	Preventative	Ongoing	Adequate
IT Security Access Framework	Preventative	Ongoing	Adequate
Induction Process (Code of Conduct)	Preventative	Ongoing	Adequate
Procurement Process	Preventative	Ongoing	Adequate
Internal Audit Review	Detective	Ongoing	Adequate
Financial Interest Return	Detective	Ongoing	Adequate
Supervision of Staff	Preventative	Ongoing	Adequate
Tender Avoidance Process (Internal monitoring)	Detective	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Unlikely

Overall Risk Ratings:

Low

Key Indicators	Target	Date	Overall City Result
Compliant Purchase Orders (Checks)	90%	Ongoing	Adequate
IT Auditing	100%	Ongoing	Adequate
# Incidents (Misconduct)	0	As occur	Adequate
# incidents of inappropriate access to HR Synergy	0	Fortnightly	Adequate
Recording/Reporting of the exercise of Delegated Authority	100%	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Financial Audit	Annual	Ray McDermott	Aug-15
Purchase Order Spot Check Review	Ongoing	Ray McDermott	Weekly
Tender & Contract Management Review	In Progress	Henry Eaton	Dec-15
Review ongoing awareness of Code of Conduct / Organisational values (refresher)	Bi-ennially	Henry Eaton	Dec-15
Corporate Compliance Training	Quarterly	Corporate Compliance	Quarterly
Procurement Training	Quarterly	Corporate Compliance	Quarterly

Business Disruption

Jun-15

This Risk Theme is defined as:

A local physical event causing the inability to continue business activities and provide services to the community. This may or may not result in Business Continuity Plans to be invoked. This does not include disruptions due to:

- IT Systems or infrastructure related failures - these should be captured under "Failure of IT &/or Communications Systems and Infrastructure"
- Contractor / Supplier issues - these should be captured under "Inadequate Project Management"
- People issues - these should be captured under "Ineffective People Management".

Potential causes include:

Cyclone, Storm Surges, Fire, Earthquake
Terrorism / Sabotage / Criminal Behaviour
Epidemic / Pandemic

Extended power outage
Economic Factors

Key Controls	Type	Date	City Rating
Fire Management Systems	Preventative	Ongoing	Adequate
Business Continuity Program and Plans	Recovery	In Development	Inadequate
Emergency Planning	Recovery	Ongoing	Adequate
Internal Recovery Committee	Recovery	Ongoing	Adequate

Overall Control Ratings:	Adequate
---------------------------------	----------

Risk Ratings	City Rating
Consequence:	Moderate
Likelihood:	Rare
Overall Risk Ratings:	Low

Key Indicators	Target	Date	Overall City Result
Annual Inspection Regime (City Buildings)	100%	Annual	Adequate
Annual Desktop Exercises (Business Continuity Management)	100%	Annual	Inadequate
Actual appropriate recovery after event	100%	As occurs	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Development of Disaster Management Plan for both Local History & Libraries	Not started	Lesley DuBois	Jul-16
Implement Business Continuity Program	In Progress	Henry Eaton	Annually
Undertake desktop exercises of Business Continuity Plan	In Progress	Kayla Harrison	Annually
Depot upgrade master plan will incorporate Fire Management Systems	In Progress	Geoff Shoemark	FY 16-17
Emergency Lighting at the Depot has been upgraded	Complete	Vicky Connolly	Jul-15

Damage to Physical Assets

Jun-15

This Risk Theme is defined as:

Damage to buildings, property, plant & equipment (all assets) that does not result in a disruption to business objectives (refer "Business Disruption"). This could be a result of a natural disaster or other events, or an act carried out by an external party (inc. graffiti and / or vandalism).

Potential causes include:

Cyclone, Storm Surges, Fire, Earthquake
Vandalism

Graffiti
Inappropriate Use

Key Controls	Type	Date	City Rating
Annual Cyclone Inspections	Preventative	Annual	Adequate
Pre-Cyclone Checklist for CofK Buildings and Facilities	Preventative	Annual	Adequate
Physical Checks of Property	Detective	Daily	Adequate
Internal Recovery Committee	Recovery	Ongoing	Adequate
WA National Disaster Relief Arrangements	Recovery	Ongoing	Adequate
Security Patrols	Preventative	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Major
Likelihood:	Rare

Overall Risk Ratings:

Low

Key Indicators	Target	Date	Overall City Result
# Graffiti removal kits provided	0	Ongoing	Adequate
Response to removal of Offensive Graffiti within 48 hours	100%	Ongoing	Adequate
# Insurance Claims	0	As Occur	Adequate
Routine Inspections	100%	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

Status	Responsibility	Due Date
In Progress	Vanessa Subramoney	Ongoing

Errors, Omissions, Delays and Providing Inaccurate Advice / Information

Jun-15

This Risk Theme is defined as:

Errors, omissions or delays in operational activities and incomplete, inadequate or inaccurate advisory activities (to customers or internal staff) as a result of unintentional errors or failure to follow due process.

This includes instances of:

- Human errors, incorrect or incomplete processing
- Inaccurate recording, maintenance, testing and / or reconciliation of data
- Errors or inadequacies in model methodology, design, calculation or implementation of models.

This may result in incomplete or inaccurate information. Consequences include:

- Inaccurate data being used for management decision making and reporting
- Delays in service to customers
- Inaccurate data or advice provided to customers
- Incorrect planning, development or building advice
- Incorrect health or environmental advice
- Inconsistent messages or responses from Customer Service Staff
- Advice that is not consistent with legislative requirements or local laws.

This excludes process failures caused by inadequate / incomplete procedural documentation - refer "Inadequate Document Management Processes" and excludes instances relating to "Misconduct" (e.g. breach of authority).

