



Town of Cottesloe

I hereby certify that the minutes of the Audit Committee

meeting held on

22 January 2019

were confirmed as a true and accurate record by committee
resolution.

Signed:

Cr Mark Rodda

Presiding Member

Date:

19/3/19

TOWN OF COTTESLOE



AUDIT COMMITTEE MINUTES

AUDIT COMMITTEE
TO BE HELD IN THE
Mayor's Parlour, Cottesloe Civic Centre
109 Broome Street, Cottesloe
2.00pm Tuesday, 22 January 2019

MAT HUMFREY
Chief Executive Officer

23 January 2019

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1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member declared the meeting open at 2.02pm.

2 RECORD OF ATTENDANCE/APOLOGIES**Present**

Cr Mark Rodda	Presiding Member, Elected Member
Cr Lorraine Young	Elected Member
Prof David Gilchrist	Community Representative
Ms Vicky Van Heerden	Community Representative

Visitors

Ms Kellie Tonich	Office of the Auditor General
Mr Greg Godwin	Moore Stephens Pty Ltd

Officers Present

Mr Garry Bird	Deputy Chief Executive Officer
Mr Wayne Richards	Finance Manager
Ms Irene Au Yeung	Assistant Finance Manager
Ms Elizabeth Nicholls	Senior Administration Officer

Apologies

Cr Sandra Boulter	Elected Member
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3 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Moved Cr Young, seconded Ms Van Heerden

That the Minutes of the Audit Committee Meeting held on Tuesday 17 July 2018 be confirmed as a true and accurate record.

Carried 4/0

4 OFFICER REPORTS**4.1 ADOPTION OF THE 2017/2018 FINANCIAL REPORT AND AUDIT**

File Ref:	SUB/2791
Attachments:	4.1(a) 2017/2018 Financial Statement [under separate cover]
	4.1(b) Audit Concluding Memorandum [under separate cover]
Responsible Officer:	Mat Humfrey, Chief Executive Officer
Author:	Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest:	Nil

SUMMARY

A recommendation is made for the Town of Cottesloe Audit Committee to recommend to Council the adoption of the 2017/18 Financial Statement, including the Audit report.

BACKGROUND

The 2017/18 Annual Financial Statement, including the Auditors Report is attached for the consideration of Committee Members. Also attached is the Audit Concluding Memorandum received from the Office of the Auditor General (OAG).

Audit Report

The Auditor has found that the Annual Financial Report:

1. Is based on proper accounts and records; and
2. Fairly represents, in all material aspects, the results of the operations of the Town for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* and (the Act) and, to the extent that they are not consistent with the Act, Australian Accounting Standards.

Notwithstanding the above audit opinion, the Audit Report did identify two matters as follows:

1. Asset Sustainability Ratio (Note 30 of the Financial Report)

It was noted that the Asset Sustainability Ratio has been below the Department of Local Government and, Sport and Cultural Industries standard for the past three years.

Staff Comment

This matter has been brought to the attention of Elected Members previously and reflects the lack of capital investment in assets by the Town in recent years. The ongoing improvements to the foreshore and other capital works will address this in future years and the Long Term Financial Plan does show this trend reversing towards the end of the ten year life of the Plan.

2. Accounting Journal Entries

Accounting journal entries were posted by one employee, with no evidence of review by a second employee.

Staff Comment

Although disputing this is a requirement of the Act as stated in the Audit Report, staff agree this is an effective control and have implemented this once after it was raised during the interim audit.

Audit Concluding Memorandum

In addition to the Audit Report, the Town also received the above document as part of the exit interview with the OAG, held on 4 December 2018.

This Memorandum further discusses the two issues raised in the Audit Report and others identified in the Interim Audit which were considered by the Audit Committee at the meeting held on 17 July 2018.

STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

Consideration of the 2017/18 Financial Report and the Audit Report are in keeping with this strategic objective.

POLICY IMPLICATIONS

There are no perceived policy implications arising from the officer's recommendation.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Audit) Regulations 1996

The relevant sections of the *Local Government Act 1995* read as follows:

6.4. Financial report

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to —*
 - (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*
 - (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) *the annual financial report of the local government for the preceding financial year.*

7.12AA. Application 29

This Division applies in relation to a local government that does not have an audit contract that is in force.

7.12AB. Conducting a financial audit

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

7.12AC. Dispensing with a financial audit

- (1) Despite section 7.12AB, the auditor may dispense with all or any part of a financial audit if the auditor considers that the dispensation is appropriate in the circumstances.*
- (2) The auditor must consult the Minister before exercising the power conferred by subsection (1).*
- (3) If the auditor exercises the power conferred by subsection (1), the auditor must notify —*
 - (a) the Public Accounts Committee as defined in the Auditor General Act section 4(1); and*
 - (b) the Estimates and Financial Operations Committee as defined in the Auditor General Act section 4(1).*

7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.*
- (2) The auditor must give the report to —*
 - (a) the mayor, president or chairperson of the local government; and*
 - (b) the CEO of the local government; and*
 - (c) the Minister.*

The relevant sections of the *Local Government (Administration) Regulations 1996* read as follows:

16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —*
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;*
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —*
 - (i) report to the council the results of that review; and*

- (ii) give a copy of the CEO's report to the council;*
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
 - (i) regulation 17(1); and*
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government —*
 - (i) is required to take by section 7.12A(3); and*
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.*

FINANCIAL IMPLICATIONS

Resource requirements are in accordance with the existing budgetary allocation. The cost to produce, print and distribute the Annual Report is minimal and contained within existing operating budget allocations.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the officer's recommendation.

CONSULTATION

Town of Cottesloe Audit Committee

Office of the Auditor General

Moore Stephens Pty Ltd

Staff

OFFICER COMMENT

The 2017/18 Audit was conducted by the Office of the Auditor General (OAG) as a result of changes to legislation during 2017. The OAG appointed Moore Stephens Pty Ltd to conduct the audit on their behalf although the OAG at all times remains the Auditor.

Generally the new system worked well although there were some delays associated with completion which have resulted in delays to the adoption of the Financial Report. This in turn has delayed the adoption by Council of the 2017/18 Annual Report and convening of the Annual Electors Meeting.

VOTING REQUIREMENT

Absolute Majority required by Council.

OFFICER RECOMMENDATION

That the Audit Committee recommends;

That Council, by absolute majority, ADOPT the Financial Report and Audit Report for the 2017/18 year as attached.

COMMITTEE RECOMMENDATION

Moved Cr Rodda, seconded Prof Gilchrist

That the Audit Committee recommends;

That Council, by absolute majority:

- 1. ADOPT the Financial Report and Audit Report for the 2017/18 year as attached.**
- 2. INSTRUCT the Chief Executive Officer to submit to the Minister a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters.**
- 3. INCLUDE the two matters raised on page 12 of the Audit Concluding Memorandum relating to the inspection schedule of all assets and the methodology of future valuations of freehold land in the Officer's report to Council and the actions to be taken in regards to these matters.**

Carried 4/0

4.2 2018 COMPLIANCE AUDIT RETURN

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: 4.2(a) Compliance Audit Return 2018 [under separate cover]
Responsible Officer: Garry Bird, Deputy Chief Executive Officer
Author: Elizabeth Nicholls, Senior Administration Officer
Author Disclosure of Interest: Nil

SUMMARY

A recommendation is made to adopt the Compliance Audit Return for 2018 and authorise the Mayor and Chief Executive Officer to certify the Return so that it may be submitted to the Department of Local Government by the due date of 31 March 2019.

BACKGROUND

Each year the Department of Local Government issues a Compliance Audit Return that covers a sample of legislative provisions required under the provisions of the *Local Government Act 1995*, which is required to be completed by staff and endorsed by Council prior to submission.

STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

POLICY IMPLICATIONS

There are no perceived policy implications arising from the officer's recommendation.

STATUTORY ENVIRONMENT

Local Government Act 1995

7.13 Regulations as to Audits

- (1) (i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are –
 - (i) of a financial nature or not; or
 - (ii) under this Act or another written law.
- (2) Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.

Local Government (Audit) Regulations 1996 - Regulations 14 and 15

14. Compliance audits by local governments

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be –*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

15. Compliance audit return, certified copy of etc. to be given to Executive Director

- (1) *After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with –*
 - (a) *a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
 - (b) *any additional information explaining or qualifying the compliance audit, is to be submitted to the Executive Director by 31 March next following the period to which the return relates.*
- (2) *In this regulation –*

Certified in relation to a compliance audit return means signed by –

 - (a) *the mayor or president; and*
 - (b) *the CEO.*

Local Government (Audit) Regulations 1996

FINANCIAL IMPLICATIONS

There are no perceived financial implications arising from the officer's recommendation.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the officer's recommendation.

CONSULTATION

Senior staff

OFFICER COMMENT

The Compliance Audit Return for 2018 has been completed and it is recommended that the Committee recommend to Council its adoption and further, authorise the Mayor and Chief Executive Officer to certify the Return so that it can be forwarded to the Department of Local Government and Communities.

The 2018 Compliance Audit Return has identified the following areas of non compliance by the Town of Cottesloe:

- S5.46(2) – A review paper was prepared by the Chief Executive Officer and submitted to a workshop with Council on 14 November 2018 where the matter was deferred and not formally reviewed by the delegator (Council).
- S5.76(1) Admin Reg 23 Form 3 – Cr Sandra Boulter submitted an annual return after 31 August 2018.
- S5.76(1) Admin Reg 23 Form 3 – Ms Elena Bull, the Principal Building Surveyor submitted an annual return after 31 August 2018.
- S5.77 – Two primary returns for acting staff positions were not given written acknowledgement by the Chief Executive Officer.

In regards to the annual and primary returns, the completion of the 2018 Compliance Audit Return has noted some deficiencies in our internal systems, particularly around the recruitment of new permanent and acting staff. A procedure is being developed by staff to ensure these deficiencies are rectified prior to the completion of the 2018/19 Return.

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

That the Audit Committee recommends;

That Council:

1. ADOPT the 2018 Compliance Audit Return, noting the areas of non compliance listed in the report.
2. AUTHORISE the Mayor and Chief Executive Officer to certify the Return so that it may be returned to the Department of Local Government and Communities by the due date of 31 March 2018.

COMMITTEE RECOMMENDATION

Moved Cr Young, seconded Prof Gilchrist

That the Audit Committee recommends;

That Council:

1. **ADOPT the 2018 Compliance Audit Return, subject to the following changes:**

- a. Delegation of Power/Duty questions 1, 2, 3 and 5 to be changed to 'not applicable' and the comment 'no delegations in place to Committees' to be inserted for question 1.
 - b. Delegation of Power/Duty question 12, with the date to be changed to '14 November 2017'.
 - c. Disclosure of Interest question 4, to be changed to 'not applicable'.
 - d. Finance question 15, to be changed to 'no'.
 - e. Finance question 16, to be changed to 'yes', and the comment '2019 Financial Management Review and Risk Management Review to be undertaken' to be inserted.
 - f. Compliance Audit Return Respondent to be changed to 'Garry Bird, Deputy Chief Executive Officer'
2. NOTE the areas of non compliance listed in the Compliance Audit Return report.
 3. AUTHORISE the Mayor and Chief Executive Officer to certify the Return so that it may be returned to the Department of Local Government and Communities by the due date of 31 March 2018.

Carried 4/0

4.3 ASSESSMENT OF THE TOWN'S RISK MANAGEMENT PRACTICES

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: 4.3(a) Risk Profile Assessment [under separate cover]
Responsible Officer: Mat Humfrey, Chief Executive Officer
Author: Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest: Nil

SUMMARY

The Town of Cottesloe Audit Committee is being presented with the assessment of the Town's risk management practices, undertaken by the Chief Executive Officer and Managers on 29 November 2018.

BACKGROUND

In February 2013, Audit Regulation 17 was inserted into the *Local Government (Audit) Regulations 1996*. The new regulation required the Chief Executive Officer to review certain practices undertaken by the local government and provide a report to the Audit Committee for its consideration.

The three areas required to be reported on are, risk management, internal control and legislative compliance. The issues of internal control and legislative compliance are covered by the annual financial audit and compliance audit return process respectively. In essence this left the third field, risk management, to be developed by each local government separately.

These processes were last reviewed in March 2016. A further review was undertaken in 2018 which was presented to the March 2018 meeting of the Audit Committee, where the matter was withdrawn due to a printing error.

Given this delay, staff considered it appropriate to further review the practices prior to representing to the Audit Committee.

STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

POLICY IMPLICATIONS

Risk Management Governance Framework, which includes the Town's Risk Management Policy.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Audit) Regulations 1996

The relevant sections of the *Local Government (Administration) Regulations 1996* read as follows:

16. Functions of audit committee

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

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

(i) report to the council the results of that review; and

(ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —

(i) regulation 17(1); and

(ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;

(f) to oversee the implementation of any action that the local government —

(i) is required to take by section 7.12A(3); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and

(iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(g) to perform any other function conferred on the audit committee by these regulations or another written law.

17. CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

(a) risk management; and

(b) internal control; and

(c) *legislative compliance.*

(2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*

(3) *The CEO is to report to the audit committee the results of that review.*

The *Local Government (Audit) Regulations 1996*, specifically regulations 16 and 17, require the Chief Executive Officer to assess the appropriateness and effectiveness of a local government's procedures in relation to risk management amongst other things.

The Chief Executive Officer should provide the results of the assessment to the Audit Committee via a report, which is then reviewed by the Audit Committee and forwarded to the full Council for consideration.

FINANCIAL IMPLICATIONS

There are no perceived financial implications arising from the officer's recommendation. The review of the Town's Risk Assessment was undertaken within existing staff resources.

The template used to undertake this assessment was provided at no cost to the Town by our insurers, Local Government Insurance Services, using surplus funds from the self insurance schemes of which the Town is a member.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the officer's recommendation.

CONSULTATION

Senior staff

Representatives from Local Government Insurance Services

OFFICER COMMENT

There are three main components to risk management, which are;

1. Understanding that there is always a level of risk associated with any operation
2. Setting a level of risk that is acceptable to the organisation; and
3. Assessing activities for the risks associated and ensuring management practices and policies are in place so that the desired level of risk can be maintained.

It's long been acknowledged that there is a level of risk associated with local government operations. This acknowledgement can be demonstrated by the need for local governments to have insurance policies to mitigate the risk they may be exposed to.

There have been two shifts in risk management since the late 1990's. The first shift was towards removing any and all risk where ever possible. This shift started in the late 1990's

and has progressed into the early part of this century. In more recent times, there have been several developments, both socially and legally that have allowed a higher level of risk to be accepted.

The recent changes have largely come about for two main reasons. The first is that people defending claims against them have been able to show that all reasonable care had been taken and liability had been avoided. The second is that people have realised there is a cost to removing all risk – both a financial risk and a social risk.

The Town has considered the level of risk it is willing to accept and adopted a risk management policy. The assessment attached looks at our current operations and the level of risk associated with them. The level of risk the Town currently has is within the desired range, however, there are several activities and projects that can be undertaken to further reduce our risk level.

Overall, the risk assessment has not revealed any areas of particular concern and no immediate corrective action is deemed necessary. The projects and plans within the assessment can take place within existing budgets and financial plans without overly impacting our operations.

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

That the Audit Committee recommends;

That Council ENDORSE the attached Risk Assessment report.

COMMITTEE RECOMMENDATION

Moved Cr Young, seconded Prof Gilchrist

That the Audit Committee:

- 1. NOTE the attached Risk Assessment report.**
- 2. RECOMMEND that the Administration engage the services of a suitable risk management consultant to assist with the further development of the Risk Management Framework and that this matter be brought back to the November 2019 Audit Committee meeting.**

Carried 4/0

5 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY ELECTED MEMBERS/OFFICERS BY DECISION OF MEETING**6 ACTION ITEMS**

- Valuer General Office advice to be sought on land valuations with/without restrictions.

7 NEXT MEETING

To be determined

Items to be considered at the next Audit Committee:

- Review of Purchasing Policy
- Office of the Auditor General Report – Local Government Procurement
- Ten Year Long Term Financial Plan
- Financial Management Review
- Credit Card Policy
- Audit Committee Charter
- Budget Amendment Policy
- Significant Audit Report Matters
- Delegation 2.1 ‘Power to make Payments from the Municipal and Trust Funds’ – Cr Boulter Proposed Amendments

8 MEETING CLOSURE

The Presiding Member declared the meeting closed at 3.35pm.



APPENDICES

AUDIT COMMITTEE MEETING

22 JANUARY 2019

- 4.1(a) 2017/2018 Financial Statement
- 4.1(b) Audit Concluding Memorandum
- 4.2(a) Compliance Audit Return 2018
- 4.3(a) Risk Profile Assessment

TOWN OF COTTESLOE



2017 - 2018

ANNUAL FINANCIAL STATEMENTS

TOWN OF COTTESLOE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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COMMUNITY VISION

An iconic coastal community with a relaxed lifestyle.

Principal place of business:
109 Broome Street, Cottesloe, Western Australia 6011

TOWN OF COTTESLOE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Town of Cottesloe for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Town of Cottesloe at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 4th day of DECEMBER 2018



Chief Executive Officer

Mathew Humfrey

TOWN OF COTTESLOE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	24	10,006,569	9,764,380	9,568,218
Operating grants, subsidies and contributions	2(a)	349,167	222,324	553,890
Fees and charges	2(a)	2,205,369	1,832,797	1,939,625
Interest earnings	2(a)	422,532	330,129	412,095
Other revenue	2(a)	168,957	142,316	233,808
		13,152,594	12,291,946	12,707,636
Expenses				
Employee costs		(4,182,143)	(4,291,588)	(4,014,095)
Materials and contracts		(4,400,526)	(4,921,284)	(3,905,594)
Utility charges		(379,514)	(352,945)	(329,045)
Depreciation on non-current assets	10(b)	(2,146,741)	(1,903,230)	(2,202,632)
Interest expenses	2(b)	(274,272)	(281,108)	(298,876)
Insurance expenses		(139,911)	(175,098)	(182,068)
Other expenditure		(1,524,033)	(987,752)	(1,038,422)
		(13,047,140)	(12,913,005)	(11,970,732)
		105,454	(621,059)	736,904
Non-operating grants, subsidies and contributions	2(a)	95,026	0	506,150
Profit on asset disposals	10(a)	3,157	0	3,221
(Loss) on asset disposals	10(a)	(15,553)	0	(18,432)
Share of (loss)/profit in associate	7	(212,205)	0	27,745
(Loss) on revaluation of Infrastructure - Streetscape	9(b)	(155,605)	0	0
(Loss) on revaluation of Infrastructure - Irrigation	9(b)	(74,895)	0	0
Net result		(254,621)	(621,059)	1,255,588
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	(5,457,900)	0	39,206,580
Total other comprehensive income		(5,457,900)	0	39,206,580
Total comprehensive income		(5,712,521)	(621,059)	40,462,168

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

TOWN OF COTTESLOE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
	2(a)			
Governance		21,547	31,700	60,318
General purpose funding		10,739,845	10,264,083	10,436,335
Law, order, public safety		68,024	30,300	61,714
Health		102,761	94,200	109,354
Education and welfare		35,111	29,115	30,245
Community amenities		509,009	560,300	609,886
Recreation and culture		512,898	368,689	383,437
Transport		921,499	768,000	814,970
Economic services		241,349	145,059	176,626
Other property and services		551	500	24,751
		<u>13,152,594</u>	<u>12,291,946</u>	<u>12,707,636</u>
Expenses				
	2(a)			
Governance		(758,732)	(779,898)	(837,417)
General purpose funding		(317,438)	(312,465)	(218,317)
Law, order, public safety		(301,677)	(322,880)	(293,957)
Health		(227,880)	(234,028)	(221,629)
Education and welfare		(753,388)	(280,058)	(260,165)
Community amenities		(3,283,827)	(3,564,837)	(2,979,920)
Recreation and culture		(3,485,484)	(3,459,976)	(3,456,407)
Transport		(3,226,539)	(3,280,637)	(3,035,149)
Economic services		(417,903)	(387,118)	(343,635)
Other property and services		0	(10,000)	(25,260)
		<u>(12,772,868)</u>	<u>(12,631,897)</u>	<u>(11,671,856)</u>
Finance Costs				
	2(a)			
Governance		0	(100)	(33)
Recreation and culture		(274,272)	(281,008)	(298,843)
		<u>(274,272)</u>	<u>(281,108)</u>	<u>(298,876)</u>
		105,454	(621,059)	736,904
Non-operating grants, subsidies and contributions	2(a)	95,026	0	506,150
Profit on disposal of assets	10(a)	3,157	0	3,221
(Loss) on disposal of assets	10(a)	(15,553)	0	(18,432)
Share of (loss)/profit in associate	7	(212,205)	0	27,745
(Loss) on revaluation of Infrastructure - Streetscape	9(b)	(155,605)	0	0
(Loss) on revaluation of Infrastructure - Irrigation	9(b)	(74,895)	0	0
		<u>(360,075)</u>	<u>0</u>	<u>518,684</u>
Net result		(254,621)	(621,059)	1,255,588
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	(5,457,900)	0	39,206,580
Total other comprehensive income		(5,457,900)	0	39,206,580
Total comprehensive income		(5,712,521)	(621,059)	40,462,168