Potential causes include:

Human Error	Incorrect information
Inadequate procedures or training	Miscommunication
Lack of Staff (or trained / experienced / qualified staff)	Increasing workloads
Long lead times for responses	Poor working relationships between internal staff/departments
Lack of appropriate technical knowledge relevant to the context	Non-subject matter experts communicating with the community

Key Controls	Type	Date	City Rating
Qualified / Experienced Staff	Preventative	Ongoing	Adequate
Segregation of Duties (checks and balances, peer review, supervision)	Preventative	Ongoing	Adequate
Staff Training (Process Based)	Preventative		Adequate
Procedural Review Process	Preventative	Ongoing	Adequate
General reconciliation of processes (payroll, cash, stock, etc)	Detective	Forthnightly	Adequate
Formal internal communications e.g EMT briefings, formal team meetings, CEO news letter	Preventative	Ongoing	Adequate
Disclaimers on advice provided to external parties	Preventative	Ongoing	Adequate
Internal Audit Trail (Reporting Systems)	Detective	Daily	Adequate
Standard Templates for Information / Worksheets	Preventative	Ongoing	Adequate
Airport Master and Land Use Planning	Preventative	Ongoing	Adequate
IPWEA Subdivision Guidelines	Preventative	Ongoing	Adequate
Approved / Designated Spokespeople for external communications	Preventative	Ongoing	Adequate
FAQ's / Customer Service Sheets	Preventative	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Unlikely
Overall Risk Ratings:	Low

Key Indicators	Target	Date	Overall City Result
# discrepancies identified by Internal Audits	0	Ongoing	Adequate
# Complaints	0	As occur	Adequate
Community Satisfaction Survey	N/A	Annual	Adequate
Media Monitoring	N/A	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

	Status	Responsibility	Due Date
Create and publish a "Who does what" list (Promapp)	In Progress	Henry Eaton	Jun-16
Review Peer Review Process for Development Advice	In Progress	Martin Waddington	Jun-16
Review Customer Service Charter	In Progress	Henry Eaton	Dec-15
Develop Qualifications Register / Skills matrix	In Progress	Kayla Harrison	Dec-15

External Theft & Fraud (incl. Cyber Crime)

Jun-15

This Risk Theme is defined as:

Loss of funds, assets, data or unauthorised access, (whether attempts or successful) by external parties, through any means (including electronic), for the purposes of:

- Fraud – benefit or gain by deceit
- Malicious Damage – hacking, deleting, breaking or reducing the integrity or performance of systems
- Theft – stealing of data, assets or information (no deceit)

Examples include:

- Scam Invoices
- Cash or other valuables from 'Outstations'.

Potential causes include:

Inadequate security of equipment / supplies / cash

Robbery

Scam Invoices

Inadequate provision for patrons belongings

Lack of Supervision

Key Controls	Type	Date	City Rating
IT/HR/Finance Policies & Procedures	Preventative	Ongoing	Adequate
IT Independent Vulnerability Audit	Preventative	Annual	Adequate
IT Review (e.g Tripwires)	Preventative	Ongoing	Adequate
Reconciliation of Stock / Stock Control	Detective	Monthly	Adequate
Reporting/reconciling of cash collected at remote sites	Detective	Ongoing	Adequate
Security / Security Services / Surveillance (incl. CCTV)	Preventative	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Unlikely

Overall Risk Ratings:

Low

Key Indicators	Target	Date	Overall City Result
# Referrals to Police/CCC	0	As occur	Adequate
# discrepancies identified through reconciliation of cash / equipment	0	Daily	Adequate
# Insurance Claims	0	As occur	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Depot upgrade - CCTV	In progress	Martin Waddington	FY16-17
Daily reconciliations of cash receipts	Daily	All cash receival sites	Ongoing
Community - Reconciliation of Stock/Stock Control - Monthly stock take to be conducted instead of annual	Not started	Facility Coordinators Youth Services Coordinator	Commencing September 2015

Failure of IT &/or Communications Systems and Infrastructure

Jun-15

This Risk Theme is defined as:

Instability, degradation of performance, or other failure of IT Systems, Infrastructure, Communication or Utility causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked. Examples include failures or disruptions caused by:

- Hardware &/or Software
- IT Network
- Failures of IT Vendors

This also includes where poor governance results in the breakdown of IT maintenance such as:

- Configuration Management
- Performance Monitoring
- IT Incident, Problem Management & Disaster Recovery Processes

This does not include new system implementations - refer "Inadequate Change Management (Internal)".

Potential causes include:

Weather impacts
Infrastructure breakdown such as landlines, radio communications
Out dated / inefficient hardware
Incompatibility between operating system and Microsoft

Power failure
Power outage at service provider
Lack of training
Software vulnerability (e.g. MS Access)

Key Controls	Type	Date	City Rating
IT Infrastructure Design / Fit for Purpose	Preventative	Quarterly	Adequate
Performance Monitoring Program	Detective	Quarterly	Adequate
Disaster Recovery Program	Recovery	Quarterly	Adequate
Accessibility of alternative communications devices e.g. Satellite Phones/Walky Talkies/2-Way Radios	Preventative	Ongoing	Adequate
Back up generator (Leisureplex/Airport)	Recovery	As required	Adequate
Adequately trained staff in setting up systems	Preventative	As required	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Unlikely

Overall Risk Ratings:

Low

Key Indicators	Target	Date	Overall City Result
# of incidents breaching agreed service level agreements	0	Quarterly	Adequate
Unscheduled down time	0	Quarterly	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Review / Develop IT Disaster Recovery Plans	In Progress	Brad Pezzali	Jun-16
Develop incident response Service Level Agreements and processes	In Progress	Brad Pezzali	Jun-16

Failure to Fulfil Statutory, Regulatory or Compliance Requirements

Jun-15

This Risk Theme is defined as:

Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This could result in fines, penalties, litigation or increased scrutiny from regulators or agencies. This includes new or proposed regulatory and legislative changes, in addition to the failure to maintain updated legal documentation (internal & public domain) to reflect changes.

This does not include:

- Issues in relation to OH&S – refer "Inadequate Safety and Security (Staff, Visitors and Community)"
- Procurement, disposal or tender process failures – refer "Inadequate Procurement, Disposal or Tender Practices"
- HR based legislation – refer "Ineffective People Management".