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

TOWN OF COTTESLOE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	13,655,328	12,715,611
Trade and other receivables	5	674,569	1,172,360
Inventories	6	36,809	37,437
TOTAL CURRENT ASSETS		14,366,706	13,925,408
NON-CURRENT ASSETS			
Other receivables	5	626,419	673,399
Investment Accounted for using the Equity Method	7	837,050	1,049,255
Property, plant and equipment	8	84,795,024	85,206,386
Infrastructure	9	36,434,356	42,472,921
TOTAL NON-CURRENT ASSETS		122,692,849	129,401,961
TOTAL ASSETS		137,059,555	143,327,369
CURRENT LIABILITIES			
Trade and other payables	12	773,433	748,217
Current portion of long term borrowings	13	475,390	449,332
Provisions	14	819,320	942,744
TOTAL CURRENT LIABILITIES		2,068,143	2,140,293
NON-CURRENT LIABILITIES			
Long term borrowings	13	3,744,012	4,219,401
Provisions	14	76,058	83,812
TOTAL NON-CURRENT LIABILITIES		3,820,070	4,303,213
TOTAL LIABILITIES		5,888,213	6,443,506
NET ASSETS		131,171,342	136,883,863
EQUITY			
Retained surplus		28,688,578	29,255,879
Reserves - cash backed	4	11,086,361	10,773,681
Revaluation surplus	11	91,396,403	96,854,303
TOTAL EQUITY		131,171,342	136,883,863

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

TOWN OF COTTESLOE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018

NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
	\$	\$	\$	\$
Balance as at 1 July 2016	28,053,996	10,719,976	57,647,723	96,421,695
Comprehensive income				
Net result	1,255,588	0	0	1,255,588
Changes on revaluation of assets	0	0	39,206,580	39,206,580
Total comprehensive income	1,255,588	0	39,206,580	40,462,168
Transfers from/(to) reserves	(53,705)	53,705	0	0
Balance as at 30 June 2017	29,255,879	10,773,681	96,854,303	136,883,863
Comprehensive income				
Net result	(254,621)	0	0	(254,621)
Changes on revaluation of assets	0	0	(5,457,900)	(5,457,900)
Total comprehensive income	(254,621)	0	(5,457,900)	(5,712,521)
Transfers from/(to) reserves	(312,680)	312,680	0	0
Balance as at 30 June 2018	28,688,578	11,086,361	91,396,403	131,171,342

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

TOWN OF COTTESLOE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		10,108,367	9,764,380	9,410,128
Operating grants, subsidies and contributions		739,797	222,324	49,299
Fees and charges		2,205,369	1,832,797	1,939,625
Interest earnings		422,532	330,129	412,095
Goods and services tax		650,495	670,000	641,373
Other revenue		168,957	142,316	261,553
		<u>14,295,517</u>	<u>12,961,946</u>	<u>12,714,073</u>
Payments				
Employee costs		(4,366,419)	(4,291,588)	(3,908,126)
Materials and contracts		(4,314,849)	(4,776,926)	(3,922,769)
Utility charges		(379,514)	(352,945)	(329,045)
Interest expenses		(281,007)	(281,108)	(305,343)
Insurance expenses		(139,911)	(175,098)	(182,068)
Goods and services tax		(650,514)	(670,000)	(596,804)
Other expenditure		(1,524,035)	(987,752)	(1,066,168)
		<u>(11,656,249)</u>	<u>(11,535,417)</u>	<u>(10,310,323)</u>
Net cash provided by (used in)				
operating activities	15	<u>2,639,268</u>	<u>1,426,529</u>	<u>2,403,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(405,698)	(1,790,790)	(1,338,950)
Payments for construction of infrastructure		(1,112,400)	(2,359,357)	(779,646)
Non-operating grants, subsidies and contributions		95,026	500,000	506,150
Proceeds from sale of fixed assets		120,488	181,750	139,257
Net cash provided by (used in)				
investment activities		<u>(1,302,584)</u>	<u>(3,468,397)</u>	<u>(1,473,189)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(449,331)	(449,333)	(424,627)
Proceeds from self supporting loans		52,364	55,869	50,091
Net cash provided by (used in)				
financing activities		<u>(396,967)</u>	<u>(393,464)</u>	<u>(374,536)</u>
Net increase (decrease) in cash held		939,717	(2,435,332)	556,025
Cash at beginning of year		12,715,611	12,107,114	12,159,586
Cash and cash equivalents				
at the end of the year	15	<u><u>13,655,328</u></u>	<u><u>9,671,782</u></u>	<u><u>12,715,611</u></u>

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

TOWN OF COTTESLOE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		2,351,146	1,209,218	1,187,268
		2,351,146	1,209,218	1,187,268
Revenue from operating activities (excluding rates)				
Governance		21,547	31,700	60,477
General purpose funding		733,276	499,703	868,117
Law, order, public safety		68,024	30,300	61,714
Health		102,761	94,200	109,354
Education and welfare		35,111	29,115	30,245
Community amenities		510,903	560,300	637,631
Recreation and culture		514,161	368,689	386,499
Transport		921,499	768,000	814,970
Economic services		241,349	145,059	176,626
Other property and services		551	500	24,751
		3,149,182	2,527,566	3,170,384
Expenditure from operating activities				
Governance		(764,286)	(779,998)	(837,450)
General purpose funding		(317,438)	(312,465)	(218,317)
Law, order, public safety		(301,677)	(322,880)	(293,957)
Health		(227,880)	(234,028)	(221,629)
Education and welfare		(753,388)	(280,058)	(260,165)
Community amenities		(3,501,180)	(3,564,837)	(2,979,920)
Recreation and culture		(3,759,848)	(3,740,984)	(3,766,568)
Transport		(3,226,539)	(3,280,637)	(3,041,790)
Economic services		(412,896)	(387,118)	(343,635)
Other property and services		(240,267)	(10,000)	(25,733)
		(13,505,399)	(12,913,005)	(11,989,164)
Operating activities excluded				
(Profit) on disposal of assets	10(a)	(3,157)	0	(3,221)
Loss on disposal of assets	10(a)	15,553	0	18,432
Loss on revaluation of fixed assets	8(b)&9(b)	230,500	0	0
Share of (loss)/profit in associate	7	212,205	0	(27,745)
Movement in deferred pensioner rates (non-current)		(7,650)	0	15,886
Movement in employee benefit provisions		(131,178)	0	109,886
Depreciation on assets	10(b)	2,146,741	1,903,230	2,202,632
Amount attributable to operating activities		(5,542,057)	(7,272,991)	(5,315,642)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		95,026	0	506,150
Proceeds from disposal of assets	10(a)	120,488	181,750	139,257
Purchase of property, plant and equipment	8(b)	(405,698)	(1,790,790)	(1,338,950)
Purchase and construction of infrastructure	9(b)	(1,112,400)	(2,359,357)	(779,646)
Amount attributable to investing activities		(1,302,584)	(3,968,397)	(1,473,189)
FINANCING ACTIVITIES				
Repayment of long term borrowings	13(a)	(449,331)	(449,333)	(424,627)
Proceeds from self supporting loans	13(a)	52,364	55,869	50,091
Transfers to reserves (restricted assets)	4	(1,308,095)	(216,785)	(1,058,942)
Transfers from reserves (restricted assets)	4	995,415	2,087,257	1,005,237
Amount attributable to financing activities		(709,647)	1,477,008	(428,241)
Deficiency before general rates		(7,554,288)	(9,764,380)	(7,217,072)
Total amount raised from general rates	24	10,006,569	9,764,380	9,568,218
Net current assets at June 30 c/fwd - surplus/(deficit)	25	2,452,281	0	2,351,146

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

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

1 BASIS OF PREPARATION

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

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

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

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 Town 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 on Note 27 to these financial statements.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2 REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
Significant revenue		
Education and Welfare (see note below)	0	500,000
Other revenue		
Reimbursements and recoveries	146,878	162,538
Other	22,079	71,270
	168,957	233,808

Note

The significant revenue in 2017 relates to grant funding towards a road/car park project as disclosed in non operating contributions in the Statement of Comprehensive Income by Nature and Type.

Fees and Charges

General purpose funding	42,887	41,519
Law, order, public safety	42,905	48,268
Health	87,607	90,126
Education and welfare	22,861	22,693
Community amenities	478,925	522,011
Recreation and culture	453,677	295,479
Transport	836,997	744,759
Economic services	239,510	174,770
	2,205,369	1,939,625

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2 REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	4,000	20,000
General purpose funding	270,510	416,862
Law, order, public safety	0	900
Community amenities	22,738	65,655
Recreation and culture	17,337	26,485
Transport	34,582	23,988
	<u>349,167</u>	<u>553,890</u>
Non-operating grants, subsidies and contributions		
Education and welfare	0	500,000
Recreation and culture	92,091	6,150
Transport	2,935	0
	<u>95,026</u>	<u>506,150</u>
Total grants, subsidies and contributions	<u>444,193</u>	<u>1,060,040</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 23. 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 period.

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	252,109	182,849	263,614
- Other funds	83,611	92,280	73,322
Other interest revenue (refer note 24)	86,812	55,000	75,159
	<u>422,532</u>	<u>330,129</u>	<u>412,095</u>

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2 REVENUE AND EXPENSES (Continued)

(b) Expenses	2018	2017
	\$	\$
Significant expense		
Legal expenses - Recreation and Culture (see note below)	0	203,518
Auditors remuneration		
- Audit of the Annual Financial Report	36,000	16,563
- Other services	2,000	3,250
	38,000	19,813
Interest expenses (finance costs)		
Long term borrowings (refer Note 13(a))	274,272	298,843
Other	0	33
	274,272	298,876

Note

In 2017, the legal expenses noted above were incurred as part of a lease dispute.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

3 CASH AND CASH EQUIVALENTS	NOTE	2018	2017
		\$	\$
Unrestricted		2,564,937	1,425,506
Restricted		11,090,391	11,290,105
		<u>13,655,328</u>	<u>12,715,611</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	4	95,675	190,582
Civic Centre Reserve	4	352,992	343,954
Waste Management Reserve	4	602,485	440,743
Parking Reserve	4	11,194	10,903
Property Reserve	4	373,601	411,841
Infrastructure Reserve	4	721,922	611,690
Unspent Grants/Funds Reserve	4	183,910	0
Legal Reserve	4	164,122	159,850
Parking Facilities Reserve	4	166,841	163,454
Library Reserve	4	35,656	47,378
Sustainability Reserve	4	159,937	155,842
Depot Funds Reserve	4	7,420,513	7,601,318
Right of Way Reserve	4	17,607	10,428
Public Open Space Reserve	4	642,565	625,698
Sculpture and Artworks Reserve	4	124,388	0
Car Park Reserve	4	12,953	0
Unspent grants	23	4,030	516,424
		<u>11,090,391</u>	<u>11,290,105</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of

Cash and cash equivalents (Continued)

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.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

4 RESERVES - CASH BACKED

	2018		2018		2018		2018		2018		2017		2017	
	Actual Opening Balance	Actual Transfer to	Actual	Budget Opening Balance	Budget Transfer to	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Actual Transfer (from)	Actual Closing Balance
Leave Reserve	\$ 190,582	\$ 5,093	\$ 95,675	\$ 190,618	\$ 5,242	\$ 195,860	\$ 185,516	\$ 5,066	\$ 190,582	\$ 0	\$ 5,066	\$ 190,582	\$ 0	\$ 190,582
Civic Centre Reserve	343,954	9,038	352,992	338,489	9,308	347,797	281,235	62,719	343,954	0	62,719	343,954	0	343,954
Waste Management Reserve	440,743	161,742	602,485	440,594	11,550	452,144	282,817	157,926	440,743	0	157,926	440,743	0	440,743
Area Improvement Reserve	0	0	0	0	0	0	1	0	0	0	0	0	(1)	0
Parking Reserve	10,903	291	11,194	10,905	300	11,205	10,613	290	10,903	0	290	10,903	0	10,903
Property Reserve	411,841	9,760	373,601	411,917	11,328	375,245	400,892	10,949	411,841	(48,000)	10,949	411,841	0	411,841
Infrastructure Reserve	611,690	110,232	721,922	610,494	46,668	397,162	282,719	328,971	611,690	(260,000)	328,971	611,690	0	611,690
Unspent Grants/Funds Reserve	0	183,910	183,910	0	0	0	273	6	0	0	6	0	(279)	0
Legal Reserve	159,850	4,272	164,122	159,880	4,397	164,277	155,601	4,249	159,850	0	4,249	159,850	0	159,850
Parking Facilities Reserve	163,454	3,387	166,841	163,484	4,496	167,980	159,109	4,345	163,454	0	4,345	163,454	0	163,454
Library Reserve	47,378	1,074	35,656	47,378	0	47,378	47,378	0	47,378	0	0	47,378	0	47,378
Sustainability Reserve	155,842	4,095	159,937	153,438	4,220	157,658	115,634	40,208	155,842	0	40,208	155,842	0	155,842
Depot Funds Reserve	7,601,318	153,814	7,420,513	7,553,161	101,179	5,905,083	8,178,972	427,303	7,601,318	(1,749,257)	427,303	7,601,318	(1,004,957)	7,601,318
Right of Way Reserve	10,428	7,179	17,607	10,430	287	10,717	10,151	277	10,428	0	277	10,428	0	10,428
Public Open Space Reserve	625,698	16,867	642,565	625,814	17,210	643,024	609,065	16,633	625,698	0	16,633	625,698	0	625,698
Sculpture and Artworks Reserve	0	124,388	124,388	83,000	600	53,600	0	0	0	(30,000)	0	0	0	0
Car Park Reserve	0	512,953	12,953	500,000	0	500,000	0	0	0	0	0	0	0	0
	10,773,681	1,308,095	11,086,361	11,299,602	216,785	9,429,130	10,719,976	1,058,942	10,773,681	(2,087,257)	1,058,942	10,773,681	(1,005,237)	10,773,681

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.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Five years	To partially cash back the accumulated employee leave liability and to fund the payment of accumulated leave entitlements.
Civic Centre Reserve	Ten years	To fund the cost of improvement, renovations and extensions to the buildings that make up Cottesloe Civic Centre.
Waste Management Reserve	Ten years	To fund the improvement, replacement and expansion of waste management plant, equipment, facilities and services.
Area Improvement Reserve	One year	To fund the cost of improving facilities within the suburb of Cottesloe.
Parking Reserve	Twenty years	The purpose of this reserve is, in accordance with the Council's Town Planning Scheme, to set aside funds from developers for the development of parking facilities.
Property Reserve	Ten years	To contribute to ongoing upgrades to parking facilities within the suburb of Cottesloe.
Infrastructure Reserve	Ten years	To contribute towards ongoing future infrastructure construction/renewal.
Unspent Grants/Funds Reserve	One year	To carry forward available funding for uncompleted projects and grants that will be utilised in ensuing financial years.
Legal Reserve	Five years	To contribute towards unanticipated legal expenses incurred by the Town of Cottesloe.
Parking Facilities Reserve	Ten years	To fund improvements to parking facilities within the suburb of Cottesloe.
Library Reserve	Ten years	To fund the operations of the Grove Library.
Sustainability Reserve	Ten years	To fund new or enhance existing sustainability initiatives within the suburb of Cottesloe.
Depot Funds Reserve	Ten years	To be used to fund the improvement of infrastructure within the suburb of Cottesloe.
Right of Way Reserve	Ten years	To be used to fund the improvement of right of way infrastructure within the suburb of Cottesloe.
Public Open Space Reserve	Ten to twenty years	To be used to fund the creation of public open space in accordance with relevant regulations within the suburb of Cottesloe.
Sculpture and Artworks Reserve	Ten years	To be used for the acquisition of new and restoration of existing sculptures and artworks within the suburb of Cottesloe.
Car Park Reserve	One year	To be used to partially fund the construction of a new car park at North Cottesloe Primary School.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

5 TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Current		
Rates outstanding	129,448	238,896
Sundry debtors	717,130	1,037,290
GST receivable	0	(21)
Loans receivable - clubs/institutions	54,631	52,365
Provision for Doubtful Debts	(228,616)	(193,165)
Accrued Income	1,636	36,350
Other Tax Debtors	340	645
	674,569	1,172,360
Non-current		
Rates outstanding - pensioners	171,258	163,608
Loans receivable - clubs/institutions	455,161	509,791
	626,419	673,399

Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding

Includes:

Past due and not impaired
- 1 to 5 years

	129,448	238,896
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Sundry debtors

Includes:

Past due and not impaired
- up to 1 month
- 1 to 3 months
- 3 months to 1 year
- 1 to 5 years
Impaired

	13,992	21,155
	58,991	80,132
	91,711	81,179
	80,128	81,180
	228,616	193,165

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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.

Classification and subsequent measurement

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.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

6 INVENTORIES

	<u>2018</u>	<u>2017</u>
	\$	\$
Current		
History Books	36,809	37,437
	<u>36,809</u>	<u>37,437</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Western Metropolitan Regional Council (WMRC)

The Town of Cottesloe, together with the Town of Claremont, the Town of Mosman Park, the Shire of Peppermint Grove and the City of Subiaco have an interest in the WMRC waste transfer station. The Council was formed to provide for the efficient treatment and/or disposal of waste. A waste transfer station was constructed from funds provided from constituent councils. The voting power held by the Town of Cottesloe is 20%. The Town of Cottesloe's 17.94% share of the net assets are included as follows:

NON CURRENT	2018	2017
	\$	\$
(a) Retained Earnings attributable to interest in associate:		
Balance at the beginning of the financial year	448,446	432,666
Net Transfers (to)/from reserves	70,146	(11,965)
Share of profit/(loss) from ordinary activities	(212,205)	27,745
Balance at the end of the financial year:	<u>306,387</u>	<u>448,446</u>

(b) Carrying amount of investment in associate:

Balance at the beginning of the financial year	1,049,255	1,021,510
Share of profit/(loss) from ordinary activities	(212,205)	27,745
Balance at the end of the financial year:	<u>837,050</u>	<u>1,049,255</u>

(c) Western Metropolitan Regional Council (WMRC) summarised financial position

Current Assets	3,414,296	3,986,978
Non-current Assets	2,240,726	2,451,376
Total Assets	<u>5,655,022</u>	<u>6,438,354</u>
Current Liabilities	976,324	574,673
Non-current liabilities	12,867	14,992
Total liabilities	<u>989,191</u>	<u>589,665</u>
Net Assets	<u>4,665,831</u>	<u>5,848,689</u>
Town's share of equity (17.94%)	<u>837,050</u>	<u>1,049,255</u>

SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

An associate is an entity over which the Town 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 Town's share of net assets of the associate. In addition, the Town's share of the profit or loss of the associate is included in the Town's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Town'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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

Profits and losses resulting from transactions between the Town and the associate are eliminated to the extent of the Town's interest in the associate. When the Town's share of losses in an associate equals or exceeds its interest in the associate, the Town 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 Town will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8(a) PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	54,452,000	54,452,000
	<u>54,452,000</u>	<u>54,452,000</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 2	1,560,000	1,560,000
	<u>1,560,000</u>	<u>1,560,000</u>
Total land	<u>56,012,000</u>	<u>56,012,000</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	28,047,974	28,023,982
- Additions after valuations - cost	119,667	0
Less: accumulated depreciation	(546,504)	0
	<u>27,621,137</u>	<u>28,023,982</u>
Total buildings	<u>27,621,137</u>	<u>28,023,982</u>
Total land and buildings	<u>83,633,137</u>	<u>84,035,982</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	187,116	187,116
- Additions after valuations - cost	238,970	130,350
Less: accumulated depreciation	(101,424)	(49,569)
	<u>324,662</u>	<u>267,897</u>
Plant and equipment at:		
- Management valuation 2016 - level 2	373,766	529,205
- Management valuation 2016 - level 3	7,575	13,088
- Additions after valuations - cost	505,636	332,676
Less: accumulated depreciation	(175,618)	(107,231)
	<u>711,359</u>	<u>767,738</u>
Plant and equipment - Library at:		
- Management valuation 2016 - level 2 - Combined Library	7,644	7,644
Less: accumulated depreciation	(2,548)	0
	<u>5,096</u>	<u>7,644</u>
Furniture and equipment - Library at:		
- Management valuation 2016 - level 3 - Combined Library	127,125	127,125
Less: accumulated depreciation	(6,355)	0
	<u>120,770</u>	<u>127,125</u>
Total property, plant and equipment	<u>84,795,024</u>	<u>85,206,386</u>

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8 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.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Plant and equipment - Library	Furniture and equipment - Library	Total plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	15,916,070	1,500,000	17,416,070	27,148,834	27,148,834	44,564,904	187,116	696,763	7,644	127,125	45,583,552
Additions	0	0	0	875,925	875,925	875,925	130,350	332,675	0	0	1,338,950
(Disposals)	0	0	0	0	0	0	0	(154,468)	0	0	(154,468)
Revaluation increments/ (decrements) transferred to revaluation surplus	38,535,930	60,000	38,595,930	610,650	610,650	39,206,580	0	0	0	0	39,206,580
Depreciation (expense)	0	0	0	(611,427)	(611,427)	(611,427)	(49,569)	(107,232)	0	0	(768,228)
Carrying amount at 30 June 2017	54,452,000	1,560,000	56,012,000	28,023,982	28,023,982	84,035,982	267,897	767,738	7,644	127,125	85,206,386
Additions	0	0	0	119,667	119,667	119,667	108,620	177,411	0	0	405,698
(Disposals)	0	0	0	0	0	0	0	(132,884)	0	0	(132,884)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0	0	0	0	0	0
Depreciation (expense)	0	0	0	(522,512)	(522,512)	(522,512)	(51,855)	(100,906)	(2,548)	(6,355)	(684,176)
Carrying amount at 30 June 2018	54,452,000	1,560,000	56,012,000	27,621,137	27,621,137	83,633,137	324,662	711,359	5,096	120,770	84,795,024

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2017	Price per hectare
Land - vested in and under the control of Council	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2017	Price per hectare
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
- Management valuation 2016	2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Price per Item
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase 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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

Land at the Wearne Hostel, Cottesloe Civic Centre and Cottesloe Rugby Club has been valued at replacement cost, which would involve the acquisition of freehold residential land and hence is effectively valued on a highest and best use basis, which differs from its current use.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2015 - level 3	0	32,944,731
- Management valuation 2018 - level 3	27,708,243	0
- Additions after valuations - cost	0	306,994
Less: accumulated depreciation	(12,829,065)	(8,831,952)
	<u>14,879,178</u>	<u>24,419,773</u>
Infrastructure - Car Parks		
- Management valuation 2015 - level 3	0	3,160,009
- Management valuation 2018 - level 3	2,852,828	0
- Additions after valuations - cost	0	116,610
Less: accumulated depreciation	(1,702,771)	(663,107)
	<u>1,150,057</u>	<u>2,613,512</u>
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	0	6,941,566
- Management valuation 2018 - level 3	9,561,030	0
- Additions after valuations - cost	0	289,064
Less: accumulated depreciation	(4,086,366)	(3,690,011)
	<u>5,474,664</u>	<u>3,540,619</u>
Infrastructure - Drainage		
- Management valuation 2015 - level 3	0	6,291,340
- Management valuation 2018 - level 3	7,478,493	0
- Additions after valuations - cost	0	30,808
Less: accumulated depreciation	(2,384,970)	(1,572,100)
	<u>5,093,523</u>	<u>4,750,048</u>
Infrastructure - Parks		
- Management valuation 2015 - level 3	0	1,776,816
- Management valuation 2018 - level 3	2,467,850	0
- Additions after valuations - cost	0	289,849
Less: accumulated depreciation	(265,267)	(548,092)
	<u>2,202,583</u>	<u>1,518,573</u>
Infrastructure - Miscellaneous		
- Management valuation 2015 - level 3	0	3,430,613
- Management valuation 2018 - level 3	9,807,282	0
- Additions after valuations - cost	0	203,055
Less: accumulated depreciation	(3,951,062)	(1,577,632)
	<u>5,856,220</u>	<u>2,056,036</u>
Infrastructure - Streetscape		
- Management valuation 2015 - level 3	0	792,340
- Management valuation 2018 - level 3	808,143	0
- Additions after valuations - cost	0	293,209
Less: accumulated depreciation	(250,565)	(386,958)
	<u>557,578</u>	<u>698,591</u>
Infrastructure - Right of Way		
- Management valuation 2015 - level 3	0	2,320,651
- Management valuation 2018 - level 3	1,861,683	0
- Additions after valuations - cost	0	286,993
Less: accumulated depreciation	(824,835)	(711,618)
	<u>1,036,848</u>	<u>1,896,026</u>
Infrastructure - Irrigation		
- Management valuation 2015 - level 3	0	1,171,080
- Management valuation 2018 - level 3	207,803	0
- Additions after valuations - cost	0	49,439
Less: accumulated depreciation	(24,098)	(240,776)
	<u>183,705</u>	<u>979,743</u>
Total infrastructure	<u>36,434,356</u>	<u>42,472,921</u>

TOWN OF COTTESLOE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

9 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.

	Infrastructure - Roads	Infrastructure - Car Parks	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks	Infrastructure - Miscellaneous	Infrastructure - Streetscape	Infrastructure - Right of Way	Infrastructure - Irrigation	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	25,051,278	2,701,747	3,606,971	4,824,725	1,427,637	2,032,157	664,933	1,835,854	982,377	43,127,679
Additions	65,061	81,929	123,237	16,012	156,264	111,928	81,692	116,505	27,018	779,646
Depreciation (expense)	(696,566)	(170,164)	(189,589)	(90,689)	(65,328)	(88,049)	(48,034)	(56,333)	(29,652)	(1,434,404)
Carrying amount at 30 June 2017	24,419,773	2,613,512	3,540,619	4,750,048	1,518,573	2,056,036	698,591	1,896,026	979,743	42,472,921
Additions	21,156	61,077	159,750	29,329	159,052	456,915	67,206	137,301	20,614	1,112,400
Revaluation increments/ (decrements) transferred to revaluation surplus	(8,861,744)	(1,362,004)	1,966,660	405,724	599,971	3,438,415	0	(933,594)	(711,328)	(5,457,900)
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0	(155,605)	0	(74,895)	(230,500)
Depreciation (expense)	(700,007)	(162,528)	(192,365)	(91,578)	(75,013)	(95,146)	(52,614)	(62,885)	(30,429)	(1,462,565)
Carrying amount at 30 June 2018	14,879,178	1,150,057	5,474,664	5,093,523	2,202,583	5,856,220	557,578	1,036,848	183,705	36,434,356

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9 INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Car Parks	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Miscellaneous	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Streetscape	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Right of Way	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Irrigation	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

10 FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 Town includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

Land under control

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

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 Town.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

10 FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
Passenger Vehicle	28,325	23,400	0	(4,925)	25,000	25,000	0	0
Passenger Vehicle	12,756	12,127	0	(629)	8,000	8,000	0	0
Community amenities								
Passenger Vehicle	21,272	23,166	1,894	0	18,000	18,000	0	0
Passenger Vehicle	16,859	13,236	0	(3,623)	18,000	18,000	0	0
Passenger Vehicle	19,290	17,763	0	(1,527)	18,000	18,000	0	0
Recreation and culture								
Small Plant	292	200	0	(92)	250	250	0	0
Small Plant	124	272	148	0	250	250	0	0
Small Plant	104	364	260	0	250	250	0	0
Small Plant	103	159	56	0	250	250	0	0
Small Plant	103	200	97	0	250	250	0	0
Ride on Mower	15,498	16,200	702	0	7,000	7,000	0	0
Transport								
Truck (did not proceed with disposal)	0	0	0	0	30,000	30,000	0	0
Truck (did not proceed with disposal)	0	0	0	0	20,000	20,000	0	0
Ranger vehicle (did not proceed with disposal)	0	0	0	0	17,000	17,000	0	0
Economic services								
Passenger Vehicle	15,750	11,854	0	(3,896)	18,000	18,000	0	0
Other property and services								
Small Plant	565	387	0	(178)	400	400	0	0
Small Plant	565	387	0	(178)	300	300	0	0
Small Plant	639	387	0	(252)	400	400	0	0
Small Plant	639	386	0	(253)	400	400	0	0
	132,884	120,488	3,157	(15,553)	181,750	181,750	0	0

(b) Depreciation

	2018	2017
	\$	\$
Buildings - specialised	522,512	611,427
Furniture and equipment	51,855	49,569
Plant and equipment	100,906	107,232
Plant and equipment - Library	2,548	0
Furniture and equipment - Library	6,355	0
Infrastructure - Roads	700,007	696,566
Infrastructure - Car Parks	162,528	170,164
Infrastructure - Footpaths	192,365	189,589
Infrastructure - Drainage	91,578	90,689
Infrastructure - Parks	75,013	65,328
Infrastructure - Miscellaneous	95,146	88,049
Infrastructure - Streetscape	52,614	48,034
Infrastructure - Right of Way	62,885	56,333
Infrastructure - Irrigation	30,429	29,652
	2,146,741	2,202,632

10 FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Buildings	50 years
Furniture and Equipment	2 to 15 years
Plant and Equipment	2 to 10 years
Computer and Ancillary Equipment	2 to 30 years
Roads, Right of Way, Car Parks	
- Seal/Surface	15 to 40 years
- Pavement	40 to 80 years
- Kerb	60 years
Footpaths	
- Insitu Concrete	50 years
- Slab, Asphalt and Brick Pave	20 years
Drainage	
- PVC Pipe	40 years
- Concrete Pipes, pits, GPT's, Headwalls etc	100 years
- Grate Gully Lids, Side Entry Lids and Pit Covers	60 years
- Sumps (filled in)	100 years
Irrigation Components	40 years
Street Furniture	
- Chairs, Picnic Tables, Barbeques, Bins	20 years
- Street Lights	20 years
- Bus Shelters	40 years
- Beach Showers and Drinking Fountains	25 years
Parks and Ovals	
- Playground Equipment - Combination Units	18 years
- Playground Equipment - Soft Fall and Shade Sail Equipment	10 years
Miscellaneous Infrastructure	5 to 60 years

Depreciation (Continued)

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

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

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

TOWN OF COTTESLOE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

11 REVALUATION SURPLUS

	2018			2018			2017		
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation	Total Movement on Revaluation
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	53,676,338	0	0	0	53,676,338	15,140,408	38,535,930	38,535,930	53,676,338
Revaluation surplus - Land - vested in and under the control of Council	60,000	0	0	0	60,000	0	60,000	60,000	60,000
Revaluation surplus - Buildings - specialised	14,225,902	0	0	0	14,225,902	13,615,252	610,650	610,650	14,225,902
Revaluation surplus - Furniture and equipment	3,251	0	0	0	3,251	3,251	0	0	3,251
Revaluation surplus - Plant and equipment	98,670	0	0	0	98,670	98,670	0	0	98,670
Revaluation Surplus - Combined Library - Plant and equipment	(1,983)	0	0	0	(1,983)	(1,983)	0	0	(1,983)
Revaluation Surplus - Combined Library - Furniture and equipment	125,979	0	0	0	125,979	125,979	0	0	125,979
Revaluation surplus - Infrastructure - Roads	19,475,491	0	(8,861,744)	(8,861,744)	10,613,747	19,475,491	0	0	19,475,491
Revaluation surplus - Infrastructure - Car Parks	2,049,099	0	(1,362,004)	(1,362,004)	687,095	2,049,099	0	0	2,049,099
Revaluation surplus - Infrastructure - Footpaths	1,322,265	1,966,660	0	1,966,660	3,288,925	1,322,265	0	0	1,322,265
Revaluation surplus - Infrastructure - Drainage	1,422,364	405,724	0	405,724	1,828,088	1,422,364	0	0	1,422,364
Revaluation surplus - Infrastructure - Parks	1,180,311	599,971	0	599,971	1,780,282	1,180,311	0	0	1,180,311
Revaluation surplus - Infrastructure - Miscellaneous	1,117,632	3,438,415	0	3,438,415	4,556,047	1,117,632	0	0	1,117,632
Revaluation surplus - Infrastructure - Right of Way	1,387,656	0	(933,594)	(933,594)	454,062	1,387,656	0	0	1,387,656
Revaluation surplus - Infrastructure - Irrigation	711,328	0	(711,328)	(711,328)	0	711,328	0	0	711,328
	96,854,303	6,410,770	(11,868,670)	(5,457,900)	91,396,403	57,647,723	39,206,580	39,206,580	96,854,303

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

12 TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Current		
Sundry creditors	630,940	545,891
Accrued interest on long term borrowings	73,465	80,200
Accrued salaries and wages	43,655	44,072
ATO liabilities	25,373	78,054
	773,433	748,217

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Town prior to the end of the financial year that are unpaid and arise when the Town becomes obliged to make future payments in respect

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

13 INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Interest Rate %	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
				Actual	Budget	Actual	Budget	Actual	Budget
		\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture									
Loan 106	5.25%	389,512	0	189,711	189,711	199,801	199,801	15,570	17,992
Loan 107	6.51%	3,779,718	0	203,753	203,753	3,575,965	3,575,965	238,940	242,797
		4,169,230	0	393,464	393,464	3,775,766	3,775,766	254,510	260,789
Self Supporting Loans									
Recreation and culture									
Loan 105 - Sea View Golf Club	6.22%	207,661	0	26,820	26,822	180,841	180,840	12,114	12,506
Loan 108 - Cottesloe Tennis Club	2.71%	291,842	0	29,047	29,047	262,795	262,795	7,648	7,713
		499,503	0	55,867	55,869	443,636	443,635	19,762	20,219
		4,668,733	0	449,331	449,333	4,219,402	4,219,401	274,272	281,008

Self supporting loans are financed by payments from third parties. All other loan repayments were financed by general purpose revenue. All borrowings are with the Western Australian Treasury Corporation (WATC).

Borrowings

	2018	2017
	\$	\$
Current	475,390	449,332
Non-current	3,744,012	4,219,401
	4,219,402	4,668,733

(b) New Borrowings - 2017/18

The Town did not take up any new debentures during the year ended 30 June 2018.

(b) Unspent Borrowings

The Town did not have any unspent debentures as at 30 June 2018.

(b) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
	\$	\$
Bank overdraft limit	250,000	250,000
Bank overdraft at balance date	0	0
Credit card limit	5,000	5,000
Credit card balance at balance date	(2,745)	(874)
Total amount of credit unused	252,255	254,126

Loan facilities

Loan facilities - current	475,390	449,332
Loan facilities - non-current	3,744,012	4,219,401
Total facilities in use at balance date	4,219,402	4,668,733

Unused loan facilities at balance date

NIL NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

14 PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	563,392	379,352	942,744
Non-current provisions	0	83,812	83,812
	563,392	463,164	1,026,556
Additional provision	(260,250)	(159,461)	(419,711)
Amounts used	188,731	99,802	288,533
Balance at 30 June 2018	491,873	403,505	895,378
Comprises			
Current	491,873	327,447	819,320
Non-current	0	76,058	76,058
	491,873	403,505	895,378

Annual leave and current long service leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	Annual Leave	Long Service Leave	Total
	\$	\$	\$
Current Provisions			
Within 12 months of the end of the reporting period	363,494	166,613	530,107
More than 12 months after the end of the reporting period	128,379	160,834	289,213
	491,873	327,447	819,320

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

Provisions are recognised when the Town 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.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

15 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Cash and cash equivalents	13,655,328	9,671,782	12,715,611

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	(254,621)	(621,059)	1,255,588
Non-cash flows in Net result:			
Depreciation	2,146,741	1,903,230	2,202,632
(Profit)/loss on sale of assets	12,396	0	15,211
Share of loss/(profit) in associate	212,205	0	(27,745)
Loss on revaluation of fixed assets	230,500	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	492,407	220,741	(618,113)
(Increase)/decrease in inventories	628	0	349
Increase/(decrease) in payables	25,216	(76,383)	(27,908)
Increase/(decrease) in provisions	(131,178)	0	109,886
Non-operating grants and contributions for the development of assets	(95,026)	0	(506,150)
Net cash from operating activities	<u>2,639,268</u>	<u>1,426,529</u>	<u>2,403,750</u>

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

16 TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2018</u>	<u>2017</u>
	\$	\$
Governance	434,400	359,524
General purpose funding	302,006	402,504
Law, order, public safety	9,629	0
Health	11,904	3,359
Education and welfare	21,244,321	21,847,661
Community amenities	2,090,651	2,260,233
Recreation and culture	59,140,384	55,549,889
Transport	42,812,132	52,373,958
Economic services	24,663	16,794
Other property and services	7,443,253	7,653,401
Unallocated	3,546,212	2,860,046
	<u>137,059,555</u>	<u>143,327,369</u>

17 CONTINGENT LIABILITIES

The Town did not have any contingent liabilities as at 30th June 2018.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

18 CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

The Town did not have any future capital expenditure commitments at the reporting date.

(b) Operating Lease Commitments

The Town did not have any future operating lease commitments at the reporting date.

SIGNIFICANT ACCOUNTING POLICIES

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 Town, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of 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.

Leases (Continued)

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 on a straight line basis over the lease term.

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

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

19 JOINT ARRANGEMENTS

The Town, together with the Shire of Peppermint Grove and the Town of Mosman Park have a joint arrangement with regard to the provision of Library Services in the area. The assets consist of property, furniture, equipment and a motor vehicle. Council's share of these assets, and its percentage share of annual contributions, are based upon the each Local Governments population as per the 2006 census. The Town of Cottesloe's share was 42.4% and its share of assets and liabilities are contained in balances elsewhere as follows:

	2018	2017
	\$	\$
Plant and equipment (see note 8a)		
- Management Valuation 2016 - Level 2	7,645	7,645
Less: accumulated depreciation	(2,549)	0
	<u>5,096</u>	<u>7,645</u>
Furniture and equipment (see note 8a)		
- Management Valuation 2016 - Level 3	127,125	127,125
Less: accumulated depreciation	(6,355)	0
	<u>120,770</u>	<u>127,125</u>
TOTAL ASSETS	<u>132,221</u>	<u>134,770</u>
CURRENT LIABILITIES		
Creditors	26,858	4,327
Provision for Leave	52,744	56,430
	<u>79,602</u>	<u>60,757</u>
NON CURRENT LIABILITIES		
Provision for Leave	13,016	4,016
	<u>13,016</u>	<u>4,016</u>
TOTAL LIABILITIES	<u>92,618</u>	<u>64,773</u>

The share of the library's building is included in Note 8a Property, Plant and equipment-Buildings-specialised at a fair value of \$6.4m. The library's building is financed by loan 107 (see note 13a-Information on Borrowings).

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Town's interest in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

20 RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	<u>2018</u> Actual	<u>2018</u> Budget	<u>2017</u> Actual
The following fees, expenses and allowances were paid to council members and/or the President.	\$	\$	\$
Meeting Fees	148,504	148,000	148,000
President's allowance	27,688	27,500	27,500
Deputy President's allowance	6,884	6,875	6,875
Travelling expenses	0	3,200	0
Telecommunications allowance	15,960	18,000	12,800
Other Member Costs	8,129	8,900	8,431
	<u>207,165</u>	<u>212,475</u>	<u>203,606</u>

Key Management Personnel (KMP) Compensation Disclosure including Elected Members

	<u>2018</u>	<u>2017</u>
The total of remuneration paid to KMP of the Town during the year are as follows:	\$	\$
Short-term employee benefits	902,950	868,064
Post-employment benefits	115,768	83,509
Other long-term benefits	18,943	16,006
Termination benefits	150,004	0
	<u>1,187,665</u>	<u>967,579</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties and Key Management Personnel

There are no transactions and balances with related parties and key management personnel with the Town.