Potential causes include:

Lack of training, awareness and knowledge

Staff Turnover

Inadequate record keeping

Ineffective processes

Lack of Legal Expertise

Councillor Turnover

Misunderstanding of delegations

Ineffective monitoring of changes to legislation

Key Controls	Type	Date	City Rating
Landfill Management Operational Plan	Preventative	Ongoing	Adequate
Environmental Management Plan	Preventative	Ongoing	Adequate
Internal / External Audit, eg Compliance Audit Return	Detective	Ongoing	Adequate
Supervision and Compliance Inspections	Preventative	Ongoing	Adequate
Policies, Procedures, Processes, Templates	Preventative	Ongoing	Adequate
Airport Management Operational System	Preventative	Ongoing	Adequate
Induction Process	Preventative	Ongoing	Adequate
Subscriptions services to remain up to date (WALGA Tax Service)	Preventative	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Possible

Overall Risk Ratings:

Moderate

Key Indicators	Target	Date	Overall City Result
# discrepancies identified through Internal / External Audit	0	Ongoing	Adequate
# discrepancies identified through DER Audit (3 Yearly)	0	3 yearly	Adequate
# Incidents (Compliance Based)	0	As Occur	Adequate
CASA non-compliance items (Annual Audit)	0	Annual	Adequate
OTS non-compliance items (Annual Audit)	0	Annual	Adequate
# FOI Applications completed within 45 days	100%	As Occur	Adequate
# Notices of non-compliance received from external agencies	0	As Occur	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Process Mapping	In Progress	All work areas	Ongoing
Education and training workshops for staff and elected members	Ongoing	Executive and Corporate	Ongoing
Inductions	Ongoing	HR	Ongoing
Annual Statutory Reporting Requirements	As Required	All work areas	Annual

Inadequate Safety and Security (Staff, Visitors and Community)

Jun-15

This Risk Theme is defined as:

Non-compliance with Occupational Health & Safety (OH&S) Regulations and physical security requirements. This risk includes issues relating to:

- Inadequate Policy, Frameworks, Systems and Structures to prevent the injury of visitors, staff, contractors and/or tenants in the provision of a working or business environment
- Inadequate security protection measures in place for buildings, depots and other places of work (vehicle, community etc)
- Public Liability Claims, due to negligence or personal injury
- Employee Liability Claims due to negligence or personal injury.

Potential causes include:

Lack of appropriate PPE / Equipment	Inadequate signage, barriers or other exclusion techniques
Inadequate first aid supplies or trained staff	Storage and use of Dangerous Goods
Ineffective or inadequate testing, sampling or similar health based requirements	Rubbish / Litter Control
Lack of mandate and commitment from Senior Management	Inadequate security arrangements

Key Controls	Type	Date	City Rating
Local Site Induction (Log Books)	Preventative	Ongoing	Adequate
First Aid Kits / Fire Extinguishers etc	Recovery	Ongoing	Adequate
Toolbox Safety Meetings	Detective	Ongoing	Adequate
Incident Reporting Framework	Detective	Ongoing	Adequate
OHS Program & Calendar Schedule	Preventative	Ongoing	Adequate
Workplace Inspections	Detective	Ongoing	Adequate
OSH Audit	Detective	Annual	Adequate
SOPs and SWMS for Plant and Machinery	Preventative	Ongoing	Adequate
Storage Facilities, Access Control & Procedures Manual	Preventative	Ongoing	Adequate
Staff Training & Induction	Preventative	Ongoing	Adequate
Employee Assistance Program	Preventative	Ongoing	Adequate
Lifesavers / Personal Trainers - Qualified	Preventative	Ongoing	Adequate

Overall Control Ratings: Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Unlikely

Overall Risk Ratings: Low

Key Indicators	Target	Date	Overall City Result
Lost time injury frequency rate (LTIFR)	<5%	Annual	Adequate
# discrepancies identified through OSH Audit Results	0	Annual	Adequate
# discrepancies identified through Worksafe Audit Results	0	As Occur	Adequate
# Incidents Reported	0	As Occur	Adequate
# Public Liability Insurance Claims made against the City	0	As Occur	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Review Visitor / Contractor Management Procedures (Log Book / Site Induction)	In progress	Kayla Harrison	Dec-15
Review installation of Duress Alarms for Community Services Staff	In progress	Vanessa Subramoney	Dec-15
Review installation of Duress Alarms for Customer Services Staff	In progress	Henry Eaton	Dec-15
Develop LTIFR Monitoring	In progress	Kayla Harrison	Dec-15
Provide Training for relevant staff on dealing with aggressive / difficult people	Ongoing	Kayla Harrison	Ongoing
Develop Management Plan on non-compliance of Hazard notifications	In progress	Kayla Harrison	Dec-15

Ineffective Management of Facilities / Venues

Jun-15

This Risk Theme is defined as:

Failure to effectively manage the day to day operations of facilities and / or venues. This includes:

- Inadequate procedures in place to manage the quality or availability
- Ineffective signage
- Booking issues
- Financial interactions with hirers / users
- Oversight / provision of peripheral services (eg. cleaning / maintenance)

Potential causes include:

Double bookings
Illegal alcohol consumption
Managing bond payments

Animal contamination
Failed chemical / health requirements
Access to facilities / venues

Key Controls	Type	Date	City Rating
Spydus (Library Management Systems)	Preventative	Ongoing	Adequate
Envisionware (IT Public Booking System)	Preventative	Ongoing	Adequate
Building Management System (Leisureplex)	Preventative	Ongoing	Adequate
Building Management System (All Others)	Preventative	Ongoing	Adequate
Maintenance Program	Detective	Ongoing	Adequate
Staff (Inductions & ongoing Training & Supervision)	Preventative	Ongoing	Adequate
Links (Cash Mgt System)	Preventative	Ongoing	Adequate
Policies & Procedures	Preventative	Ongoing	Adequate
Managing Community Assets (multi-purpose)	Preventative	Ongoing	Excellent
Contract / agreement management	Preventative	Ongoing	Adequate
Water monitoring programs (incl Leisureplex)	Detective	Ongoing	Adequate

Overall Control Ratings: Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Unlikely

Overall Risk Ratings: Low

Key Indicators	Target	Date	Overall City Result
Maintaining Operational Hours	100%	Ongoing	Adequate
Community Survey Results	N/A	Annual	Adequate
Facilities Scorecard (meeting specific targets)	TBA	Ongoing	Adequate
Leisureplex Water Use (volume)	TBA	Annual	Adequate
Number of Complaints (Facility / Venue)	0	Ongoing	Adequate
Media Monitoring	N/A	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Karratha Terminal Upgrade Project	In Progress	Mitchell Cameron	Sep-15

Inadequate Emergency Management

Jun-15

This Risk Theme is defined as:

Failure to adequately assess and respond to both internal and external emergencies. Lack of (or inadequate) Emergency Response Plans. Lack of training to specific individuals or availability of appropriate emergency response. Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident. This also includes inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc.