Related Parties

The Town's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Town

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

iii. Other related parties

Other related parties include close family members of key management personnel and entities that are controlled by these key management personnel, individually or collectively with their close family members.

iv. Joint venture entities accounted for under the equity method

The Town has 17.94% share of the net assets of the Western Metropolitan Regional Council (WMRC) for the waste transfer station. For detailed of interests held in the associate refer to note 7.

v. Joint arrangements accounted for under the joint arrangements

The Town has 42.4% share of assets and liabilities of the combined library. For details of interests held in the joint arrangements refer to note 19.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21 MAJOR LAND TRANSACTIONS

The Town did not participate in any major land transactions during the 2017/2018 financial year.

22 TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Town did not participate in any trading undertakings or major trading undertakings during the 2017/2018 financial year.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

23 CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Governance							
Department of Local Government/Metro Youth Traineeship	0	20,000	(7,080)	12,920	0	(12,920)	0
Education and welfare							
Department of Education/Grant towards road realignment along Railway Street Cottesloe	0	500,000	0	500,000	0	(500,000)	0
Recreation and culture							
Department of Planning/Project " Restoring the iconic Cottesloe coast" (Stage 1)	0	18,450	(14,946)	3,504	2,050	(5,554)	0
Department of Planning/Project " Restoring the iconic Cottesloe coast" (Stage 2 for site C2)	0	0	0	0	7,732	(3,702)	4,030
Total	0	538,450	(22,026)	516,424	9,782	(522,176)	4,030

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.

TOWN OF COTTESLOE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

24 RATING INFORMATION

(a) Rates

RATE TYPE	2018 Rate in \$	2018 Number of Properties	2018 Rateable Value	2018		2018		2018		2017		2018		2018	
				Rate Revenue	Back Rates	Interim Rates	Back Rates	Total Revenue	Total Revenue	Budget Rate	Budget Revenue	Budget Interim Rate	Budget Interim Revenue	Budget Back Rate	Budget Back Revenue
Gross rental valuations															
GRV - Residential Improved (RI)	0.06139	3,215	131,591,115	8,078,379	56,860	8,141,322	6,083	7,633,681	7,994,640	0	0	0	0	0	7,994,640
GRV - Residential Vacant (RV)	0.06139	94	3,939,000	241,815	(378)	239,782	(1,655)	223,214	268,037	0	0	0	0	0	268,037
GRV - Commercial Improved (CI)	0.06139	65	8,282,404	508,457	0	508,457	0	482,372	454,439	0	0	0	0	0	454,439
GRV - Commercial Vacant (CV)	0.06139	1	86,500	5,310	0	5,310	0	3,565	0	0	0	0	0	0	0
GRV - Industrial (I)	0.06139	1	31,050	1,906	0	1,906	0	1,901	1,906	0	0	0	0	0	1,906
GRV - Commercial Town (CT)	0.07169	130	10,906,106	781,859	1,673	783,532	0	745,110	732,068	0	0	0	0	0	732,068
Sub-Total		3,506	154,836,175	9,617,726	58,155	9,680,309	4,428	9,089,843	9,451,090	0	0	0	0	0	9,451,090
Minimum payment															
Gross rental valuations															
GRV - Residential Improved (RI)	1,090	270	4,167,800	294,300	0	294,300	0	442,929	282,310	0	0	0	0	0	282,310
GRV - Residential Vacant (RV)	1,090	16	91,173	17,440	(1,631)	15,721	(88)	23,312	14,170	0	0	0	0	0	14,170
GRV - Commercial Improved (CI)	1,090	11	141,970	11,990	0	11,990	0	9,621	11,990	0	0	0	0	0	11,990
GRV - Commercial Town (CT)	1,090	8	105,278	8,720	0	8,720	0	6,414	8,720	0	0	0	0	0	8,720
Sub-Total		305	4,506,221	332,450	(1,631)	330,731	(88)	482,276	317,190	0	0	0	0	0	317,190
Discounts/concessions (refer note 24(d))															
		3,811	159,342,396	9,950,176	56,524	10,011,040	4,340	9,572,119	9,768,280	0	0	0	0	0	9,768,280
Total amount raised from general rate						<u>10,006,569</u>	<u>(4,471)</u>	<u>(3,901)</u>	<u>9,568,218</u>						<u>9,764,380</u>

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

TOWN OF COTTESLOE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

24 RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the Town during the year ended 2018.

(c) Service Charges

No service charges were imposed by the Town during the year ended 2018.

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2018 Actual \$	2017 Actual \$	Budget \$	Circumstances in which Discount is Granted
General Rate	80.00%	\$	4,471	3,901	3,900	As a part of a lease agreement.
			4,471	3,901	3,900	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted

Type	Discount %	Discount \$	2018 Actual \$	2017 Actual \$	Budget \$
Venue hire	100.00%	\$	12,500	1,500	2,200
			12,500	1,500	2,200

Rate or Fee and Charge to which the Waiver or Concession is Granted

Circumstances in which the Waiver or Concession is Granted	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Venue hire	Certain community groups and committees requiring venue hire.	Council considers support of these groups necessary for the overall benefit of the community.
	Organisation as listed in the Town of Cottesloe Policy "Civic Centre Hall Bookings"	

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25 NET CURRENT ASSETS

Composition of net current assets for the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
Surplus 1 July 17 brought forward	2,452,281	2,351,146	2,351,146
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	2,564,937	1,425,506	1,425,506
Restricted	11,090,391	11,290,105	11,290,105
Receivables			
Rates outstanding	129,448	238,896	238,896
Sundry debtors	717,130	1,037,290	1,037,290
GST receivable	0	(21)	(21)
Loans receivable - clubs/institutions	54,631	52,365	52,365
Provision for Doubtful Debts	(228,616)	(193,165)	(193,165)
Accrued Income	1,636	36,350	36,350
Other Tax Debtors	340	645	645
Inventories			
History Books	36,809	37,437	37,437
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(630,930)	(545,890)	(545,890)
Accrued interest on long term borrowings	(73,465)	(80,200)	(80,200)
Accrued salaries and wages	(43,655)	(44,072)	(44,072)
ATO liabilities	(25,373)	(78,054)	(78,054)
Current portion of long term borrowings	(475,390)	(449,332)	(449,332)
Provisions			
Provision for annual leave	(491,873)	(563,392)	(563,392)
Provision for long service leave	(327,447)	(379,352)	(379,352)
Unadjusted net current assets	12,298,573	11,785,116	11,785,116
Adjustments			
Less: Reserves - restricted cash	(11,086,361)	(10,773,681)	(10,773,681)
Less: Loans receivable - clubs/institutions	(54,631)	(52,365)	(52,365)
Add: Current portion of long term borrowings	475,390	449,332	449,332
Add: Component of Leave Liability not required to be funded	819,310	942,744	942,744
Adjusted net current assets - surplus	2,452,281	2,351,146	2,351,146

Difference

There was no difference between the surplus 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus carried forward position as disclosed in the 2017 audited financial report.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

26 FINANCIAL RISK MANAGEMENT

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

The Town 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 Town held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	13,655,328	12,715,611	13,655,328	12,715,611
Investment in Associate	837,050	1,049,255	837,050	1,049,255
Receivables	1,300,988	1,845,759	1,300,988	1,845,759
	<u>15,793,366</u>	<u>15,610,625</u>	<u>15,793,366</u>	<u>15,610,625</u>
Financial liabilities				
Payables	773,433	748,217	773,433	748,217
Borrowings	4,219,402	4,668,733	4,996,485	5,531,979
	<u>4,992,835</u>	<u>5,416,950</u>	<u>5,769,918</u>	<u>6,280,196</u>

Fair value is determined as follows:

Cash and cash equivalents, receivables, Investment in associate, payables - estimated to the carrying value which approximates net market value.

Borrowings - estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

26 FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Town's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. 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.

Cash is 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 Town.

The Town manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	136,037	127,156
- Statement of Comprehensive Income	136,037	127,156

Notes:

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

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

26 FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

The Town makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	<u>2018</u>	<u>2017</u>
	%	%
Percentage of rates and annual charges		
Includes:		
- Current	0%	0%
- Overdue	100%	100%
 Percentage of other receivables		
Includes:		
- Current	34%	55%
- Overdue	66%	45%

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

26 FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Town 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 Town’s Payables and Borrowings are set out in the Liquidity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	773,433	0	0	773,433	773,433
Borrowings	730,340	2,090,188	3,032,519	5,853,047	4,219,402
	<u>1,503,773</u>	<u>2,090,188</u>	<u>3,032,519</u>	<u>6,626,480</u>	<u>4,992,835</u>
2017					
Payables	748,217	0	0	748,217	748,217
Borrowings	730,338	2,263,629	3,436,950	6,430,917	4,668,733
	<u>1,478,555</u>	<u>2,263,629</u>	<u>3,436,950</u>	<u>7,179,134</u>	<u>5,416,950</u>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Town 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:

<u>Year ended 30 June 2018</u>	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	199,802	0	0	0	0	4,019,600	<u>4,219,402</u>	5.20%
Weighted average Effective interest rate	5.25%	0.00%	0.00%	0.00%	0.00%	5.20%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	0	389,512	0	0	0	4,279,221	<u>4,668,733</u>	5.25%
Weighted average Effective interest rate	0.00%	5.25%	0.00%	0.00%	0.00%	5.25%		

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

27 TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Infrastructure Deposits	704,072	559,691	(728,234)	535,529
Right of Way Deposits	60,142	7,944	(5,600)	62,486
Miscellaneous Deposits	151,168	102,405	(105,393)	148,180
	<u>915,382</u>			<u>746,195</u>

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

28 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 Town.

Management's assessment of the new and amended pronouncements that are relevant to the Town, 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 Town, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	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 on the nature of future transactions the Town has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Town, the impact is not expected to be significant.

Notes:

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

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

28 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (continued)

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Town's operations.</p>

Notes:

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

Adoption of New and Revised Accounting Standards

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

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

- | | |
|---|----------------|
| (i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities | 1 January 2017 |
| (ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities | 1 January 2017 |

28 OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Town's operating cycle. In the case of liabilities where the Town does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Town's intentions to release for sale.

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

Fair value is the price that the Town would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The Town 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 Town are consistent with one or more of the following valuation approaches:

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

29 ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of council and administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework of environmental and community health.	Inspection of food outlets and their control, noise control and waste disposal compliance.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Maintenance of senior citizen centre and community care programs.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, protection of the environment and administration of town planning schemes.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.	Maintenance of public halls, civic centres, beaches and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library and other cultural facilities.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, street, footpaths, depots, cycle ways, parking facilities and traffic control. Maintenance of street trees, street lighting etc.
ECONOMIC SERVICES	To help promote the Town and its economic wellbeing.	Tourism and area promotion. Building Control.
OTHER PROPERTY AND SERVICES	To monitor and control the Town's overheads and operating accounts.	Engineering operating costs, plant repair and operation costs.

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

30 FINANCIAL RATIOS	2018	2017	2016
Current ratio	1.71	1.35	1.08
Asset consumption ratio	0.71	0.80	0.80
Asset renewal funding ratio	1.61	1.06	1.06
Asset sustainability ratio	0.54	0.69	0.54
Debt service cover ratio	2.86	4.49	4.20
Operating surplus ratio	(0.03)	0.06	0.01
Own source revenue coverage ratio	0.95	1.01	0.98

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

TOWN OF COTTESLOE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

30 FINANCIAL RATIOS (Continued)

Notes:

Distorted Ratios

Four of the ratios disclosed above were distorted by the following items:-

- (a) Loss on revaluation of infrastructure;
- (b) Refund of one off grant for the road and car park project which the project did not proceed;
- (c) Early receipts of Financial Assistance Grants (see below); and
- (d) Share of associate in WMRC.

	2017/18	2016/17	2015/16
	\$	\$	\$
a Amount of Financial Assistance Grant received during the year relating to the subsequent year.	145,250	145,082	0
b Amount of Financial Assistance Grant received during the year relating to the subsequent year.	145,082	0	143,684
c Refund of one off grant for the road and car park project.	500,000	0	0
d Share of associate in WMRC.	212,205	27,745	13,174

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	1.71	1.28	1.08
Debt service cover ratio	4.17	4.26	4.41
Operating surplus ratio	0.05	0.05	0.02
Own source revenue coverage ratio	0.89	1.01	0.98



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Town of Cottesloe

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Town of Cottesloe which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Town of Cottesloe:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Town for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Town:
 - a. The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past 3 years. The financial ratios are reported in Note 30 of the financial report.

- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. Accounting journal entries were posted by one employee, with no evidence of review by a second employee. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be appropriately reviewed and approved.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Town for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 30 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Town of Cottesloe for the year ended 30 June 2018 included on the Town's website. The Town's management is responsible for the integrity of the Town's website. This audit does not provide assurance on the integrity of the Town's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
5 December 2018



Audit Concluding Memorandum

Town of Cottesloe

Year Ended 30 June 2018

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1. Executive Summary

Introduction	<p>Moore Stephens has been engaged by the Office of Auditor General (OAG) Western Australia to perform an audit of the Town of Cottesloe's (the Town) annual financial report for the year ended 30 June 2018.</p> <p>The key purpose of this memorandum is to promote effective communication between the auditor and those charged with governance regarding the completion of the current year's audit.</p> <p>We request management and the Audit Committee to review this document to help ensure:</p> <ul style="list-style-type: none">• the Town concurs with the matters raised, and• there are no further significant considerations or matters that could impact the audit and the financial report. <p>This document is strictly confidential and although it has been made available to management and those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Town arising under our audit contract with the OAG.</p> <p>The contents of this document should not be disclosed to third parties without our prior written consent.</p>
Audit Status and Report	<p>We are pleased to advise we have substantially completed our audit of the Town's financial report for the year ended 30 June 2018.</p> <p>We intend to recommend to the Auditor General that she issue an unqualified opinion on the Town's financial report.</p> <p>However, in accordance with the Local Government (Audit) Regulations 1996 we also report that in our opinion the following matter indicates a significant adverse trend in the financial position of the Town:</p> <ul style="list-style-type: none">a) Asset Sustainability Ratio has been below the DLGSCI standard for the past 3 years as reported in the financial report. <p>The following material indicates non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of our audit.</p> <ul style="list-style-type: none">a) Accounting journal entries were posted without being reviewed by a person independent of the preparer. Accounting journals can represent significant adjustments to previously approved transactions and should therefore be appropriately reviewed and approved.
Key Audit Risks or Focus Areas	<p>We identified key audit risks or audit focus areas as part of our risk assessment procedures undertaken throughout the audit.</p> <p>We are pleased to advise we have satisfactorily completed our audit procedures designed to address those risks and met our audit objectives. Particulars of the key audit risks and results of the relevant procedures performed are detailed in Section 2 of this memorandum.</p>
Summary of Audit Differences	<p>We did not identify any non-trivial uncorrected audit differences.</p>

1. Executive Summary (Continued)

Internal Controls Relevant to Audit	<p>We noted the following matters during our interim visit which were included in our interim management letter: -</p> <ul style="list-style-type: none">a) The Council minutes for the month of December 2017 were not been signed by the Mayor;b) The annual return for one councillor did not include the correct financial year;c) The monthly statement of financial activity for the month of December 2017 was not presented to Council within 2 months;d) The list of payments for the month of December 2017 was not presented at the next Council meeting;e) Journal entries are not being reviewed by a person independent of the preparer;f) Reconciliation of payroll reports to the general ledger are not being performed at each pay run; andg) Manual rates rolling reconciliation was not performed on monthly basis.
Other Key Matters	<p>We confirm we have had no issues in relation to our independence as auditor of the Town, irregularities and illegal acts, non-compliance with laws and regulations, appropriateness of accounting policies and liaison with management.</p> <p>We have also provided a brief summary of the new accounting standards that may impact the Town in the future periods for your due considerations at Appendix 1.</p>

2. Key Audit Risks and Focus Areas

As part of our risk assessment, we identified key audit risks based on our extensive knowledge of the Town, the industry and issues faced by regional local governments. This risk assessment process is designed to ensure that we focus our audit work on the areas of highest risk.

This risk assessment and our responses have been updated throughout the engagement to ensure that all areas of material risk are addressed by our audit.

Set out below is an overview of what we have identified as the key audit risks and focus areas for the audit of the Town's financial report for the year ended 30 June 2018. The table below also includes our audit procedures performed to address these risks together with the outcomes.

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
PROPERTY, PLANT AND EQUIPMENT INFRASTRUCTURE		
<p>The Town was due for an Infrastructure revaluation in the current year. This is a significant industry risk given the judgement applied in determining fair values as well as depreciation expense in accordance with legislation and AASB 13: Fair Value Measurement.</p> <p>The valuation of the Town's assets resulted in a decrement of \$5.6m.</p>	<p>The following is a broad outline of our approach:</p> <p>Property, Plant and Equipment and Infrastructure</p> <ul style="list-style-type: none"> • Documented and tested key audit controls around Property, Plant and Equipment and Infrastructure balances. • Assessed accounting policies associated with fair value assessments and ensured they are in accordance with accounting standards. • Reviewed revaluations, including evaluation of management's expertise/experience. • Ensured valuation methodology and assumptions used were reasonable. • Substantively tested a sample of additions to the asset classes. • Reviewed impairment assessments. • Reviewed fair value disclosures to ensure in accordance with AASB13 requirements. <p>Depreciation</p> <ul style="list-style-type: none"> • Understood and documented depreciation policies relevant to the various asset classes. • Documented and tested key audit controls around the calculation of depreciation. • Performed depreciation recalculations based on our sampling approach. • Performed substantive analytical procedures. • In addition, given our industry experience, reviewed the determination of applicable depreciation rates and reasonableness in light of any revaluations. 	<p>Based on work performed, we are satisfied the Town's fixed assets, in particular the revaluation of Infrastructure, are fairly stated and disclosed in the 2018 financial report.</p>

2. Key Audit Risks and Focus Areas (Continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
EMPLOYEE BENEFIT PROVISIONS		
<p>Provisions for annual leave and long service leave involve a degree of management estimation and uncertainty in their calculation in respect of inflation rates, discount factors, timing and probabilities of settlement. There is risk these liabilities may not be captured completely and recognised in accordance with AASB 119: Employee Benefits.</p> <p>As at 30 June 2018, the Town reported a total provision of \$895K.</p>	<p>We documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on the internal controls. We performed substantive tests of detail utilising our sampling methodology as well as year-end analytical review to add to the level of audit assurance obtained.</p> <p>We also reviewed employee benefit provisions to ensure they are consistent with the payroll records and calculated in accordance with AASB119.</p>	<p>Based on work performed, we are satisfied the Town's employee benefits provisions are fairly stated and disclosed in the 2018 financial report.</p>

2. Key Audit Risks and Focus Areas (Continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
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REVENUE

The Town's main sources of revenue are:

- Rates;
- Government grants;
- Parking Infringements;
- Interest and
- Other fee for service revenue streams.

Given the variety of revenue streams, there is a risk that revenue may not be recognised with relevant accounting standards.

For the year ended 30 June 2018, the Town has recognised:

Rates	\$10mil
Operating grants, subsidies and contributions	\$349K
Non-Operating grants, subsidies and contributions	\$95K
Fees and Charges	\$2.2mil
Interest	\$423K

We substantively tested grants and interest revenue to third party documentation and vouched receipt of funds in accordance with our established sampling methodology. Also performed analytical review procedures.

With respect to Rates, we performed substantive analytical procedures whereby we documented and evaluated the reliability of data from which our expectation of recorded amounts is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation.

In addition, we performed tests of detail on rates and fees and charges utilising our sampling methodology as well as year-end analytical review to add to the level of assurance obtained.

We reviewed the design and implementation of controls of all main sources of revenue including the rates and parking infringements systems.

As part of these procedures, we performed cut-off testing to help ensure revenue is correctly recognised and recorded.

In addition, we considered the impact AASB 15 will have on the local government industry and have assessed the comments regarding the impact in the financial report.

We consider the nature, complexity and materiality of the revenue transactions in the process of identifying the risk of fraud in revenue.

Based on work performed, we are satisfied the Town's revenue is fairly stated and disclosed in the 2018 financial report.

2. Key Audit Risks and Focus Areas (Continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
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EXPENDITURE

Providing community based goods and services forms a large part of a local government's operations. This takes the form of both operating and capital expenditure.

For the year ended 30 June 2018, the Town has recognised:

Employee costs	\$4.2mil
Materials and contracts	\$4.4mil
Depreciation	\$2.1mil
Utilities and Insurance	\$ 520K
Interest expenses	\$ 274K
Other expenditure	\$ 1.5M

For the testing of expenditure, we documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on internal controls.

We performed substantive tests of detail based on our sampling methodology as well as year-end analytical review to add to the level of assurance obtained.

We paid particular attention to the cost allocation methodology associated with administration allocations, Public Works Overheads and Plant Operating Costs to ensure these are properly allocated as they impact the split between operational and capital expenditure.

Specific attention was paid to credit cards, particularly in light of history and our experience of the industry.

Based on work performed, we are satisfied that the Town's expenditure is fairly stated and disclosed in the 2018 financial report.

MANAGEMENT OVERRIDE OF CONTROLS

Management is involved in day to day operations and monitoring of the business, which gives them the ability to manipulate accounting records and manipulate financial disclosures by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk.

The following procedures were performed:

- Reviewed journal entries and other adjustments for evidence of possible material misstatements due to fraud;
- Reviewed accounting estimates and application of accounting policies for evidence of bias or aggressive accounting practices; and
- For significant or unusual transactions, evaluated the business rationale (or the lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets.

During our interim audit, we noted journal entries which were not being reviewed by a person independent of the preparer.

All journals are now being reviewed by an independent person.

Based on work performed, we are satisfied that the risk of fraud from management override has been reduced to an acceptable level.

RELATED PARTY DISCLOSURE

This was a new area of disclosure for local governments commencing for the year ended 30 June 2017.

We reviewed the processes to ensure the required disclosures were adequately addressed and a robust system is in place for identifying related parties and any transactions or balances with them.

Ensured related party transactions are on an arms' length basis.

Based on work performed, we are satisfied that related party transactions and balances are properly disclosed and at arms' length basis.

2. Key Audit Risks and Focus Areas (Continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
SIGNIFICANT ADVERSE TRENDS		
<p>Reporting of any material matters that indicate significant adverse trends in the financial position or the financial management practices of the Town relating to the requirements of Local Government (Audit) Regulation 10(3)(a).</p>	<p>We used the statutory ratios disclosed and compared them against industry benchmarks and previously reported ratios. We also assessed how the ratios impact the operations of the Town.</p> <p>In addition, we considered whether any breakdowns in systems or procedures highlighted or were indicative of a significant adverse trend in the financial management practices of the Town.</p>	<p>Based on work performed, we noted one matter that indicates a significant adverse trend in the financial position of the Town being the Town's Asset Sustainability Ratio.</p> <p>We noted no other matters indicating a significant adverse trend in the financial management practices of the Town.</p>

Summary of Audit Differences

We are required by the auditing standards to communicate all differences (other than clearly trivial) that we noted during the audit.

There were no uncorrected misstatements noted during the year.

Internal Controls Relevant to Audit

As part of our planned audit approach, we have evaluated the Town's system of internal controls primarily to enable us to determine the appropriate nature and extent of our procedures.

This, however, does not constitute a comprehensive review. Accordingly, the Audit Committee may wish to discuss with management any matters they may have raised with respect to particular systems, which may necessitate a more comprehensive review.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Town's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

We advise we noted one significant deficiency in internal controls:

- Journal entries were not being reviewed by a person independent of the preparer.

Any non-significant deficiencies that were noted were included in the formal management letter issued after the interim audit.

Matters for Next Year/Future Consideration

The following items should be considered for next year/in future years: -

- Physical inspection of all property, plant and equipment and infrastructure assets should be scheduled on a more regular basis to help ensure the existence and condition of all assets.
- Future valuations of freehold land should take restrictions on use into account when determining fair value.

Other Key Matters

In accordance with Auditing Standards, we are required to communicate a number of matters with those charged with governance which is covered in the table below.

Matters Considered	Outcome
Ethics and Independence	<p>We have obtained independence declarations from all staff engaged in the audit. We also have policies and procedures in place</p> <p>We confirm that to the best of our knowledge, we met the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report.</p> <p>We have further considered the safeguards the Moore Stephens Australia network has in place and we are not aware of any services being provided that would compromise our independence as external auditor.</p>
Fraud and Compliance with Laws and Regulations	<p>We have enquired with the Management regarding the existence of fraud and/or non-compliance with laws and regulations. We have also reviewed the general ledger and minutes for evidence of these.</p> <p>Based on the confirmation obtained from the Management and work performed we are confident that the risk of fraud in relation to financial reporting and non-compliance with laws and regulations is low and have not identified any reportable matters for your attention.</p>
Appropriateness of Accounting Policies	<p>Based on the work performed, we are satisfied that accounting policies used for the preparation of financial report are acceptable financial reporting framework and in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.</p>
Appropriateness of the Use of Going Concern Basis of Accounting	<p>Based on the audit evidence obtained up to the date of our auditor's report, we are not aware of material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern.</p>
Liaison with Management	<p>We had no disagreements with management about significant audit, accounting or disclosures matters.</p> <p>There were no difficulties encountered in dealing with management related to the performance of the audit.</p>
New Accounting Standards for Future Periods	<p>Please refer Appendix 1 of this document.</p>

Appendix 1: Recent Regulatory and Technical Developments

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

The new and amended pronouncements that are relevant to the Town are set out as follows:

Title	Issued / Complied	Applicable ⁽¹⁾	Objective
AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	This Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.
AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<p>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.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Town has with those third parties it has dealings with. It may or may not be significant.</p>
AASB 16 Leases	February 2016	1 January 2019	<p>Under this Standard there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges.</p>
AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services.

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

The impact of these standards, if any, on the Town's financial statements in future periods had been assessed by the management and disclosed in Note 1 to the 2018 annual financial report.

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Cottesloe - Compliance Audit Return 2018

Certified Copy of Return

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

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2018.	N/A		Elizabeth Nicholls
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2018.	Yes	Business Plan prepared for the Proposed Lease of Portion of Town of Mosman Park Depot.	Elizabeth Nicholls
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2018.	N/A	Business Plan prepared for proposed Major Land Transaction still under consideration.	Elizabeth Nicholls
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2018.	Yes		Elizabeth Nicholls
5	s3.59(5)	Did the Council, during 2018, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A	Report to be presented to and considered by Council February 2019 to proceed with Major Land Transaction for the Proposed Lease of Portion of Town of Mosman Park Depot.	Elizabeth Nicholls



Delegation of Power / Duty						
No	Reference	Question	Response	Comments	Respondent	
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	Yes		Elizabeth Nicholls	
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	Yes	Presented to Council 14 November 2017 and 14 August 2018 although no formal resolution of Council was adopted.	Elizabeth Nicholls	
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	Yes		Elizabeth Nicholls	
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Elizabeth Nicholls	
5	s5.18	Has Council reviewed delegations to its committees in the 2017/2018 financial year.	No		Elizabeth Nicholls	
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Elizabeth Nicholls	
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Elizabeth Nicholls	
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Elizabeth Nicholls	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Elizabeth Nicholls	
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	N/A	No amendments or revocations made.	Elizabeth Nicholls	
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Elizabeth Nicholls	
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2017/2018 financial year.	No	A review paper was prepared by the CEO and submitted to a workshop with Council on 14 November 2018 where the matter was deferred.	Elizabeth Nicholls	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Elizabeth Nicholls	

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



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

GOVERNMENT OF
WESTERN AUSTRALIA

No	Reference	Question	Response	Comments	Respondent
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A	No decisions made to allow members disclosing an interest to participate in meetings.	Elizabeth Nicholls
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Elizabeth Nicholls
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	No	No election in 2017/2018	Elizabeth Nicholls
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Elizabeth Nicholls
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2018.	No	One Annual Return received after 31 August 2018.	Elizabeth Nicholls
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2018.	No	One Annual Return received after 31 August 2018.	Elizabeth Nicholls
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	No	Two Primary Returns for Acting staff positions were not given written acknowledgement.	Elizabeth Nicholls
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Elizabeth Nicholls
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Elizabeth Nicholls
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Elizabeth Nicholls
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Elizabeth Nicholls
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Elizabeth Nicholls



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

No	Reference	Question	Response	Comments	Respondent
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Elizabeth Nicholls
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Elizabeth Nicholls
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Elizabeth Nicholls

Disposal of Property

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

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Elizabeth Nicholls
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A	No delegation to Audit Committee.	Elizabeth Nicholls
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	N/A	Auditor appointed by the Office of the Auditor General under Local Government Amendment (Auditing) 2017	Elizabeth Nicholls
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	N/A	Auditor appointed by the Office of the Auditor General under Local Government Amendment (Auditing) 2017	Elizabeth Nicholls



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

No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2018 received by the local government within 30 days of completion of the audit.	Yes	Auditor's report received by Mayor and CEO to be referred to a meeting of the Audit Committee to be held 22 January 2019 and Special Council Meeting 5 February 2019.	Elizabeth Nicholls
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2018 received by the local government by 31 December 2018.	Yes	Received 5 December 2018.	Elizabeth Nicholls
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	Auditor's report to be referred to a meeting of the Audit Committee to be held 22 January 2019 and Special Council Meeting 5 February 2019.	Elizabeth Nicholls
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A	Auditor's report to be referred to a meeting of the Audit Committee to be held 22 January 2019 and Special Council Meeting 5 February 2019.	Elizabeth Nicholls
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A	Auditor's report to be referred to a meeting of the Audit Committee to be held 22 January 2019 and Special Council Meeting 5 February 2019.	Elizabeth Nicholls
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	N/A		Elizabeth Nicholls
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	N/A		Elizabeth Nicholls
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	N/A		Elizabeth Nicholls
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	N/A		Elizabeth Nicholls
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	N/A		Elizabeth Nicholls
15	Audit Reg 17	Has the CEO reviewed the appropriateness and effectiveness of the local government's systems and procedures in accordance with regulation 17 of the Local Government (Audit) Regulations 1996.	N/A		Elizabeth Nicholls



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

No	Reference	Question	Response	Comments	Respondent
16	Audit Reg 17	If the CEO has not undertaken a review in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, is a review proposed and when.	N/A		Elizabeth Nicholls

Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Adopted 25 July 2017.	Elizabeth Nicholls
2	s5.56 Admin Reg 19DA (6)	Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No	Not modified.	Elizabeth Nicholls
3	s5.56 Admin Reg 19C (7)	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Adopted 16 December 2013.	Elizabeth Nicholls
4	s5.56 Admin Reg 19C (7)	Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Modified 28 June 2016.	Elizabeth Nicholls
5	S5.56	Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	No	The Town is currently preparing an Asset Management Plan which will be presented to Council during 2019.	Elizabeth Nicholls
6	S5.56	Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	Long Term Financial Plan 2016 - 2026. Endorsed 22 November 2016.	Elizabeth Nicholls
7	S5.56	Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	Workforce Plan 2014 - 2018	Elizabeth Nicholls



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



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

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Elizabeth Nicholls
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Elizabeth Nicholls
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Elizabeth Nicholls
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Elizabeth Nicholls



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

No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Elizabeth Nicholls
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Elizabeth Nicholls
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Elizabeth Nicholls
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Elizabeth Nicholls
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Elizabeth Nicholls
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Elizabeth Nicholls
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A	No Expression of Interest process in 2018.	Elizabeth Nicholls
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Elizabeth Nicholls
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A		Elizabeth Nicholls
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A		Elizabeth Nicholls
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	No		Elizabeth Nicholls
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A		Elizabeth Nicholls
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A		Elizabeth Nicholls



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

No	Reference	Question	Response	Comments	Respondent
18	F&G Reg 24AD(6)	If the local government to sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Elizabeth Nicholls
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Elizabeth Nicholls
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Elizabeth Nicholls
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Elizabeth Nicholls
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Elizabeth Nicholls
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A	No regional price preference.	Elizabeth Nicholls
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A		Elizabeth Nicholls
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes	Purchasing Policy currently being reviewed.	Elizabeth Nicholls



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

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

Signed Mayor / President, Cottesloe

Signed CEO, Cottesloe

Town of Cottesloe



January 2019 Risk Profile Assessment

Town of Cottesloe Risk Dashboard Report January 2019

Executive Summary

Being the Town's first report under the introduced risk management framework, focus is on embedding and driving continual improvement. Future reports will continue to provide relevant insight and recommendations to assist governance activities for the Management Team. It is supported by:

1. Risk Profiles for the 16 themes discussed.
2. Risk Management Policy and Procedures.

Recommendations

Embedding

1. Arrange for Policy and Procedures to be endorsed and adopted appropriately.
2. Create a standard agenda for each Management Team meeting to include the review of a risk profile (ensure coverage over an 18 month period)

Risk Profiles

1. Review and approve all initial Risk Profiles (from a Risk & Control perspective).
2. Confirm Current Issues / Actions / Treatments (Responsibility & Due Date) and ensure completion.

<u>Providing inaccurate Advice / Information</u>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>Errors, omissions & delays</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>Inadequate Asset Sustainability practices</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>External theft & fraud (inc. Cyber Crime)</u>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Ongoing vreview of IT security nsystems	Ongoing	CEO	
Ongoing upgrade of CCTV systems			
Accounting/finance procedures			

<u>Business & Community disruption</u>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Ongoing participation in LEMC exercises	Ongoing		
Ongoing IT disaster recovery processes regularly tested	Ongoing		
Action Plans tested	Nov-19		

<u>Ineffective management of Facilities / Venues / Events</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>Failure to fulfil Compliance requirements (statutory, regulatory, licencing and civil action)</u>		Risk	Control
		High	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Compliance Calendar	Nov-19	CEO	

<u>Failure of IT or communication systems and infrastructure</u>		Risk	Control
		Moderate	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

Town of Cottesloe Risk Dashboard Report January 2019

<u>Inadequate Document Management processes</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Implement staff reminder and discipline procedures	Aug-19	CEO	
Ongoing development of CRM system	Jul-19	CEO	

<u>Misconduct</u>		Risk	Control
		Moderate	Effective
Current Issues / Actions / Treatments	Due Date	Responsibility	
Workplace Cultural review early 2019	Jun-19	CEO	
Developemnt and ongoing review of staff policies and procedures	Nov-19	CEO	

<u>Ineffective Employment practices</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Ongoing development and review of human resource procedures and policies.	Nov-19	CEO	
Annual review of organisation structure	Ongoing	CEO	

<u>Inadequate Project / Change management</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>Inadequate Engagement practices</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Review of Community Consultation Policy scheduled for December 2018.	Dec-18	CEO	

<u>Inadequate Safety and Security practices</u>		Risk	Control
		High	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Arrange an LGIS 4801 Audit	Ongoing	CEO	

<u>Inadequate Environment management</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>Inadequate Supplier / Contract management</u>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

Providing inaccurate Advice / Information

Nov-18

Incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff.

Examples include;

- Incorrect planning, development or building advice
- Incorrect health or environmental advice
- Inconsistent messages or responses from Customer Service Staff
- Any advice that is not consistent with legislative requirements or local laws.

Potential causes include:

Lack of qualified staff	Lack of appropriate technical knowledge
Long lead times for responses	Poor working relationships between internal staff/departments
Increasing workloads	Historic issues

Controls	Type	Date	Town Rating
<i>Complaints resolution process</i>	<i>Detective</i>	<i>Nov-18</i>	<i>Adequate</i>
<i>Delegation / Authorisation registers</i>	<i>Detective</i>	<i>Nov-18</i>	<i>Effective</i>
<i>Regular team meetings</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Effective</i>
<i>Qualified staff</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Adequate</i>
<i>Peer Review process (Inter & Intra team)</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Effective</i>
<i>Staff training program</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Adequate</i>
<i>Inductions</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Effective</i>
<i>Information sheets / FAQ's</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Adequate</i>
<i>External consultants such as legal</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Effective</i>
<i>External communications (website, news articles)</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Effective</i>
<i>Internal communications (intranet, staff newsletter etc)</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Adequate</i>
<i>Duty statements (position descriptions)</i>	<i>Preventative</i>	<i>Nov-18</i>	<i>Adequate</i>

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Reputation	Consequence:	<i>Insignificant</i>
	Likelihood:	<i>Unlikely</i>

Overall Risk Ratings:	Low
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Indicators	Tolerance	Date	Overall Town Result
<i>Number of complaints / issues regarding inaccurate advice</i>			
<i>Litigation</i>			
<i>Compensation payouts</i>			

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility

Inadequate Asset Sustainability practices

Nov-18

Failure or reduction in service of infrastructure assets, plant, equipment or machinery.
 These include fleet, buildings, roads, playgrounds, boat ramps and all other assets during their lifecycle from procurement to disposal.
 Areas included in the scope are;
 -Inadequate design (not fit for purpose)
 -Ineffective usage (down time)
 -Outputs not meeting expectations
 -Inadequate maintenance activities.
 -Inadequate financial management and planning (capital renewal plan).
 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	Unavailability of parts
Lack of trained staff	Lack of formal or appropriate scheduling (maintenance / inspections)
Outdated equipment	Unexpected breakdowns

Controls	Type	Date	Town Rating
<i>Financial asset register</i>	<i>Detective</i>	<i>Nov-18</i>	Effective
<i>Road asset management system (RAMS)</i>	<i>Detective</i>	<i>Nov-18</i>	Effective
<i>Building asset register</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Asset management planning</i>	<i>Preventative</i>	<i>Nov-18</i>	Inadequate
<i>Long-term financial planning</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Plant replacement program (Heavy machinery)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Plant replacement program (other)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Light vehicle replacement program</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Building maintenance program (Reactive and routine)</i>	<i>Preventative / Detective</i>	<i>Nov-18</i>	Adequate
<i>Plant & equipment maintenance program</i>	<i>Preventative / Detective</i>	<i>Nov-18</i>	Effective
<i>Infrastructure Maintenance Program (Hard Infrastructure)</i>	<i>Preventative / Detective</i>	<i>Nov-18</i>	Adequate

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Service interruption, Financial	Consequence:	<i>Moderate</i>
	Likelihood:	<i>Unlikely</i>

Overall Risk Ratings:	Moderate
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Indicators	Tolerance	Date	Overall Town Result
<i>Asset Sustainability Ratio (Measures the extent to which assets are replaced as they reach the end of their useful lives)</i>			
<i>Asset Consumption Ratio (The ratio highlights the aged condition of ToC's stock of physical assets)</i>			
<i>Asset Renewal Funding Ratio (The financial capacity to fund asset renewal as required, and continue to provide existing levels of services)</i>			
<i>Fleet utilisation</i>			
<i>Major breakdowns</i>			
<i>Notifications from members of the public</i>			
<i>Accidents and/or damage to property</i>			

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility

Business & Community disruption

Nov-18

Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal Town business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage / terrorism).

This includes;

- Lack of (or inadequate) emergency response / business continuity 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.
- Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc

This does not include disruptions due to IT Systems or infrastructure related failures - refer "Failure of IT & communication systems and infrastructure".

Potential causes include:

Cyclone, Storm, Fire, Earthquake, Heatwave	Extended power outage
Terrorism / Sabotage / Criminal Behaviour	Economic Factors
Epidemic / Pandemic	Loss of Key Staff
Loss of suppliers	Loss of key infrastructure
Ocean Contamination i.e. whale carcass on beach, oil spill	Lack of access to beach

Controls	Type	Date	Town Rating
<i>LEMC Exercises</i>	<i>Detective</i>	<i>Nov-19</i>	Effective
<i>Previous experience in dealing with disruptions</i>	<i>Detective</i>	<i>Nov-19</i>	Adequate
<i>Functional LEMC</i>	<i>Preventative</i>	<i>Nov-19</i>	Effective
<i>Informal Business Continuity framework</i>	<i>Preventative / Recovery</i>	<i>Nov-19</i>	Adequate
<i>Current LEMA & Recovery Plans</i>	<i>Recovery</i>	<i>Nov-19</i>	Effective
<i>I.T. Disaster Recovery Plan</i>	<i>Recovery</i>	<i>Nov-19</i>	Effective
<i>Develop Action Plans for specific scenarios</i>	<i>Recovery</i>	<i>Nov-19</i>	Inadequate

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Service Interruption	Consequence:	<i>Major</i>
	Likelihood:	<i>Rare</i>
Overall Risk Ratings:		Low

Indicators	Tolerance	Date	Overall Town Result
<i>Resignations / terminations of key personnel</i>			
<i>Frequency of natural disasters</i>			
<i>Extended power outages</i>			
<i>Damage to buildings, property, plant & equipment</i>			

Comments

The Town does not currently have a formalised Business Continuity Program or Plan. There are however resiliency measures in place (eg. additional buildings & other local government resources close by) to assist in a business continuity event.