Potential causes include:

Weather / environmental threats

Abusive / Aggressive people

Lack of planning / testing / drills

High Fuel Loads and curing rates

Geographical remoteness

Lack of community awareness

Inadequate knowledge and experience

Lack of maintenance (inc. firebreaks)

Key Controls	Type	Date	City Rating
Emergency Management Plans (eg. Bushfire)	Preventative	Ongoing	Adequate
LEMA Plans	Preventative	Ongoing	Adequate
Recovery Plans	Recovery	Ongoing	Adequate
Evacuation Plans	Preventative	Ongoing	Adequate
Community awareness campaign / Public Notification	Preventative	Annual	Adequate
WA National Disaster Relief Arrangements	Recovery	Ongoing	Adequate
Preventative Inspections and Hazard Reduction Burns	Preventative	Ongoing	Adequate
Undertake Emergency Planning Exercises and Drills	Preventative	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Major
Likelihood:	Unlikely

Overall Risk Ratings:

Moderate

Key Indicators	Target	Date	Overall City Result
# Injuries or assets damaged as a result of bushfire	0	As Occur	Adequate
# Plans out of date by more than 12 months	0	Annual	Adequate
Performance on Emergency Practice Drills	100%	Ongoing	Adequate
Airport Emergency Drills	100%	Bi-Annual	Adequate
Quarterly LEMC Meetings	4	Quarterly	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

Nil

Status

Nil

Responsibility

Nil

Due Date

Nil

Inadequate Document Management Processes

Jun-15

This Risk Theme is defined as:

Failure to adequately capture, store, archive, retrieve, provide and / or dispose of documentation. This includes:

- Contact lists
- Procedural documents
- Application proposals/documents
- Contracts, Leases etc
- Forms, requests or other documents.

Potential causes include:

Spreadsheet/Database/Document corruption or loss	High Staff turnover
Inadequate access and / or security levels	Lack of system / application knowledge
Inadequate external storage facilities/contractors (including climate control; storage supplier's processes)	High workloads and time pressures
Outdated record keeping practices / incompatible systems / policies not keeping up with changes in technology	Incomplete authorisation trails

Key Controls	Type	Date	City Rating
Compliance Framework (Airport)	Preventative	Ongoing	Adequate
Records Management System	Preventative	Ongoing	Adequate
Procedural Guides / Flow charts / Policies / Process Mapping	Preventative	Ongoing	Adequate
Access Control	Preventative	Ongoing	Adequate
Records management training	Preventative	Ongoing	Adequate
Vital Records Register	Preventative	Ongoing	Excellent

Overall Control Ratings: Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Possible

Overall Risk Ratings: Moderate

Key Indicators	Target	Date	Overall City Result
CASA Annual inspections (non-compliance specific to Document management)	<5%	Annual	Adequate
Freedom of Information Applications - non-fulfilment due to documents not being located	0	As occurs	Adequate
Reporting of outstanding Synergy Records	<10%	Monthly	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Transfer physical records to storage	In Progress	Nicole Bylund	Annual
Finalise Process Maps	Completed	Nicole Bylund	Jul-15
Update Record Keeping Plan	Completed	Brad Pezzali	Jun-15
Records Training	Ongoing	Nicole Bylund	Monthly

Inadequate Change Management (Internal)

Jun-15

This Risk Theme is defined as:

Inadequate analysis, design, delivery and / or status reporting of internal change initiatives, resulting in additional expenses, time requirements or scope changes. This includes:

- Inadequate Change Management Framework to manage and monitor change activities
- Inadequate understanding of the impact of change on the business
- Failures in the transition of introduced operations into standard operations
- Failure to implement new systems
- Failures of IT Project Vendors/Contractors

This includes Directorate or Service Unit driven change initiatives except new plant & equipment purchases. Refer "Inadequate Procurement, Disposal or Tender Practices" and "Inadequate Asset Management".

Potential causes include:

Lack of methodology knowledge and reporting requirements

Lack of investment

Ineffective management of expectations (scope creep)

Inadequate planning (resources/budget)

City growth (rapid change)

Inadequate monitoring and review of new initiatives

Project risks not managed effectively

Lack of communication and consultation

Key Controls	Type	Date	City Rating
Process Mapping	Preventative	Ongoing	Adequate
Reporting and oversight monitoring	Detective	Ongoing	Adequate
Internal communications	Preventative	Ongoing	Adequate
Lessons Learned Register	Preventative	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Possible

Overall Risk Ratings:

Moderate

Key Indicators	Target	Date	Overall City Result
Staff satisfaction surveys	100%	Ongoing	Adequate
Time taken for takeup of new Technologies	TBA	Ongoing	Adequate
Time taken for takeup of new Processes	TBA	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

Develop a change management framework

Status

To be developed

Responsibility

Kayla Harrison

Due Date

Jul-16

Inadequate Relationships with the Community

Jun-15

This Risk Theme is defined as:

Failure to maintain adequate relationships with the community including local media, stakeholders, key private sector companies, government agencies and elected members. This includes failing to provide expected levels of service, events and benefits to the community, for example, where precedents have set community perceptions or where services are generally expected. This risk theme also includes failure to maintain effective working relationships, for example, where communication, feedback and / or consultation is required and where it is in the best interests to do so but it is done inadequately or not done at all.