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Ongoing participation in LEMC exercises</i>	<i>Ongoing</i>	
<i>Ongoing IT disaster recovery processes regularly tested</i>	<i>Ongoing</i>	
<i>Action Plans tested</i>	<i>Nov-19</i>	

Failure to fulfil Compliance requirements (statutory, regulatory, licencing and civil action)

Nov-18

Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated internal & public domain legal documentation. It includes (amongst others) the Local Government Act, Health Act, Building Act, Privacy Act and all other legislative based obligations for Local Government.

It does not include Occupational Safety & Health Act (refer "Inadequate safety and security practices") or any Employment Practices based legislation (refer "Ineffective Employment practices").

Potential causes include:

Lack of training, awareness and knowledge	Lack of Legal expertise
Staff turnover	Councillor turnover
Inadequate record keeping	Breakdowns in the tender or procurement process
Ineffective policies & processes	Ineffective monitoring of changes to legislation
Misconduct/Defamation	

Controls	Type	Date	Town Rating
<i>Compliance return (DLG)</i>	<i>Detective</i>	<i>Nov-18</i>	Effective
<i>External Auditor reviews</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Regular swimming pool (private) audits</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Disability Enterprise Certification</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Regular Elected Member training</i>	<i>Preventative</i>	<i>Nov-18</i>	Inadequate
<i>Qualified Staff</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Documented procedures</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Ongoing staff training and upskilling</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Membership of industry groups</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Subscriptions / Memberships</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Induction Process - Councillors</i>	<i>Preventative</i>	<i>Nov-18</i>	Inadequate
<i>Induction Process - Staff</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Staff network channels (various)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Strict tender process and Purchasing Policy</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Legal consultants</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Adequate insurance arrangements</i>	<i>Recovery</i>	<i>Nov-18</i>	Effective

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Reputation, Financial	Consequence:	<i>Major</i>
	Likelihood:	<i>Likely</i>

Overall Risk Ratings:	High
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Indicators	Tolerance	Date	Overall Town Result
<i>Litigation, fines or penalties</i>			
<i>Audit notifications</i>			
<i>3rd party Investigations</i>			
<i>% of FOI's actioned within timeframes</i>			
<i>Negative response in Compliance Return</i>			
<i>Letters from the Department of Local Government</i>			
<i>Increased scrutiny from regulators or agencies</i>			

Comments

As rated by Workshop Attendees -on 2015.

The Annual Compliance return for the DLG&C is used to gauge compliance with the Local Government Act with only minor issues highlighted. It is supported by 'compliance' calendars used by a number of key staff (Directors / Managers) with specific responsibilities.

Individuals within the Town are members of specific groups / industry associations / network groups which regularly provide updates on regulatory issues.

There is an overarching governance framework (including the Audit Committee) which drives and reviews compliance-based audit reviews.

Whilst it was acknowledged that regulatory requirements are increasing, the Town has adequate systems in place to recognise and respond to changes as they occur. Consequently the risk was rated as moderate due to the potential for moderate impacts across compliance and reputational consequence areas.

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Develop Compliance Calendar</i>	<i>Nov-19</i>	<i>CEO</i>

Inadequate Document Management processes

Nov-18

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

- Contact lists.
- Procedural documents.
- Applications, proposals or documents.
- Contracts.
- Forms or requests.

Potential causes include:

Spreadsheet/database/document corruption or loss	Outdated record keeping practices
Inadequate access and / or security levels	Lack of system/application knowledge
Inadequate storage facilities (including climate control)	High workloads and time pressures
High staff turnover	Incomplete authorisation trails
Incompatible systems	

Controls	Type	Date	Town Rating
<i>Policy & procedure review process</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Correspondence receipt</i>	<i>Detective</i>	<i>Nov-18</i>	Effective
<i>Overdue/outstanding correspondence (reminders) process</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Customer request system</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Document / correspondence action process</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Record keeping plan / process / policy</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Archive room on site</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Archival process</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>TRIM electronic document management system</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>InfoCouncil agenda tracking system</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Regular reminders to staff to follow SOP's</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Permanent archive (7 years) with Iron Mountain</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Compliance / Reputation	Consequence:	<i>Insignificant</i>
	Likelihood:	<i>Almost Certain</i>

Overall Risk Ratings:	Moderate
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Indicators	Tolerance	Date	Overall Town Result
<i>Number of outstanding records year to date</i>			
<i>% of records not actioned within timeframes</i>			
<i>Time lost searching for documentation</i>			
<i>Complaints relating to documentation</i>			

Comments

Staff are not always following procedure and saving emails and outgoing mail in TRIM. This is an issue as it may only be discovered years later. This raises the likelihood of compliance or reputational consequence to moderate.

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Implement staff reminder and discipline procedures</i>	<i>Aug-19</i>	<i>CEO</i>
<i>Ongoing development of CRM system</i>	<i>Jul-19</i>	<i>CEO</i>

Ineffective Employment practices

Nov-18

Failure to effectively manage and lead human resources (full-time, part-time, casuals, temporary and volunteers).

This includes:

- Not having appropriately qualified or experienced people in the right roles.
- Insufficient staff numbers to achieve objectives.
- Breaching employee regulations.
- Discrimination, harassment & bullying in the workplace.
- Poor employee wellbeing (causing stress).
- Key person dependencies without effective succession planning in place.
- Industrial activity.

Potential causes include:

Leadership failures	Ineffective performance management programs or procedures.
Available staff / volunteers are generally highly transient.	Ineffective training programs or procedures.
Key / single-person dependencies	Limited staff availability - mining / private sectors (pay & conditions).
Poor internal communications / relationships	Inadequate induction practices.
Ineffective Human Resources Framework	

Controls	Type	Date	Town Rating
<i>Policies & procedures</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Training needs analysis</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Succession planning</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Enterprise Bargaining Agreement process</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Internal communication / engagement programs</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Mentoring program</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Staff inductions (Code of Conduct)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Performance management</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Training register</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Compliance, Health, Reputational	Consequence:	<i>Moderate</i>
	Likelihood:	<i>Unlikely</i>

Overall Risk Ratings:	Moderate
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Indicators	Tolerance	Date	Overall Town Result
<i>Employee Turnover (% Staff turnover rate)</i>			
<i>Employee satisfaction (% of employees satisfied working at ToC)</i>			
<i>Above-average absenteeism</i>			
<i>Successful unfair-dismissal claims</i>			
<i>Legal claims</i>			

Comments

A new, dedicated Human Resources Officer has been employed which has resulted in considerable improvement to hr processes generally.

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Ongoing development and review of human resource procedures and policies.</i>	<i>Nov-19</i>	<i>CEO</i>
<i>Annual review of organisation structure</i>	<i>Ongoing</i>	<i>CEO</i>

Inadequate Engagement practices

Nov-18

Failure to maintain effective working relationships with the Community (including local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This includes activities where communication, feedback or consultation is required and where it is in the best interests to do so. For example;

- Following up on any access & inclusion issues.
- Infrastructure Projects.-
- Local planning initiatives.
- Strategic planning initiatives

This does not include instances whereby Community expectations have not been met for standard service provisions such as Community Events, Library Services and / or Bus/Transport services.

Potential causes include:

Relationship breakdowns with community groups	Short lead times
Leadership inattention to current issues	Miscommunication / poor communication
Inadequate documentation or procedures	Inadequate Regional or District Committee attendance.
Budget / funding issues	Inadequate involvement with, or support of, community groups

Controls	Type	Date	Town Rating
<i>Advisory committees / groups</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Community satisfaction survey</i>	<i>Detective</i>	<i>Nov-18</i>	Inadequate
<i>Community consultation</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Engagement Policy</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Public consultation (Council reporting)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Integrated Planning consultation</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Project community engagement</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Public Notices / Local papers / website communication/ email subscription service/ social media</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Reputation, Financial	Consequence:	<i>Minor</i>
	Likelihood:	<i>Possible</i>

Overall Risk Ratings:	Moderate
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Indicators	Tolerance	Date	Overall Town Result
<i>% community feeling they have opportunities to participate</i>			
<i>% community satisfaction with the Town's representation</i>			
<i>Website quality checks</i>			
<i>Number of complaints referring to poor engagement</i>			
<i>Lost funding due to poor or inadequate submissions</i>			
<i>Surprise issues being raised in Council or Committee meetings</i>			

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Review of Community Consultation Policy scheduled for December 2018.</i>	<i>Dec-18</i>	<i>CEO</i>

Inadequate Environment management

Nov-18

Inadequate prevention, identification, enforcement and management of environmental issues.

The scope includes;

- Lack of adequate planning and management of coastal erosion issues.
- Failure to identify and effectively manage contaminated sites (including groundwater usage).
- Waste facilities (landfill / transfer stations).
- Weed control.
- Ineffective management of water sources (reclaimed, potable)
- Illegal dumping.
- Illegal clearing / land use.

Potential causes include:

Transfer Station/s	Inadequate reporting / oversight frameworks
Lack of understanding / knowledge of environmental issues	Community apathy
Inadequate local laws / planning schemes	

Controls	Type	Date	Town Rating
<i>Landfill / Waste management plans</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Bore monitoring</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Monitoring water erosion</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Local Planning Scheme environmental considerations</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Septic site management</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Weed control plans</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Support environmental groups</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Volatile liquid tank management</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Controlling land use through the Local Planning Scheme</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Strategic land use planning; investigations and feasibility studies</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Conducting environmental health inspections</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Enforcing existing heritage provisions in planning scheme</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Contaminated sites management program (old waste sites)</i>	<i>Recovery</i>	<i>Nov-18</i>	Not Rated
<i>Encourage recycling/waste minimisation efforts</i>	<i>Recovery</i>	<i>Nov-18</i>	Effective
<i>Restoring of coastal and estuarine areas</i>	<i>Recovery</i>	<i>Nov-18</i>	Effective
<i>Revegetating remnant bushland areas</i>	<i>Recovery</i>	<i>Nov-18</i>	Not Rated

Overall Control Ratings: **Adequate**

Consequence Category	Risk Ratings	Town Rating
Environment, Reputation, Financial	Consequence:	<i>Moderate</i>
	Likelihood:	<i>Unlikely</i>
Overall Risk Ratings:		Moderate

Indicators	Tolerance	Date	Overall Town Result
<i>Number of health risk assessments / inspections completed</i>			
<i>Environmental sampling undertaken in accordance with legislation</i>			
<i>Tonnes per capita waste received at landfill</i>			
<i>Tonnes per capita recyclable generation</i>			
<i>Tonnes per capita green waste generation</i>			

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility

Errors, omissions & delays

Nov-18

Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process. This includes instances of;

- Human error
- Inaccurate recording, maintenance, testing or reconciliation of data.
- Inaccurate data being used for management decision-making and reporting.
- Delays in service to customers
- Inaccurate data provided to customers

This excludes process failures caused by inadequate / incomplete procedural documentation - refer "Inadequate Document Management Processes".

Potential causes include:

Human Error	Incorrect information
Inadequate formal procedures or training	Miscommunication
Lack of trained staff	Workload
Poor use of check sheets / FAQ's	Lack of understanding

Controls	Type	Date	Town Rating
<i>Complaints process (feedback)</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Customer Action Requests</i>	<i>Detective / Recovery</i>	<i>Nov-18</i>	Adequate
<i>Staff training (formal & on-the-job)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Documented procedures / checklists</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Staff training</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Management oversight</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Performance development & reviews</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Corporate calendar</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Supervision - maintenance works</i>	<i>Preventative / Detective</i>	<i>Nov-18</i>	Adequate
<i>Segregation of duties</i>	<i>Preventative / Detective</i>	<i>Nov-18</i>	Adequate

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Reputation / Compliance	<i>Consequence:</i>	<i>Moderate</i>
	<i>Likelihood:</i>	<i>Possible</i>

Overall Risk Ratings:	Moderate
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Indicators	Tolerance	Date	Overall Town Result
<i>Number of substantiated complaints relating to errors, omissions or delays</i>			
<i>Litigation</i>			
<i>Referral to the Ombudsman/Department/Council</i>			
<i>Community feedback</i>			

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility

External theft & fraud (inc. Cyber Crime)

Nov-18

Loss of funds, assets, data or unauthorised access, (whether attempted 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

Potential causes include:

Inadequate security of equipment / supplies / cash	Inadequate provision for patrons belongings
Robbery	Lack of Supervision
Scam Invoices	Collusion with internal staff

Controls	Type	Date	Town Rating
<i>Security monitoring</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Security access controls at all buildings</i>	<i>Preventative</i>	<i>Jul-15</i>	Adequate
<i>Security access - Depot</i>	<i>Preventative</i>	<i>Jul-15</i>	Adequate
<i>IT Firewall</i>	<i>Preventative</i>	<i>Jul-15</i>	Effective
<i>Photographic record of assets</i>	<i>Recovery</i>	<i>Jul-15</i>	Adequate
<i>CCTV</i>	<i>Recovery</i>	<i>Jul-15</i>	Adequate

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Financial, Property	Consequence:	<i>Major</i>
	Likelihood:	<i>Rare</i>
Overall Risk Ratings:		Low

Indicators	Tolerance	Date	Overall Town Result
<i>Number of incidents</i>			
<i>Increased insurance claims</i>			

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Ongoing vreview of IT security nsystems</i>	<i>Ongoing</i>	<i>CEO</i>
<i>Ongoing upgrade of CCTV systems</i>		
<i>Accounting/finance procedures</i>		

Ineffective management of Facilities / Venues / Events

Nov-18

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

- Inadequate procedures in place to manage quality or availability.
- Ineffective signage
- Booking issues
- Stressful interactions with hirers / users (financial issues or not adhering to rules of use of facility)

Inadequate oversight or provision of peripheral services (eg. cleaning / maintenance)

Potential causes include:

Double bookings	Traffic congestion or vehicles blocking entry or exit
Illegal / excessive alcohol consumption	Insufficient time between bookings for cleaning or maintenance
Bond payments poorly managed	Difficulty accessing facilities / venues.
Inadequate oversight or provision of peripheral services (eg. cleaning / maintenance)	Poor service from contractors (such as catering or cleaning)

Controls	Type	Date	Town Rating
<i>Maintenance schedules & cleaning</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Feedback from users</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Event evaluation / approval process (internal)</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Event management process (monitoring)</i>	<i>Detective</i>	<i>Nov-18</i>	Effective
<i>Events policy / procedures / checklist</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Booking system (electronic)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Good relationship with external stakeholders</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Key return / bond system (check of facility by contractor)</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
Reputation	Consequence:	<i>Major</i>
	Likelihood:	<i>Unlikely</i>

Overall Risk Ratings:	Moderate
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Indicators	Tolerance	Date	Overall Town Result
<i>Complaints</i>			
<i>Injuries / incidents</i>			
<i>Level of compliance with event conditions</i>			

Comments
 As rated by Mat, Humfrey (CEO), Doug Elkins (Manager Engineering Services) and Andrew Jackson (Manager Development Services) at initial framework establishment on 7 July 2015.

Minor issues relate to activities taking place at venues without all parties being informed (road works, retic, catering, maintenance, beach closures, traffic management, etc.)

Current Issues / Actions / Treatments	Due Date	Responsibility

Failure of IT or communication systems and infrastructure

Nov-18

Instability, degradation of performance, or other failure of IT or communication system or infrastructure 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

- Networks

- Failures of IT Vendors

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

- Configuration management

- Performance Monitoring

This does not include new system implementations - refer "Inadequate Project / Change Management".

Potential causes include:

Weather impacts	Non-renewal of licences
Power outage on site or at service provider	Inadequate IT incident, problem management & Disaster Recovery Processes
Out-dated / inefficient hardware or software	Lack of training
Incompatibility between operating systems	Vulnerability to user error
Cyber crime and viruses	Failure of vendor

Controls	Type	Date	Town Rating
<i>Performance monitoring</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>IT infrastructure replacement / refresh program</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Analog phone system</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Maintenance program</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Virus protection</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Data back up systems</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate
<i>Disaster Recovery Plan</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate
<i>UPS</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate
<i>Vendor support (IT Vision)</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate

Overall Control Ratings:

Consequence Category	Risk Ratings	Town Rating
Service disruption	Consequence:	<i>Major</i>
	Likelihood:	<i>Unlikely</i>
Overall Risk Ratings:		Moderate

Indicators	Tolerance	Date	Overall Town Result
<i>System downtime</i>			
<i>Non-availability of network infrastructure during business hours</i>			
<i>Average outstanding Help Desk support requests</i>			

Comments

... July 2015.

Current Issues / Actions / Treatments	Due Date	Responsibility

Misconduct

Nov-18

Conduct of Elected Members or staff which circumvent endorsed policies, procedures, regulations 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
- Inappropriate use of plant, equipment or machinery
- Inappropriate use of social media or email
- Inappropriate behaviour at work.
- Purposeful sabotage

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

Potential causes include:

Inadequate training / induction	Greed, gambling or sense of entitlement
Misunderstanding of role or authority	Collusion between internal & external parties
Delegated authority process inadequately implemented	Password sharing
Disgruntled employees	Sharing of confidential information
Lack of internal checks	Low level of Supervisor or Management oversight
Covering up poor work performance	Believe they'll get away with it
Poor enforcement of policies and procedures	Perceived authority

Controls	Type	Date	Town Rating
<i>Delegation register - framework</i>	<i>Detective</i>	<i>Nov-18</i>	Effective
<i>Delegation control - Authority TRIM</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Asset stocktakes</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Segregation of duties (Financial)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>IT security access framework (profiles & passwords)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Induction process for Staff (Code of Conduct)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Induction process for Elected Members (Code of Conduct)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Governance framework (Audit & Risk Committee)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Procurement process (purchase order process)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Standard operating procedures (SOP's)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Police clearances</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Quarterly drivers licence checks</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Previous experience of theft and misconduct by staff</i>	<i>Detective/Preventative</i>	<i>Nov-18</i>	Effective
<i>Strong management culture (zero tolerance for misconduct)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Insurance for loss</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate

Overall Control Ratings:	Effective
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Consequence Category	Risk Ratings	Town Rating
Reputation/Finance	Consequence:	<i>Moderate</i>
	Likelihood:	<i>Possible</i>

Overall Risk Ratings:	Moderate
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Indicators	Tolerance
<i>Failed Audits</i>	
<i>SOP breaches</i>	
<i>Staff feedback - whistleblower</i>	
<i>Budget variances</i>	
<i>Suppliers not being paid or complaints from suppliers (not involved in collusion or bribery with staff)</i>	

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Workplace Cultural review early 2019</i>	<i>Jun-19</i>	<i>CEO</i>
<i>Developemnt and ongoing review of staff policies and procedures</i>	<i>Nov-19</i>	<i>CEO</i>

Inadequate Project / Change management

Nov-18

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

- Inadequate change management framework to manage and monitor change activities.
- Inadequate understanding of the impact of project change on the business.
- Failures in the transition of projects into standard operations.
- Failure to implement new systems
- Inadequate handover process

This does not include new plant & equipment purchases. Refer "Inadequate Asset Sustainability Practices"

Potential causes include:

Lack of communication and consultation	Excessive growth (too many projects)
Lack of investment	Inadequate monitoring and review
Ineffective management of expectations (scope creep)	Project risks not managed effectively
Inadequate project planning (resources/budget)	Lack of project methodology knowledge and reporting requirements
Failures of project Vendors/Contractors	

Controls	Type	Date	Town Rating
<i>Project Status Reporting</i>	<i>Detective</i>	<i>Nov-18</i>	Effective
<i>Project Management Framework (Based on PMBOK)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Risk assessments</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate

Overall Control Ratings:	Adequate
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Consequence Category	Risk Ratings	Town Rating
	Consequence:	<i>Major</i>
	Likelihood:	<i>Unlikely</i>

Overall Risk Ratings:	Moderate
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Indicators	Tolerance	Date	Overall Town Result
<i>Missed deadlines / milestones</i>			
<i>Budget overrun</i>			
<i>Failed objectives</i>			
<i>Deviations from the project scope</i>			

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility

Inadequate Safety and Security practices

Nov-18

Non-compliance with the Occupation Safety & Health Act, associated regulations and standards.
It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are: negligence or carelessness.