Instances where communication / feedback / consultation is required are:

- Access & inclusion issues
- Infrastructure Projects
- Regional or District Committee attendance
- Local Planning initiatives
- Strategic Planning initiatives.

Inadequate relationships with the community normally result in reputational impacts, however, may have financial considerations with re-work, compensations or refunds. For example:

- Reducing the number or quality of events
- Withdrawing support (or not supporting) other initiatives to provide relief / benefits to the community
- Loss of new or ongoing funding requirements for projects, events and other initiatives
- Not meeting community technology expectations.

Potential causes include:

Budget / funding issues	Short lead times
Media attention	Miscommunication / Poor communication
Inadequate documentation or procedures	Relationship breakdowns with community groups
Conflicting events	Internal Bureaucracy
Ineffective complaints management	Other reputational impacts
Inadequate signage and / or amenities	

Key Controls	Type	Date	City Rating
Service level monitoring	Detective	Ongoing	Adequate
Level of Service Documentation / KPI Reporting	Preventative	Quarterly	Adequate
Community Survey	Detective	Annual	Adequate
Annual Community Association Grant Scheme (Policy)	Preventative	Annual	Adequate
Operational Business Plans (Departments)	Preventative	Ongoing	Adequate
Liaison with Govt Agencies / Key Industry Bodies	Preventative	Ongoing	Adequate
Grant / Sponsorship / Partnership Programs	Preventative	Ongoing	Adequate
Consultation Policy (IAP2)	Preventative	Ongoing	Adequate
Customer Service Charter	Preventative	Ongoing	Adequate
PIIG Process	Preventative	Ongoing	Adequate
Approved / Designated Spokespeople	Preventative	Ongoing	Adequate
Formal Internal (e.g Contentious Issues, reporting level of consultation in Council reports) / External Communications	Preventative	Ongoing	Adequate
Legislative requirement to engage with the Community (e.g. Strategic Community Plan)	Preventative	Ongoing	Adequate

Overall Control Ratings: Adequate

Risk Ratings	City Rating
Consequence:	Moderate
Likelihood:	Possible

Overall Risk Ratings: Moderate

Key Indicators	Target	Date	Overall City Result
Media Monitoring	N/A	Ongoing	Adequate
Community Survey Results	N/A	Annual	Adequate
# Complaints received	0	Ongoing	Adequate
# Council Reports detailing level of consultation undertaken	100%	Monthly	Adequate
# Enquiries resolved FPOC (first point of contact)	90%	Ongoing	Adequate
Meeting Operational Business Plan Targets	95%	Quarterly	Adequate
Meeting Department Operational Plans Targets / KPIs	95%	Quarterly	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Cemetery Master Plan	Completed	Martin Waddington	Jul-15
Develop educational and awareness program to ensure adequate engagement of Marketing & Communications Team	In progress	Robert Leeds	Ongoing
Recognised increased presence and partnership in the Community - e.g. Roebourne community, Roebourne Museum	In progress	Vanessa Subramoney	Ongoing

Inadequate Procurement, Disposal or Tender Practices

Jun-15

This Risk Theme is defined as:

Failures in the procurement, acquisition, acceptance or disposal process for assets as governed by the *Local Government Act 1995*. This risk theme also relates to and includes:

- Lack of formalised process to identify specific requirements prior to procurement
- Acceptance of assets without reference to a formalised process to ensure correct receipt and / or notification of receipt (transfer of ownership)
- Disposing of plant & equipment (either through sale or decommissioning) that did not meet expectations from either a time or financial perspective
- Failures in the procurement or disposal process from RFT / RFQ / EO / DOP preparation, advertising, due diligence and awarding.

Potential causes include:

Fluctuating local market	Upselling issues
Lack of procedural process / short cutting	Biased view of requirements / specifications
Lack of liaison with operators	

Key Controls	Type	Date	City Rating
Asset Management System	Preventative	Ongoing	Adequate
Policies, Procedures, Systems (e.g. Promapp, Tenderlink, eQuotes) and Templates	Preventative	Ongoing	Adequate
Internal Financial Controls (eg Budgets, purchase orders, invoices and auditing)	Detective	Ongoing	Adequate
Procurement Training for delegated staff	Preventative	Ongoing	Adequate
National Asset Management Framework	Preventative	Ongoing	Adequate
Procurement documents, eg scope, specifications, performance measures, RFT and condition of contracts (eg WALGA, Australian Standards)	Preventative	Ongoing	Adequate
Engaging suitably experienced people (external or internal) to assist with Procurement documentation and planning	Preventative	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Moderate
Likelihood:	Possible

Overall Risk Ratings:

Moderate

Key Indicators	Target	Date	Overall City Result
# Justifiable Complaints (Procurement, Disposal & Tender)	0	As occur	Adequate
Compliance Audit Return	90%	Annual	Adequate
# discrepancies identified through Spot checks by Finance Team	0	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Complete Internal Audit on Tender process	In progress	Henry Eaton	Dec-15
Input Data for National Asset Management Framework	In progress	Pragnesh Shah	Ongoing
Compulsory procurement training for new employees with purchasing authority	Quarterly	Henry Eaton	Ongoing

Inadequate Asset Management

Jun-15

This Risk Theme is defined as:

Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet assets in addition to community use based assets including playgrounds, boat ramps and other maintenance based assets. Areas included in the scope are:

- Inadequate design (not fit for purpose)
- Ineffective usage (down time)
- Outputs not meeting expectations
- Inadequate maintenance activities
- Inadequate or unsafe modifications

It does not include issues with the inappropriate use of the plant, equipment or machinery. Refer "Misconduct".

Potential causes include:

Skill level & behaviour of operators
Lack of formal or appropriate scheduling (maintenance / inspections)
Out-dated equipment

Unavailability of parts
Lack of trained staff
Unexpected breakdowns

Key Controls	Type	Date	City Rating
Preventative Maintenance Schedules	Preventative	Ongoing	Adequate
Reactive Maintenance	Recovery	Ongoing	Adequate
Inspection Schedule	Preventative	Ongoing	Adequate
Asset Management Systems	Preventative	Ongoing	Adequate
Fleet Management Reporting System	Preventative	Ongoing	Adequate
Master Plan (Community Infrastructure)	Preventative	Ongoing	Adequate
Operator Training	Preventative	Ongoing	Adequate

Overall Control Ratings: Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Unlikely

Overall Risk Ratings: Low

Key Indicators	Target	Date	Overall City Result
# Complaints (Community Infrastructure)	0	As Occur	Adequate
Maintenance Budget Overrun	0	As Occur	Adequate
Fuel Usage / Utilisation Hours (optimum usage)	100%	Ongoing	Adequate
Significant Write-Downs of Fair Value	0	Annual	Adequate
Asset Renewal Ratio	>1	Annual	Excellent
Asset Failure Reporting	0	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Karratha Terminal Upgrade Project	In progress	Mitchell Cameron	Aug-15
Relationship and communication building between teams managing assets	In progress	Facility Owners	Ongoing
Community - Preventative Maintenance Schedule - Obtain copies and add to if required	In progress	Manager Recreation Facilities; Building Maintenance Coordinator; Youth Services Coordinator	Ongoing

Inadequate Stock Management

Jun-15

This Risk Theme is defined as:

Lack of stock to ensure continuity of operations or oversupply of stock resulting in dormant (non-performing) assets. Stock includes, consumables, stationery, spare parts and / or other items used for operational purposes. This could be a result of an ineffective stock management system or processes or the peripheral processes in the issuance and / or recording of transactions.

It does not include theft or loss of stock through ineffective operations - refer:

- Theft – “Misconduct” or “External Theft & Fraud (incl. Cyber Crime)”
- Ineffective operations – “Errors, Omissions, Delays and Providing Inaccurate Advice / Information”.

Potential causes include:

Fluctuating demand
Communication breakdowns
Budgetary constraints

Unavailability of stock
Procedures not followed

Key Controls	Type	Date	City Rating
Stock Management Reporting System (Synergysoft)	Preventative	Ongoing	Adequate
Documented procedures	Preventative	Ongoing	Adequate
Stocktake Program - reconciliation of systems with actual levels / adjusting levels accordingly	Detective	Annual	Adequate
Register of stock issued	Preventative	Ongoing	Adequate
Manual Stock Control (Aquatic)	Detective	Ongoing	Adequate
Spydus (Library Management System)	Detective	Ongoing	Adequate

Overall Control Ratings: Adequate

Risk Ratings	City Rating
Consequence:	Minor
Likelihood:	Unlikely
Overall Risk Ratings:	Low

Key Indicators	Target	Date	Overall City Result
# Inter-Library loan requests	10 per mth	Ongoing	Adequate
Inventory Turnover reports	Predetermined levels	Ongoing	Adequate
Inventory Service Levels	Predetermined levels	Ongoing	Adequate
Annual stocktakes	Predetermined levels	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Review Fuel Management System	Completed	Martin Waddington	Jul-15
Review Stock Storage	Completed	Martin Waddington	Jul-15
Review Stock tolerance levels at Leisure Facilities	In Progress	Tony Wear	Nov-15
Internal Audit of Inventory	Not started	Henry Eaton	Jun-16
Community - Stocktake Program - Monthly stock take to be conducted instead of annual	Not started	Facility Coordinators Youth Services Coordinator	Commencing September 2015

Inadequate Project Management

Jun-15

This Risk Theme is defined as:

Inadequate management of projects including inadequate management of external suppliers, contractors, IT vendors or consultants. This includes issues that arise from the ongoing supply of services or failures in project management, contract management and monitoring processes. This also includes:

- Concentration issues
- Vendor sustainability.

It does not include failures in the procurement process - refer "Inadequate Procurement, Disposal or Tender Practices".

Potential causes include:

Funding
Complexity and quantity of work
Geographical remoteness

Inadequate contract management practices
Ineffective monitoring of deliverables
Lack of planning and clarity of requirements
Historical contracts remaining

Key Controls	Type	Date	City Rating
Contract management program	Preventative	Ongoing	Adequate
Contract / service performance monitoring	Preventative	Ongoing	Adequate
Tender management program (Tenderlink)	Preventative	Ongoing	Adequate
Contingency Planning (eg. in event of supplier insolvency)	Recovery	Ongoing	Adequate
PIIG Framework (Project Management)	Preventative	Ongoing	Adequate
Fortnightly Project Management Meetings	Detective	Fortnightly	Adequate
Reporting and oversight monitoring (major projects)	Detective	Ongoing	Adequate
Reporting and oversight monitoring (minor projects / programs)	Detective	Ongoing	Adequate
Recording of Lessons Learned	Preventative	Ongoing	Adequate
Access to suitably experienced people (external or internal) to assist with managing contracts and project	Preventative	Ongoing	Adequate

Overall Control Ratings: Adequate

Risk Ratings	City Rating
Consequence:	Moderate
Likelihood:	Unlikely

Overall Risk Ratings: Moderate

Key Indicators	Target	Date	Overall City Result
Projects coming within budget	100%	Ongoing	Adequate
Not achieving milestones / KPIs within agreed timeframes	0%	Ongoing	Adequate
Unresolved issues (contract related)	0%	Ongoing	Adequate
Contracts yet to be renewed	0%	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

	Status	Responsibility	Due Date
Provide procurement induction	In Progress	Henry Eaton	Ongoing
Develop Contract Management Framework	In Progress	Belinda Tussler	Ongoing
Review Building Maintenance Contract Management Process	In Progress	Martin Waddington	Oct-15
Develop a Project Management review and oversight process to cater for all minor projects (simple reporting & monitoring tool)	In Progress	Martin Waddington	Dec-15

Ineffective People Management

Jun-15

This Risk Theme is defined as:

Failure to effectively manage and lead human resources (full/part time, casuals, temporary and volunteers). This includes not having appropriately qualified or experienced people in the right roles or not having sufficient staff numbers to achieve objectives. This also includes:

- Breaching employee regulations (excluding OH&S - refer "Inadequate Safety and Security (Staff, Visitors and Community")
- Discrimination, harassment and bullying in the workplace
- Key person dependencies without effective succession planning in place
- Induction issues
- Terminations (including any tribunal issues)
- Industrial activity.