Potential causes include:

Lack of appropriate PPE / equipment	Inadequate signage, barriers or other exclusion techniques
Inadequate first aid supplies or trained first aiders	Poor storage and use of dangerous goods
Inadequate security protection measures in place for buildings, depots and other places of work	Ineffective / inadequate testing, sampling or other health-related requirements
Inadequate or unsafe modifications to plant & equipment	Lack of mandate and commitment from senior management
Inadequate policy, frameworks, systems and structure to prevent the injury of visitors, staff, contractors and/or tenants.	Inadequate organisational Emergency Management requirements (evacuation diagrams, drills, wardens etc).
Inadequate supervision or mentoring of staff	

Controls	Type	Date	Town Rating
<i>Hazard identification process & register</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Prestart checks</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Workplace inspections / Audits (Civic Centre)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Workplace inspections / Audits (external sites)</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Staff individual training plans</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>OSH management framework</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Contractor / site inductions</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Organisational Emergency Management framework</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Safe work practices (Safe Work Method Statements)</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Staff inductions</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Ensuring buildings meet Town and State mandated standards particularly where public safety is concerned</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>CCTV at selected sites</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Fitness for work protocol</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Provision of PPE</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Effective and resourced OSH Committee</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective

Overall Control Ratings: Adequate

Consequence Category	Risk Ratings	Town Rating
Health	Consequence:	<i>Catastrophic</i>
	Likelihood:	<i>Possible</i>
Overall Risk Ratings:		High

Indicators	Tolerance		
<i>4801 Audit Results</i>			
<i>Lost-time Injuries</i>			
<i>Near misses and incident</i>			
<i>Workers Compensation claims</i>			
<i>Feedback from toolbox and staff meetings</i>			
<i>Employee Liability claims</i>			
<i>Public Liability claims</i>			
<i>Repetition of identical issues</i>			
<i>Community feedback</i>			

Comments

Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Arrange an LGIS 4801 Audit</i>	<i>Ongoing</i>	<i>CEO</i>

Inadequate Supplier / Contract management

Nov-18

Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes. This also includes:

- Concentration issues
- Vendor sustainability

Potential causes include:

Insufficient funding	Inadequate contract management practices
Complexity and quantity of work	Ineffective monitoring of deliverables
Inadequate tendering process	Lack of planning and clarity of requirements
Contracts not renewed	Historical contracts remaining
Suppliers not willing to provide quotes	

Controls	Type	Date	Town Rating
<i>Council Report</i>	<i>Detective</i>	<i>Nov-18</i>	Effective
<i>Regular inspections of sites to monitor delivery of contracts</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Supplier / contractor review meetings</i>	<i>Detective</i>	<i>Nov-18</i>	Adequate
<i>Contract management system</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Adequate funding for service provision</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Legal advice</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Managerial oversight at contract establishment stage</i>	<i>Preventative</i>	<i>Nov-18</i>	Effective
<i>Multiple contractors used on large projects</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Ongoing reviews of supplier arrangements</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Tender / procurement management system</i>	<i>Preventative</i>	<i>Nov-18</i>	Adequate
<i>Contractor's insurance</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate
<i>Access to other LG contractors</i>	<i>Recovery</i>	<i>Nov-18</i>	Adequate

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

Consequence Category	Risk Ratings	Town Rating
Financial	Consequence:	<i>Minor</i>
	Likelihood:	<i>Rare</i>
Overall Risk Ratings:		Low

Indicators	Tolerance		
<i>Number of expired contracts not yet renewed</i>			
<i>Increased costs >CPI</i>			
<i>Customer complaints</i>			
<i>Quality of services provided</i>			
<i>Staff feedback</i>			

Comments

Examples of contracts entered into in which the supplier was not the cheapest were discussed with a view to incorporating appropriate justification for not using the cheapest supplier into the purchase order system.

Current Issues / Actions / Treatments	Due Date	Responsibility

Town of Cottesloe



Risk Management Governance Framework

Risk Management Policy

Risk Management Procedures

POLICY

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2. Policy..... 4

3. Definitions 4

4. Risk Management Objectives 5

5. Risk Appetite 5

6. Roles, Responsibility and Accountabilities..... 5

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APPENDIX ONE – RISK ASSESSMENT AND ACCEPTANCE CRITERIA

APPENDIX TWO – RISK ASSESSMENT AND ACCEPTANCE CRITERIA

APPENDIX THREE – RISK THEME DEFINITIONS

Introduction

The Policy and Procedures form the Risk Management Framework for the Town of Cottesloe (the Town). It sets out the Town’s approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on Australia/New Zealand Standard ISO 31000:2009 Risk Management.

It is essential that all areas of the Town adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations and internal policies.
- Integrated Planning and Reporting requirements are met.
- Uncertainty and its effects on objectives are understood.

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Town along with existing time, resource and workload pressures.

Further information or guidance on risk management procedures is available from LGIS Risk Management.

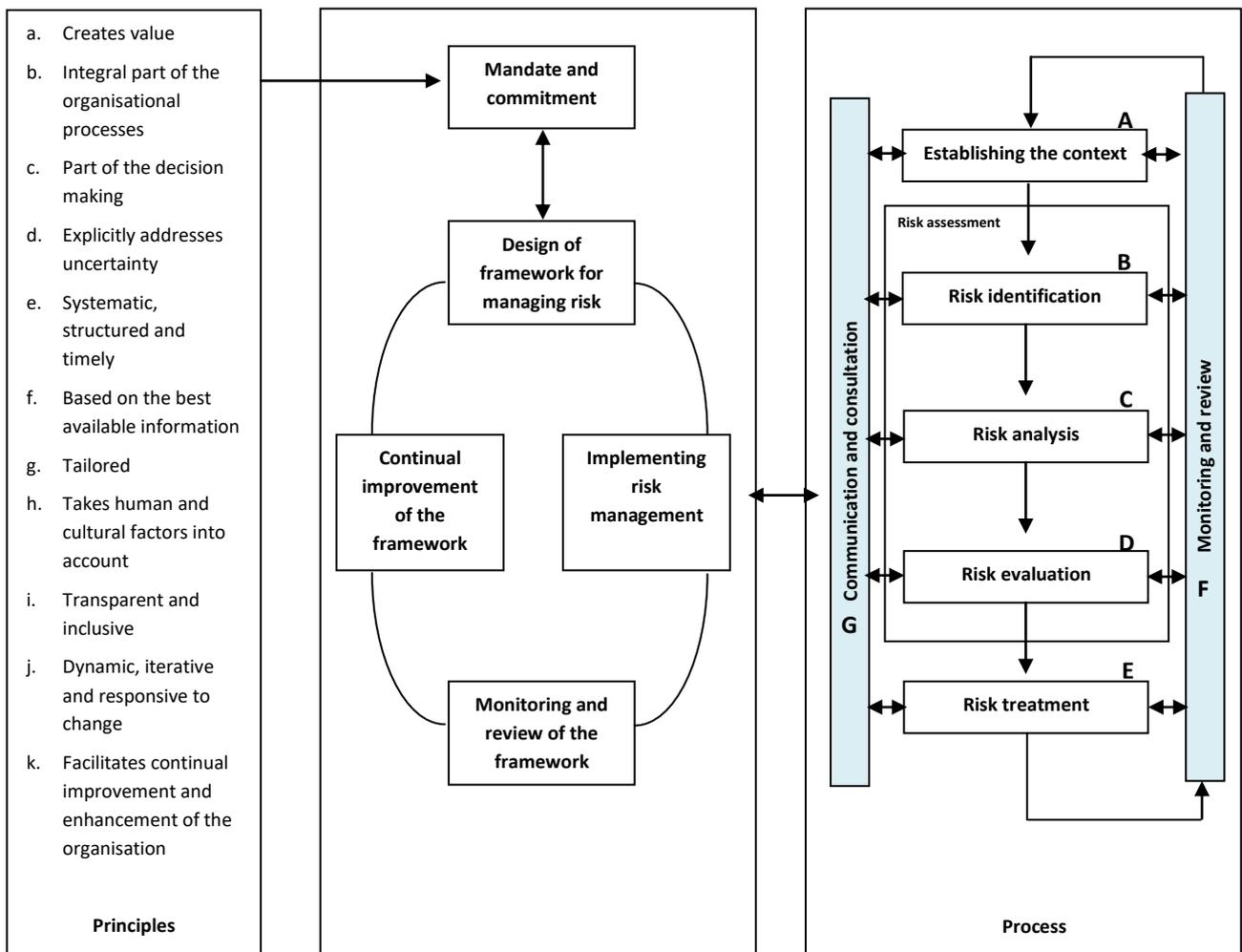


Figure 1: Risk Management Process (Source AS/NZS 31000:2009)

RISK MANAGEMENT

1. Purpose

The Town of Cottesloe’s (the Town) Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Town’s strategies, goals or objectives.

2. Policy

It is the Town’s Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Town, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Town’s Integrated Planning Framework.

The Town’s Management Team will determine and communicate the Risk Management Policy, Objectives and Procedures, as well as direct and monitor implementation, practice and performance.

Every employee, Councillor, volunteer and contractor within the Town is recognised as having a role in risk management, from the identification of risks, to implementing risk treatments and shall be invited and encouraged to participate in the process.

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

3. Definitions

‘risk’	Effect of uncertainty on objectives. Note 1: An effect is a deviation from the expected – positive or negative. Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation- wide, project, product or process).
‘risk management’	Coordinated activities to direct and control an organisation with regard to risk.
‘risk management process’	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

4. Risk Management Objectives

- Optimise the achievement of our vision, mission, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations

5. Risk Appetite

The Town defined its risk appetite through the development and endorsement of the Town’s Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.

All organisational risks to be reported at a corporate level are to be assessed according to the Town’s Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation’s appetite and are to be noted within the individual risk assessment and approved by a member of the Management Team.

6. Roles, Responsibility and Accountabilities

The Chief Executive Officer is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (Operational Document).

7. Monitor and Review

The Town will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by the Town’s Management Team and its employees. It will be formally reviewed by the Audit & Risk Committee biennially.

Adopted	23 November 2015
Expected date of review	

RISK MANAGEMENT POLICY – RISK MANAGEMENT PROCEDURES

1. Governance

Appropriate governance of risk management within the Town of Cottesloe (the Town) provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of risk management functions.
- An effective Governance Structure to support the risk framework.

1.1 Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness annually.

1.2 Operating Model

The Town has adopted a 'Three Lines of Defence' model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, Management and Community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate & Operational Plans.

First Line of Defence

All operational areas of the Town are considered '1st Line'. They are responsible for ensuring that risks within their scope of operations are identified, assessed, managed, monitored and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include:

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures).
- Undertaking adequate analysis (data capture) to support the decision-making process of risk.
- Prepare risk acceptance proposals where necessary, based on level of residual risk.
- Retain primary accountability for the ongoing management of their risk and control environment.

Second Line of Defence

The Manager Corporate & Community Services acts as the primary '2nd Line'. This position owns and manages the framework for risk management, drafts and implements governance procedures and provides the necessary tools and training to support the 1st line process. The Management Team supplement the second line of defence.

Maintaining oversight on the application of the framework provides a transparent view and level of assurance to the 1st & 3rd lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1st Line Teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required.
- Monitoring and reporting on emerging risks.
- Co-ordinating the Town's risk reporting for the Chief Executive Officer & Management Team and the Audit & Risk Committee.

Third Line of Defence

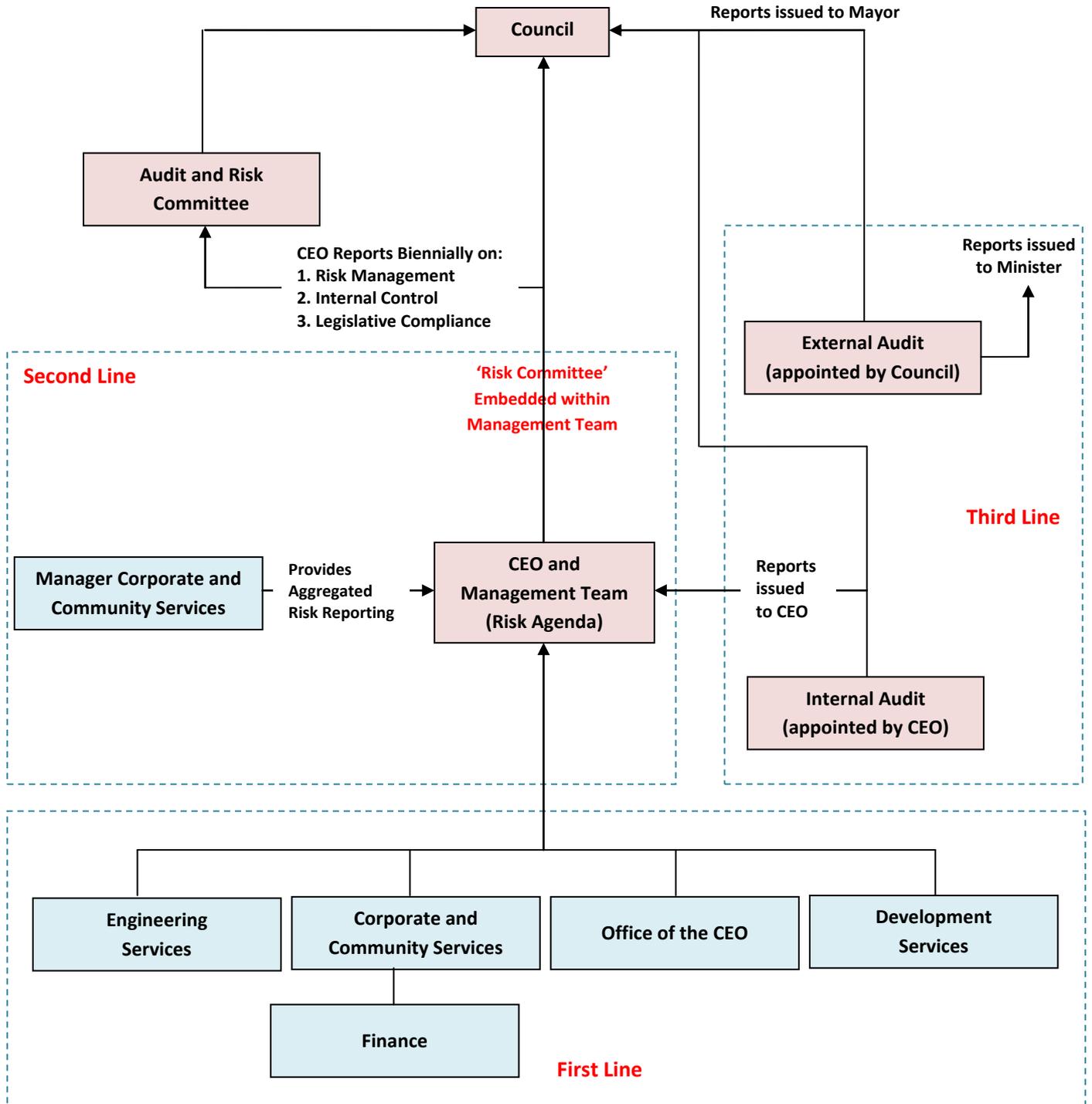
Internal & External Audit are the '3rd Line' of defence, providing assurance to the Council, Audit & Risk Committee and Town Management on the effectiveness of business operations and oversight frameworks (1st & 2nd Line).

Internal Audit – Appointed by the Chief Executive Officer to report on the adequacy and effectiveness of internal control processes and procedures. The scope of which would be determined by the Chief Executive Officers with input from the Audit & Risk Committee.

External Audit – Appointed by the Council on the recommendation of the Audit & Risk Committee to report independently to the Mayor and Chief Executive Officer on the annual financial statements only.

1.3 Governance Structure

The following diagram depicts the current operating structure for risk management within the Town.



1.4 Roles and Responsibilities

CEO / Audit and Risk Committee / Council

- Review and approve the Town's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Appoint / Engage External Auditors to report on financial statements annually.
- Establish and maintain an Audit & Risk Committee in terms of the Local Government Act.

Audit & Risk Committee

- Support Council in providing effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Independent, objective and autonomous in deliberations.
- Recommendations to Council on External Auditor appointments.

CEO / Management Team

- Liaise with Audit & Risk Committee in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of the Risk Management Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues and trends.
- Document decisions and actions arising from risk matters.
- Own and manage the Risk Profiles at Town Level.

Manager Corporate & Community Services

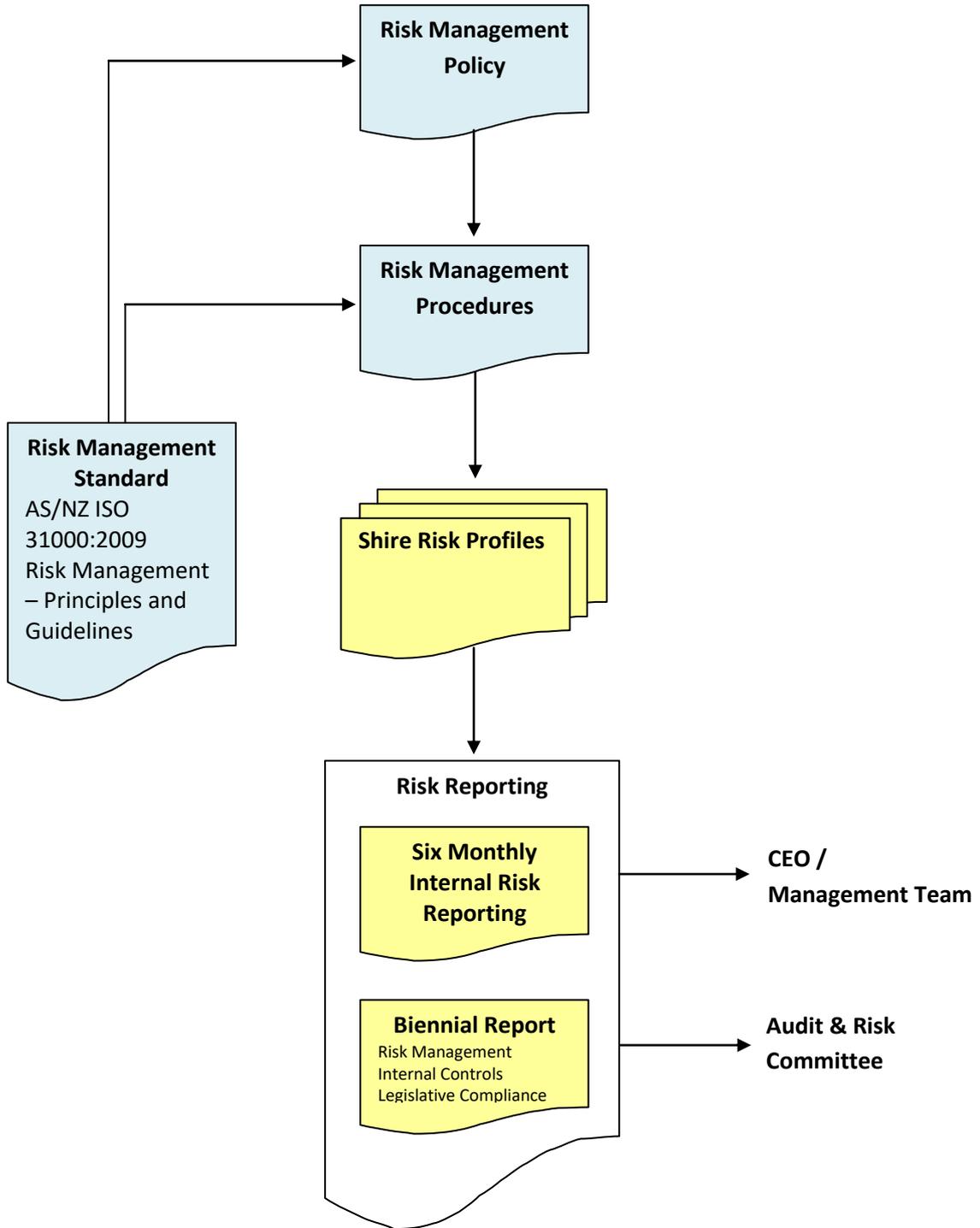
- Oversee and facilitate the Risk Management Framework.
- Support reporting requirements for risk matters.

Work Areas

- Drive risk management culture within work areas.
- Own, manage and report on specific risk issues as required.
- Assist in the Risk & Control Management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate 'Risk Management' into Management Meetings, by incorporating the following agenda items;
 - New or emerging risks.
 - Review existing risks.
 - Control adequacy.
 - Outstanding issues and actions.

1.5 Document Structure (Framework)

The following diagram depicts the relationship between the Risk Management Policy, Procedures and supporting documentation and reports.



2. Risk and Control Management

All Work Areas of the Town are required to assess and manage the Risk Profiles on an ongoing basis.

Each Manager, in conjunction with the Manager Corporate & Community Services is accountable for ensuring that Risk Profiles are:

- Reflective of the material risk landscape of the Town.
- Reviewed on at least a six monthly basis, or sooner if there has been a material restructure or change in the risk and control environment.
- Maintained in the standard format.

This process is supported by the use of data inputs, workshops and ongoing business engagement.

2.1 Risk and Control Assessment

To ensure alignment with AS/NZ ISO 31000:2009 Risk Management, the following approach is to be adopted from a Risk & Control Assessment perspective:

2.1.1 Establishing the Context

The first step in the risk management process is to understand the context within which the risks are to be assessed and what is being assessed, this forms two elements:

Organisational Context

The Town's Risk Management Procedures provide the basic information and guidance regarding the organisational context to conduct a risk assessment; this includes Risk Assessment and Acceptance Criteria (Appendix A) and any other tolerance tables as developed. In addition, existing Risk Themes are to be utilised (Appendix C) where possible to assist in the categorisation of related risks.

Any changes or additions to the Risk Themes must be approved by the Manager Corporate & Community Services and the CEO.

All risk assessments are to utilise these documents to allow consistent and comparable risk information to be developed and considered within planning and decision making processes.

Specific Risk Assessment Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process.

For risk assessment purposes the Town has been divided into three levels of risk assessment context:

1. Strategic Context

This constitutes the Town's external environment and high-level direction. Inputs to establishing the strategic risk assessment environment may include;

- Organisation’s Vision / Mission
- Stakeholder Analysis
- Environment Scan / SWOT Analysis
- Existing Strategies / Objectives / Goals

2. Operational Context

The Town’s day to day activities, functions, infrastructure and services. Prior to identifying operational risks, the operational area should identify its Key Activities for example, what is trying to be achieved. Note: these may already be documented in business plans, budgets etc.

3. Project Context

Project Risk has two main components:

- Direct refers to the risks that may arise as a result of project activity (for example, impacting on current or future process, resources or IT systems) which may prevent the Town from meeting its objectives
- Indirect refers to the risks which threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

2.1.2 Risk Identification

Using the specific risk assessment context as the foundation, and in conjunction with relevant stakeholders, answer the following questions, capture and review the information within each Risk Profile.

- What can go wrong? / What are areas of uncertainty? (Risk Description)
- How could this risk eventuate? (Potential Causes)
- What are the current measurable activities that mitigate this risk from eventuating? (Controls)
- What are the potential consequential outcomes of the risk eventuating? (Consequences)

2.1.3 Risk Analysis

To analyse the risks, the Town’s Risk Assessment and Acceptance Criteria (Appendix A) is applied:

- Based on the documented controls, analyse the risk in terms of Existing Control Ratings
- Determine relevant consequence categories and rate how bad it could be if the risk eventuated with existing controls in place (Consequence)
- Determine how likely it is that the risk will eventuate to the determined level of consequence with existing controls in place (Likelihood)
- By combining the measures of consequence and likelihood, determine the risk rating (Level of Risk)

2.1.4 Risk Evaluation

The Town is to verify the risk analysis and make a risk acceptance decision based on:

- Controls Assurance (for example, are the existing controls in use, effective, documented, up to date and relevant)

- Existing Control Rating
- Level of Risk
- Risk Acceptance Criteria (Appendix A)
- Risk versus Reward / Opportunity

The risk acceptance decision needs to be documented and acceptable risks are then subject to the monitor and review process. Note: Individual Risks or Issues may need to be escalated due to urgency, level of risk or systemic nature.

2.1.5 Risk Treatment

For unacceptable risks, determine treatment options that may improve existing controls and/or reduce consequence / likelihood to an acceptable level.

Risk treatments may involve actions such as avoid, share, transfer or reduce the risk with the treatment selection and implementation to be based on;

- Cost versus benefit
- Ease of implementation
- Alignment to organisational values / objectives

Once a treatment has been fully implemented, the Manager Corporate & Community Services is to review the risk information and acceptance decision with the treatment now noted as a control and those risks that are acceptable then become subject to the monitor and review process (Refer to Risk Acceptance section).

2.1.6 Monitoring and Review

The Town is to review all Risk Profiles at least on a six monthly basis or if triggered by one of the following;

- Changes to context
- A treatment is implemented
- An incident occurs or due to audit/regulator findings.

The Manager Corporate & Community Services is to monitor the status of risk treatment implementation and report on, if required.

The CEO & Management Team will monitor significant risks and treatment implementation as part of their normal agenda item on a quarterly basis with specific attention given to risks that meet any of the following criteria:

- Risks with a Level of Risk of High or Extreme
- Risks with Inadequate Existing Control Rating
- Risks with Consequence Rating of Extreme
- Risks with Likelihood Rating of Almost Certain

The design and focus of the Risk Summary report will be determined from time to time on the direction of the CEO & Management Team. They will also monitor the

effectiveness of the Risk Management Framework ensuring it is practical and appropriate to the Town.

2.1.7 Communication and Consultation

Throughout the risk management process, stakeholders will be identified, and where relevant, be involved in or informed of outputs from the risk management process.

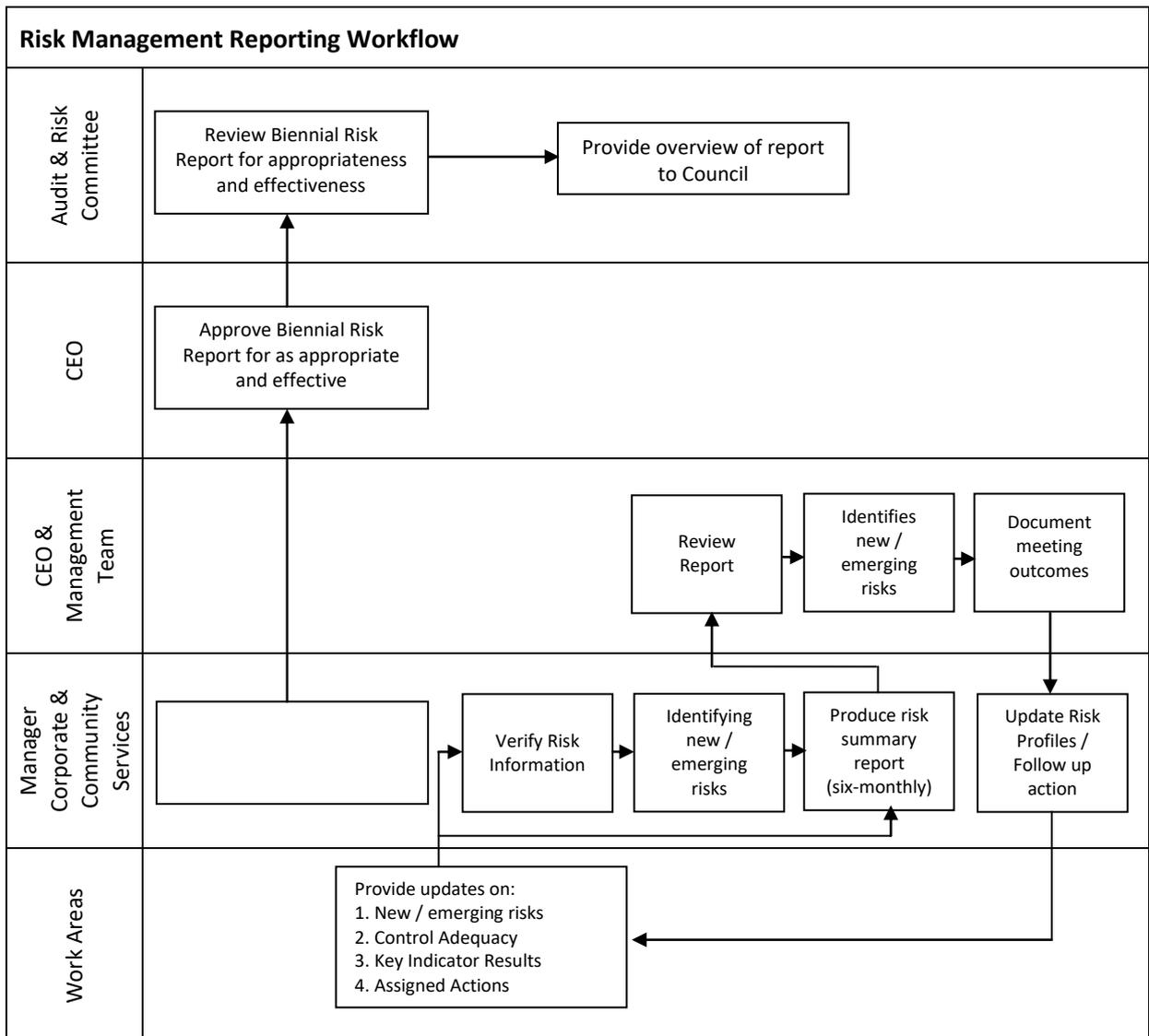
Risk management awareness and training will be provided to staff.

Risk management will be included within the employee induction process to ensure new employees are introduced to the Town’s risk management culture.

3. Reporting Requirements

3.1 Coverage and Frequency

The following diagram provides a high level view of the ongoing reporting process for Risk Management.



Each Work Area is responsible for ensuring:

- They continually provide updates in relation to new and emerging risks, control effectiveness and key indicator performance to the Manager Corporate & Community Services.
- Work through assigned actions and provide relevant updates to the Manager Corporate & Community Services.
- Risks / Issues reported to the CEO & Management Team are reflective of the current risk and control environment.

The Manager Corporate & Community Services is responsible for:

- Ensuring Town Risk Profiles are formally reviewed and updated, at least on a six monthly basis or when there has been a material restructure, change in risk ownership or change in the external environment.
- Producing a six-monthly Risk Report for the CEO & Management Team which contains an overview Risk Summary for the Town.
- Annual Compliance Audit Return completion and lodgement.

4. Indicators

Indicators are required to be used for monitoring and validating risks and controls. The following describes the process for the creation and reporting of Indicators:

4.1 Identification

The following represent the minimum standards when identifying appropriate Indicator risks and controls:

- The risk description and casual factors are fully understood
- The Indicator is fully relevant to the risk or control
- Predictive Indicators are adopted wherever possible
- Indicators provide adequate coverage over monitoring risks and controls

4.2 Validity of Source

In all cases an assessment of the data quality, integrity and frequency must be completed to ensure that the Indicator data is relevant to the risk or Control.

Where possible the source of the data (data owner) should be independent to the risk owner. Overlapping Indicators can be used to provide a level of assurance on data integrity.

If the data or source changes during the life of the Indicator, the data is required to be revalidated to ensure reporting of the Indicator against a consistent baseline.

4.3 Tolerances

Tolerances are set based on the Town's Risk Appetite. They may be set and agreed over three levels:

- Green – within appetite; no action required.
- Amber – the Indicator must be closely monitored and relevant actions set and implemented to bring the measure back within the green tolerance.

- Red – outside risk appetite; the Indicator must be escalated to the CEO & Management Team where appropriate management actions are to be set and implemented to bring the measure back within appetite.

4.4 Monitor and Review

All active Indicators are updated as per their stated frequency of the data source.

When monitoring and reviewing Indicators, the overall trend should be considered over a longer timeframe than individual data movements. The trend of the Indicators is specifically used as an input to the risk and control assessment.

5. Risk Acceptance

Day-to-day operational management decisions are generally managed under the delegated authority framework of the Town.

Risk Acceptance outside of the appetite framework is a management decision to accept, within authority levels, material risks which will remain outside appetite framework (refer Appendix A – Risk Assessment & Acceptance Criteria) for an extended period of time (generally 3 months or longer).

The following process is designed to provide a framework for those outside appetite framework identified risks.

The 'Risk Acceptance' must be in writing, signed by the relevant Manager and cover:

- A description of the risk.
- An assessment of the risk (for example, Impact consequence, materiality, likelihood, working assumptions etc.)
- Details of any mitigating action plans or treatment options in place
- An estimate of the expected remediation date.

A lack of budget / funding to remediate a material risk outside of appetite is not sufficient justification in itself to accept a risk.

Accepted risks must be continually reviewed through standard operating reporting structure (for example, Management Team)

6. Annual Control Assurance Plan

The annual assurance plan is a monitoring schedule prepared by the Executive Management Team that sets out the control assurance activities to be conducted over the next 12 months. This plan needs to consider the following components.

- Coverage of all risk classes (Strategic, Operational, Project)
- Existing control adequacy ratings across the Town's Risk Profiles.
- Consider control coverage across a range of risk themes (where commonality exists).
- Building profiles around material controls to assist in design and operating effectiveness reviews.

- Consideration to significant incidents.
- Nature of operations
- Additional or existing 2nd line assurance information / reviews (e.g. HR, Financial Services, IT)
- Frequency of monitoring / checks being performed
- Review and development of Key Indicators
- Timetable for assurance activities
- Reporting requirements

Whilst this document and subsequent actions are owned by the CEO, input and consultation will be sought from individual Work Areas.

APPENDIX ONE – RISK ASSESSMENT AND ACCEPTANCE CRITERIA

Town of Cottesloe Measures of Consequence

Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	Near-Miss or First Aid	Less than \$5,000	No material service interruption -backlog cleared < 6 hours	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or ‘no news’ item	Inconsequential damage.	Contained, reversible impact managed by on site response
Minor (2)	Medical type injuries	\$5,001 - \$15,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non-compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Lost time injury	\$15,001 - \$200,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Long-term disability / multiple injuries	\$200,001 - \$750,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Extreme (5)	Fatality, permanent disability	More than \$750,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment & building	Uncontained, irreversible impact

TOWN OF COTTESLOE POLICY

Town of Cottesloe Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in three years
2	Unlikely	The event could occur at some time	At least once in ten years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

Town of Cottesloe Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Extreme
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Town of Cottesloe Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operation Manager
MODERATE (5-9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operation Manager
HIGH (10-16)	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME (17-25)	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

Town of Cottesloe Existing Controls Rating		
Rating	Foreseeable	Description
Effective	There is little scope for improvement.	Processes (Controls) operating as intended and / or aligned to Policies and Procedures; are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.
Adequate	There is some scope for improvement.	Whilst some inadequacies have been identified; Processes (Controls) are in place, are being addressed / complied with and are subject to periodic review and testing.
Inadequate	A need for corrective and / or improvement actions exist.	Processes (Controls) not operating as intended, do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time.

APPENDIX TWO – RISK ASSESSMENT AND ACCEPTANCE CRITERIA

Risk Theme

The Risk Theme is defined as:

Definition of Theme

Potential causes include:

List of potential causes

Controls	Type	Date	Town Rating
<i>List of Key Controls</i>			

Overall Control Ratings	
--------------------------------	--

Consequence Category	Risk Ratings	Town Rating
	Consequence:	
	Likelihood:	

Overall Risk Ratings:	
------------------------------	--

Indicators	Tolerance	Date	Overall Town Result
<i>List of Key Indicators</i>			

Comments

Rationale for all above ratings

Current issues / actions / treatments	Date	Town Rating
<i>List current issues / actions / treatments</i>		

APPENDIX THREE – RISK THEME DEFINITIONS

1. Providing inaccurate Advice / Information

- Incomplete, inadequate or inaccuracies in professional advisory activities to customers or internal staff. This could be caused by using unqualified staff, however it does not include instances relating to Breach of Authority.

2. Inadequate Asset Sustainability practices

- Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads, playgrounds, boat ramps and all other assets and their associated lifecycle from procurement to maintenance and ultimate disposal. Areas included in the scope are;
 - Inadequate design (not fit for purpose)
 - Ineffective usage (down time)
 - Outputs not meeting expectations
 - Inadequate maintenance activities.
 - Inadequate financial management and planning.

It does not include issues with the inappropriate use of the Plant, Equipment or Machinery. Refer Misconduct.

3. Business and Community disruption

- Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal Shire business activities. The event may result in damage to buildings, property, plant and equipment (all assets). This could be a natural disaster, weather event, or an act carried out by an external party (including vandalism). This includes:
 - Lack of (or inadequate) emergency response / business continuity 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.
 - Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc.

This does not include disruptions due to IT Systems or infrastructure related failures - refer "Failure of IT and communication systems and infrastructure".

4. Failure to fulfil Compliance requirements

- Failures 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 increase 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 and public domain) to reflect changes.

This does not include Occupational Safety & Health Act (refer "Inadequate safety and security practices") or any Employment Practices based legislation (refer "Ineffective Employment practices")

It does include the Local Government Act, Health Act, Building Act, Privacy Act and all other legislative based obligations for Local Government.

5. Inadequate Document Management Processes

- Failure to adequately capture, store, archive, retrieve, provision and / or disposal of documentation. This includes:
 - Contact lists.
 - Procedural documents.
 - 'Application' proposals/documents.
 - Contracts.
 - Forms, requests or other documents.

6. Ineffective Employment practices

- Failure to effectively manage and lead human resources (full/part time, casuals, temporary and volunteers). This includes not having an effective Human Resources Framework in addition to not having appropriately qualified or experienced people in the right roles or not having sufficient staff numbers to achieve objectives. Other areas in this risk theme to consider are:
 - Breaching employee regulations (excluding OH&S)
 - Discrimination, Harassment & Bullying in the workplace
 - Poor employee wellbeing (causing stress)
 - 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 process inefficiencies.

7. Inadequate Engagement practices

- Failure to maintain effective working relationships with the Community (including Local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This invariably includes activities where communication, feedback and / or consultation is required and where it is in the best interests to do so. For example:
 - Following up on any access & inclusion issues.
 - Infrastructure Projects.
 - Regional or District Committee attendance.
 - Local Planning initiatives.
 - Strategic Planning initiatives

This does not include instances whereby Community expectations have not been met for standard service provisions such as Community Events, Library Services and / or Bus/Transport services.

8. Inadequate Environment management.

- Inadequate prevention, identification, enforcement and management of environmental issues. The scope includes:
 - Lack of adequate planning and management of coastal erosion issues.
 - Failure to identify and effectively manage contaminated sites (including groundwater usage).
 - Waste facilities (landfill / transfer stations).
 - Weed control.
 - Ineffective management of water sources (reclaimed, potable)
 - Illegal dumping / Illegal clearing / Illegal land use.

9. Errors, Omissions, Delays

- Errors, omissions or delays in operational activities 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 provided to customers
- This excludes process failures caused by inadequate / incomplete procedural documentation – refer “Inadequate Document Management Processes”.

10. External theft and fraud (including Cyber Crime)

- 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'.

11. Ineffective management of Facilities / Venues / Events

- 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 (for example, cleaning / maintenance)

12. Failure of IT and/or Communications Systems and Infrastructure

- 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 and/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 and Disaster Recovery Processes

This does not include new system implementations - refer "Inadequate Project / Change Management".

13. Misconduct

- 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 and External parties

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

14. Inadequate Project / Change Management

- Inadequate analysis, design, delivery and / or status reporting of 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 project change on the business.
 - Failures in the transition of projects into standard operations.
 - Failure to implement new systems

- Failures of IT Project Vendors/Contractors

15. Inadequate Safety and Security Practices

- Non-compliance with the Occupation Safety and Health Act, associated regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are:
 - Inadequate Policy, Frameworks, Systems and Structure to prevent the injury of visitors, staff, contractors and/or tenants.
 - Inadequate Organisational Emergency Management requirements (evacuation diagrams, drills, wardens etc).
 - 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.
 - Inadequate or unsafe modifications to plant and equipment.

16. Inadequate Supplier / Contract Management

- Inadequate management of External Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management and monitoring processes. This also includes:
 - Concentration issues
 - Vendor sustainability