Care should be taken when considering insufficient staff numbers as the underlying issue could be a process inefficiency.

Potential causes include:

Limited staff availability - mining / private sectors (pay & conditions)

Ineffective performance management programs or procedures

Available staff / volunteers are generally highly transient

Ineffective training programs or procedures

Single Person Dependencies / Loss of key staff

Leadership failures / Span of control

Poor internal communications / relationships

Inadequate Induction practices.

Key Controls	Type	Date	City Rating
HR Succession Planning Program	Preventative	Ongoing	Inadequate
Housing Policy	Preventative	Ongoing	Adequate
Workforce Planning	Preventative	Ongoing	Adequate
Casual Staff Management	Preventative	Ongoing	Adequate
Learning, Development, Induction Programs	Preventative	Ongoing	Adequate
Recruitment Processes	Preventative	Ongoing	Adequate
Processes in Promapp to capture corporate knowledge (ie minimises key person dependency)	Preventative	Ongoing	Adequate
Performance Management Program	Recovery	Ongoing	Adequate

Overall Control Ratings:

Adequate

Risk Ratings	City Rating
Consequence:	Moderate
Likelihood:	Possible

Overall Risk Ratings:

Moderate

Key Indicators	Target	Date	Overall City Result
Staff Turnover	<25%	Ongoing	Adequate
Performance Reviews Completed on Time	100%	Annual	Adequate
Staff Survey Results	+ 5%	May-15	Adequate
Absenteeism (unplanned leave)	<5%	Ongoing	Adequate

Comments

As rated by Workshop Attendees - April/May 2015.

Current Issues / Actions / Treatments

Current Issues / Actions / Treatments	Status	Responsibility	Due Date
Implement Staff Survey Plans	Started	Kayla Harrison	Aug-14
Complete HR Succession Planning Program	Ongoing	Kayla Harrison	Jun-16
Review Housing Policy & Strategy	Ongoing	Kayla Harrison	Jun-16
Develop more extensive Promapp processes for Strategic Projects and Infrastructure	Ongoing	Infrastructure Coordinators	Dec-15
Promapp Steering Committee	In Progress	Henry Eaton	Ongoing

6.3 AUDIT & ORGANISATIONAL RISK COMMITTEE DATES 2016

File No:	FM.3
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance and Organisational Strategy
Date of Report:	30 October 2015
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Nil

PURPOSE

To consider dates for Audit & Organisational Risk Committee meetings in 2016.

BACKGROUND

The Audit & Organisational Risk Committee has been meeting four times a year to monitor matters of compliance, governance and risk to ensure that the City has effective internal controls in place. The Terms of Reference for the Committee provide for meetings “no less than once every quarter each year”.

It is proposed that similar meeting times be scheduled for the 2016 year.

Date of Meeting	Matters for Discussion
Tuesday 23 February 2016 at 3pm	<ul style="list-style-type: none"> • Annual Compliance Audit 2015 • New external Audit contract • Business Improvement Program
Tuesday 24 May 2016 at 3pm	<ul style="list-style-type: none"> • Interim Audit Report 2015/16 • Internal Audit Report • Business Improvement Program
Tuesday 23 August 2016 at 3pm	<ul style="list-style-type: none"> • Risk Management Review • Business Improvement Program
Tuesday 25 October 2016 at 3pm	<ul style="list-style-type: none"> • External Audit Report 2015/16 • Annual Financial Report 2015/16 • Business Improvement Program

LEVEL OF SIGNIFICANCE

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

COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Division 1A of Part 7 of the *Local Government Act* makes provision for local government audit committees.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2015-2016 provides for this activity:

Our Program: 4.c.2.3 Develop and/or review Council policies, procedures and processes.

RISK MANAGEMENT CONSIDERATIONS

There are no risk management considerations applicable.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

Committee meeting dates are set annually.

VOTING REQUIREMENTS

Simple Majority

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to MEET as follows:

CONCLUSION

It is proposed to continue the schedule of Audit & Organisational Risk Committee meetings on a quarterly basis in 2016. In the event that an urgent matter needs to be considered, a special meeting of the Committee can be convened.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR32**
MOVED : **Cr Scott**
SECONDED : **Cr Cucel**

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to CONFIRM the ordinary meeting dates of the Audit & Organisational Risk Committee meetings for 2016 as follows:

- **Tuesday 23 February 2016 at 3pm**
- **Tuesday 24 May 2016 at 3pm**
- **Tuesday 23 August 2016 at 3pm**
- **Tuesday 25 October 2016 at 3pm**

CARRIED

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

7 ITEMS FOR INFORMATION ONLY

Responsible Officer: Director Corporate Services

Reporting Author: Minute Secretary

Disclosure of Interest: Nil

PURPOSE

To advise the Audit and Organisational Risk Committee of the information items for period ending October 2015.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR33
MOVED : Cr Cucel
SECONDED : Cr Long

That the Audit & Organisational Risk Committee note the following information items:

- **7.1 Business Improvement – Progress Report**

CARRIED

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

7.1 BUSINESS IMPROVEMENT – PROGRESS REPORT**File No: FM.3****Responsible Executive Officer: Director Corporate Services****Reporting Author: Manager Governance and Organisational Strategy****Date of Report: 28 October 2015****Disclosure of Interest: Nil****Attachment(s) Nil****PURPOSE**

To provide the Audit & Organisational Risk Committee with a progress update on Business Improvement.

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status
1. Strategic Community Plan 2012-2022	Outlines the outcomes expressed by our communities and our response as an organisation in achieving those agreed outcomes in the next 10 years.	<ul style="list-style-type: none"> • Vision • Strategies • Community Engagement • Resources and Commitments 	<ul style="list-style-type: none"> • Review to be undertaken post October 2015 following Council elections to feed into 2016/17 year. • EMT Briefings with staff held in November and staff survey circulated. • Initial Councillor review to be undertaken in mid November 2015.
2. Corporate Business Plan 2012-2016	Outlines what the organisation needs to deliver in the next five years. Has been extensively reworked internally over the past 4-6 weeks with a focus on consistency and measurability of KPI's.	<ul style="list-style-type: none"> • Activates Strategic Community Plan • Progress Measures to achieve delivery of outcomes • Budget information for five years 	<ul style="list-style-type: none"> • Review to be undertaken post October 2015 following Council elections to feed into 2016/17 year.
3. Operational Plan 2015-2016	Annual slice and dice of Corporate Business Plan. Has been extensively reworked internally to ensure consistency and compliance.	<ul style="list-style-type: none"> • Annual Budget. • Annual Projects and Services 	<ul style="list-style-type: none"> • 2015/16 KPIs were presented to Council and approved on 30 June 2015.

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status
4. Asset Management Plan	What Assets are required at what service level to deliver the services expressed by our communities?	<ul style="list-style-type: none"> • Asset Conditions & Ratings • Levels of Service, operational, technical and community • Financial information for maintenance of assets at an agreed level of service • Asset Disposal Strategy and Lifecycle Costing. • Action Plans 	<ul style="list-style-type: none"> • Approved by Council in June 2013.
5. Long Term Financial Plan	<p>Informs the Strategic Community Plan and Corporate Business Plan.</p> <p>CEO has reviewed with EMT. Staff believe that assumptions that inform the financial modelling need review prior to Council adoption.</p>	<ul style="list-style-type: none"> • Sensitivity Analysis • Long Term Financial Sustainability • Capital Works Program for next 10 years • Financial Modelling • Assumptions and Scenarios 	<ul style="list-style-type: none"> • Presented to Council in March 2013. • Submitted to the Department of Local Government in June 2013. • Key assumptions and 10 year Capital Works Plan reviewed by Council in June 2015.
6. Workforce Plan 2013-2018	Development of an all-encompassing strategy which addresses staff turnover rates and an appreciation of the full number of staff required to deliver City business now and into the future.	<ul style="list-style-type: none"> • Structural Review • Performance Measurement Systems • Performance Appraisal System • Retention • Recruitment • Succession Planning • Development and training • Staff housing & accommodation • Indigenous engagement policy 	<ul style="list-style-type: none"> • Approved by Council in August 2013. • Annual review has been completed and incorporated in the LTFP assumptions.
7. Housing Strategy	Development of a strategy to address the housing and accommodation needs of the City from retention and recruitment perspective.	<ul style="list-style-type: none"> • Short term review and modifications undertaken. • Options for staff housing to be developed (ownership vs leasing vs paying allowances) 	<ul style="list-style-type: none"> • Report currently under review.

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status
8. Corporate Performance Management System	A tool to integrate all operations including projects and services delivered by the organisation and report on the individual status and financials.	<ul style="list-style-type: none"> Ability for all reporting teams to update their quarterly performances 	<ul style="list-style-type: none"> Contract awarded to Civica Pty Ltd. KPIs in system for 2015/16 and quarterly performance reporting.
9. Procurement and Tendering	Given the large growth and volume of projects that the City is accountable for, there needs to be a review of the way procurement and tendering occurs to ensure a more centralised approach is adopted which is connected across the various directorates within the organisation.	<ul style="list-style-type: none"> Centralise and streamline the approach to procurement and tendering Create knowledge management and succession planning of procurement and tendering through the organisation 	<ul style="list-style-type: none"> Current practices are being process mapped as an internal resource and guide to all staff. Induction and awareness training commenced June 2014. Internal audit conducted on tenders and contract management Purchasing Manual is in the final stages of update. Legislative changes being implemented into internal systems. eQuotes for local suppliers to be introduced in November 2015.
10. Functional Processes	A review of the key processes that link how things are done within the organisation and examine the need to streamline and avoid duplication of activity that further create efficiencies in time and cost on how activities are undertaken.	<ul style="list-style-type: none"> Define what a process is and how these will be recorded. Conduct a review of current functional processes across the organisation Define what functional processes are needed, how they will be recorded, understood and applied consistently throughout the organisation. 	<ul style="list-style-type: none"> Policies adopted. Current practices are being process mapped as an internal resource and guide to all staff. 598 processes have been developed with 51% published for organisation to use. Service reviews have commenced across organisation. 49 service areas to be reviewed over 18 month period. First Tranche being reviewed by EMT. Second Tranche currently underway.

11. Risk Management Review	Review of existing policies, procedures and supporting documentation. Development of Risk Management Framework.	<ul style="list-style-type: none"> • Common, contemporary, compliant framework to be developed and utilised by four (4) Pilbara LGA's. 	<ul style="list-style-type: none"> • PRC Document has been produced and presented to Council. • Implementation of report recommendations being progressively undertaken by Corporate Compliance team in collaboration with other staff. • Risk Framework identified. • Risk Register prepared. • Risk plan and policies approved by Council in June 2014. • Risk report presented to Council in September 2015.
12. Business Continuity Management Project	A project funded by the PRC to assist Pilbara councils to establish a business continuity framework for their local authorities.	<ul style="list-style-type: none"> • Business Continuity Management Policy • Business Continuity Management Plan • BCM Governance Framework • Exercise Maintenance and Awareness Plan 	<ul style="list-style-type: none"> • Draft documents prepared and being reviewed by the City. • Training to be provided by PRC to Critical Response Team by undertaking exercises and reinforcing the contents of the plans in November 2015.

8 CLOSURE & DATE OF NEXT MEETING

The meeting closed at 3.59pm.

The date of the next meeting is to be held on Tuesday, 23 February 2016 at 3pm in Council Chambers - Welcome Road, Karratha.

I, Cr Evette Smeathers, Chairperson for the Audit & Organisational Risk Committee of the City of Karratha, hereby declare on behalf of the Committee that the enclosed Minutes are a true and accurate record of the Audit & Organisational Risk Committee Meeting held on Thursday 12 November 2015.

..... Date ____/____/____